

## Amended and Updated Programme Memorandum dated 8 February 2019



**NEDBANK LIMITED**

*(incorporated with limited liability under registration number 1951/000009/06 in the Republic of South Africa)*

### **ZAR15,000,000,000 STRUCTURED NOTE PROGRAMME**

Nedbank Limited ("**Issuer**" and "**Nedbank**") has established a ZAR15,000,000,000 Structured Note Programme ("**Programme**") under which the Issuer may, from time to time, issue notes of any kind (including, without limitation, structured notes such as Commodity Linked Notes, Equity Linked Notes, Currency Linked Notes, Inflation Linked Notes, Fund Linked Notes, Index Linked Notes and Credit Linked Notes) ("**notes**") pursuant to the Amended and Updated Programme Memorandum dated 13 July 2016 ("**Previous Programme Memorandum**").

The Previous Programme Memorandum was approved by the JSE Limited ("**JSE**") on 4 July 2016.

The Issuer has expanded the ambit of the Programme to include "**warrants**" (as defined in Section 19 of the JSE Main Board Listing Requirements) ("**Warrants**"), and amended and updated the Previous Programme Memorandum, on the basis set out in this amended and updated Programme Memorandum, dated 8 February 2019 ("**Programme Memorandum**"). Application has been made to the JSE for the registration and approval of this Programme Memorandum. This Programme Memorandum was registered and approved by the JSE on 4 February 2019.

Unless otherwise defined in this Programme Memorandum or, in relation to a Tranche of Notes, the Applicable Pricing Supplement, capitalised terms used in this Programme Memorandum shall bear the meanings ascribed to them in the section of this Programme Memorandum headed "**Terms and Conditions**" ("**Terms and Conditions**"). References in this Programme Memorandum to any Condition are to that Condition of the Terms and Conditions.

On and with effect from 8 February 2019 ("**Programme Date**"), this Programme Memorandum applies to all notes and Warrants (together, the "**Notes**") issued, under the Programme, pursuant to this Programme Memorandum, on and after the Programme Date.

On and with effect from the Programme Date, the sections of this Programme Memorandum headed "**Documents Incorporated by Reference**", "**Risk Factors**", "**Form of the Notes**", "**Description of the Issuer**", "**Financial Information**", "**Settlement, Clearing and Transfers of Notes**", "**Taxation**" and "**Exchange Control**" will supersede and replace the corresponding sections of the Previous Programme Memorandum in their entirety and, to this extent, update the Previous Programme Memorandum.

Subject to the paragraph above and all Applicable Laws (including, without limitation, the JSE Debt Listings Requirements), the Previous Programme Memorandum (including the section of the Previous Programme Memorandum headed "**Terms and Conditions**") will remain applicable to Existing Notes.

The Previous Programme Memorandum is available on the following website link: <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/debt-investor/debt-investors-programme.html>.

As at the Programme Date, the Programme Amount is ZAR15,000,000,000. The aggregate Outstanding Principal Amount of Notes (including Existing Notes) in issue under the Programme may not exceed ZAR15,000,000,000 unless such amount is increased by the Issuer as set out in the section of this Programme Memorandum (and the section of the Previous Programme Memorandum) headed "**General Description of the Programme**".

Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

The Issuer will, prior to the issue of a Tranche of Notes, complete an Applicable Pricing Supplement based on the *pro forma* Applicable Pricing Supplement set out in the section of this Programme Memorandum headed "**Pro Forma Applicable Pricing Supplement**".

A Tranche of Notes may comprise, without limitation, Commodity Linked Notes, Equity Linked Notes, Currency Linked Notes, Inflation Linked Notes, Fund Linked Notes, Index Linked Notes, Credit Linked Notes, Warrants (subject to the applicable provisions of the JSE Main Board Listings Requirements and Section 19 thereof) or such other type of Note as may be determined by the Issuer and the relevant Dealer/s and specified in the Applicable Pricing Supplement.

A Tranche of Notes may be listed on the Interest Rate Market of the JSE and/or on such other or additional Financial Exchange/s (including, subject to the applicable provisions of the JSE Main Board Listings Requirements and Section 19 thereof, the Main Board of the JSE) as may be determined by the Issuer and the relevant Dealer/s, subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if

so, on which Financial Exchange/s.

Unlisted Notes are not regulated by the JSE. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE. The holders of Notes (including Warrants) that are not listed on the Main Board of the JSE will have no recourse against the JSE.

The Programme is not rated. The Applicable Pricing Supplement will reflect the Rating which has been assigned to the Issuer as well as the Rating Agency or Rating Agencies which assigned such Rating. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating, if any, which has been assigned to a Tranche of Notes, as well as the Rating Agency or Rating Agencies which assigned such Rating or Ratings. The Issuer will procure that any change to the Rating of the Issuer and/or a Tranche of Notes that occurs after the Programme Date is announced on SENS.

***Prospective investors in the Notes should pay particular attention to the section of this Programme Memorandum headed "Risk Factors".***

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

**Arranger, Debt Sponsor and Dealer:**

**Nedbank Limited, acting through its Corporate and Investment Banking division**



**Legal Advisers to the Issuer and the Arranger:**

**Cliffe Dekker Hofmeyr Inc.**



## GENERAL NOTICE

*References in this section headed "General Notice" to the Issuer, the Debt Sponsor and the Arranger are to Nedbank Limited in its respective capacities as Issuer, Debt Sponsor and Arranger. References in this section headed "General Notice" to the Dealer/s include Nedbank Limited in its capacity as Dealer.*

The Issuer certifies that, to the best of its knowledge and belief, there are no facts that have been omitted which would make any statement contained in this Programme Memorandum false or misleading, that all reasonable enquiries to ascertain such facts have been made, and that this Programme Memorandum contains or incorporates by reference (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*") all information required by the JSE Debt Listings Requirements and all other Applicable Laws.

The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, each Applicable Pricing Supplement, the annual financial statements of the Issuer, the "Nedbank Limited Annual Reports" ("**Annual Reports**") and any amendments or supplements to the aforementioned documents, except as otherwise stated therein.

The Issuer, having made all reasonable enquiries, confirms that this Programme Memorandum contains or incorporates by reference (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*") all information that is material in the context of the issue and the offering of Notes, that the information contained in (or incorporated by reference into) this Programme Memorandum as at the Programme Date is not misleading and that the opinions expressed in this Programme Memorandum are honestly held.

The JSE takes no responsibility for the contents of this Programme Memorandum, each Applicable Pricing Supplement, the annual financial statements of the Issuer, the Annual Reports and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of this Programme Memorandum, each Applicable Pricing Supplement, the annual financial statements of the Issuer, the Annual Reports and any amendments or supplements to the aforementioned documents, and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the Programme Memorandum and listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

The Issuer makes no representation or warranties as to the settlement procedures of the Central Securities Depository or the JSE or any other Financial Exchange.

Settlement of a Tranche of Notes may be by way of cash settlement or physical settlement, as specified in the Applicable Pricing Supplement, or by way of such other form of settlement as is specified in the Applicable Pricing Supplement. The Issuer (and not the JSE or any other Financial Exchange) is responsible for settlement of a Tranche of Notes. The Central Securities Depository is not involved in settlement of a Tranche of Notes by way of physical settlement, and physical settlement will be performed outside of the Central Securities Depository directly between the Issuer and the relevant Noteholders.

This Programme Memorandum must be read in conjunction with all documents which are incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*"). This Programme Memorandum must be read and construed on the basis that such documents are incorporated into and form part of this Programme Memorandum.

No person is authorised to give any information or to make any representation other than those contained in or consistent with this Programme Memorandum. If any such information is given or representation is made, it must not be relied upon as having been authorised by the Issuer, the JSE, the Debt Sponsor, the Arranger, the Dealer/s or any of their respective Affiliates and advisers.

Neither the delivery of this Programme Memorandum nor any offer, sale, allotment or solicitation made in connection with the offering of the Notes shall, in any circumstances, create any implication or constitute any representation that there has been no change in the affairs of the Issuer since the Programme Date or that the information contained in or incorporated by reference into this Programme Memorandum is correct at any time subsequent to the date of the document containing such information.

Neither the JSE nor the Debt Sponsor nor the Arranger nor the Dealer/s nor their respective Affiliates and advisers have separately verified the information contained in or incorporated by reference into this Programme Memorandum. No representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the JSE, the Debt Sponsor, the Arranger, the Dealer/s or their respective Affiliates and advisers as to the accuracy or completeness of the information contained in or incorporated by reference into this Programme Memorandum or any other information provided by the Issuer in connection with the Programme or the Notes.

Each person receiving this Programme Memorandum acknowledges that such person has not relied on the JSE, the Debt Sponsor, the Arranger the Dealer/s or any of their respective Affiliates and advisers in connection with its investigation of the accuracy of such information or its investment decision. Neither the JSE nor the Debt Sponsor nor the Arranger nor the Dealer/s nor their respective Affiliates and advisers accept any liability in relation to the information contained in (or incorporated by reference into) this Programme Memorandum or any other information provided by the Issuer in connection with the Programme or the Notes.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme and/or the Notes is intended to provide the basis of any credit or other evaluation, or should be considered as a recommendation or a statement of opinion, or a report of either of those things, by the JSE, the Issuer, the Debt Sponsor, the Arranger or the Dealer/s that any recipient of this Programme Memorandum or any other information supplied in connection with the Programme and/or the Notes, should purchase any Notes.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the terms of the offering and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, the extent of its exposure to risk (see the section of this Programme Memorandum headed "*Risk Factors*") and any other factors which may be relevant to it in connection with such investment.

Neither the JSE nor the Debt Sponsor nor the Arranger nor the Dealer/s undertake to review the financial condition or affairs of the Issuer or to advise any investor or potential investor in the Notes of any information coming to the attention of the JSE, the Debt Sponsor, the Arranger or the Dealer/s.

Neither this Programme Memorandum nor any Applicable Pricing Supplement nor any other information supplied in connection with the Programme and/or the Notes constitutes an offer or an invitation by or on behalf of the Issuer, the Debt Sponsor, the Arranger or the Dealer/s to any person to subscribe for or to purchase or otherwise deal in any Notes.

The distribution of this Programme Memorandum and/or any Applicable Pricing Supplement and the issue, offering or sale of Notes in certain jurisdictions may be restricted by law. In particular, there are restrictions on the distribution of this Programme Memorandum and/or any Applicable Pricing Supplement and the offer or sale or subscription of Notes in the United States of America, the European Economic Area, the United Kingdom and South Africa. For a description of certain restrictions on offers, sales and subscriptions of Notes and on the distribution of this Programme Memorandum and/or any Applicable Pricing Supplement and other offering material relating to the Programme and/or the Notes, see the section of this Programme Memorandum headed "*Subscription and Sale*" under "*Selling Restrictions*".

Neither the Issuer nor the Debt Sponsor nor the Arranger nor the Dealer/s represent that this Programme Memorandum and/or any Applicable Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, subscribed for or sold, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution, offering, subscription or sale.

In particular, save for obtaining the registration and approval of this Programme Memorandum by the JSE, no action has been taken by the Issuer, the Debt Sponsor, the Arranger or the Dealer/s which would permit a public offering of any Notes or a distribution of this Programme Memorandum and/or any Applicable Pricing Supplement in any jurisdiction where action for that purpose is required.

The Notes may not be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any Applicable Pricing Supplement nor any advertisement or other offering material relating to the Programme and/or the Notes may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all Applicable Laws and regulations.

Neither this Programme Memorandum nor any Applicable Pricing Supplement are for distribution in, and do not constitute an offer of Notes for sale or subscription in, the United States of America or in any other jurisdiction in which such a distribution or such offer for sale or subscription would be unlawful or would require qualification or registration. It is the responsibility of any person wishing to subscribe for or purchase Notes to satisfy himself as to the full observance of the laws of the relevant jurisdiction.

***The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended ("Securities Act"). The Notes may not be offered or sold in the United States of America or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the US Securities Act.***

Persons into whose possession this Programme Memorandum and/or any Applicable Pricing Supplement comes are

required by the Issuer, the Debt Sponsor, the Arranger and the Dealer/s to comply with all Applicable Laws and regulations in each country or jurisdiction in which they subscribe for, purchase, offer, sell, transfer or deliver Notes or have in their possession or distribute this Programme Memorandum and/or any Applicable Pricing Supplement and to obtain any consent, approval or permission required by them for the subscription, purchase, offer, sale, transfer or delivery by them of any Notes under the law and regulations in force in any country or jurisdiction to which they are subject or in which they make such subscriptions, purchases, offers, sales, transfers or deliveries, in all cases at their own expense, and none of the Issuer, the Debt Sponsor, the Sponsor, the Arranger or the Dealer/s shall have responsibility therefor.

Any Notes purchased or subscribed for by any person who wishes to offer such Notes for sale or resale may not be offered in any country or jurisdiction in circumstances which would result in the Issuer being obliged to register this Programme Memorandum or any further prospectus or corresponding document relating to the Notes in such country or jurisdiction.

In connection with the issue and placing of any Tranche of Notes, the Issuer or the Dealer (if any) who is designated in the Applicable Pricing Supplement as the approved stabilisation manager ("**Stabilisation Manager**") may, to the extent permitted by and in accordance with Applicable Laws and subject to the approval of the JSE, over-allot or effect transactions with a view to supporting the market price of Notes in the same Series as that Tranche of Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising must be carried out in accordance with all Applicable Laws.

The price/yield and amount of a Tranche of Notes will be determined by the Issuer and the relevant Dealer/s at the time of issue in accordance with prevailing market conditions.

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## DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into, and form part of, this Programme Memorandum:

- a) the respective audited annual financial statements of the Issuer for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017, which include the independent auditor's reports in respect of such annual financial statements;
- b) the respective audited annual financial statements of the Issuer for all financial years after the Programme Date, which will include the independent auditor's reports in respect of such annual financial statements;
- c) the audited interim financial statements of the Issuer for the 6-month period ended 30 June 2018;
- d) where prepared, the respective audited interim financial statements of the Issuer for each six-month period falling in all financial years after the Programme Date;
- e) the respective "Nedbank Limited Annual Reports" (each an "**Annual Report**") of Nedbank Limited for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017;
- f) the respective Annual Reports of Nedbank Limited for all financial years after the Programme Date;
- g) the respective "Nedbank Group Limited Integrated Reports" (each, an "**Integrated Report**") of Nedbank Group Limited ("**Nedbank Group**") and its consolidated subsidiaries for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017;
- h) the respective Integrated Reports of Nedbank Group and its consolidated subsidiaries for all financial years after the Programme Date;
- i) all information pertaining to Group compliance with the King IV Code on Corporate Governance, as updated and/or amended from time to time ("**King IV**") which is posted on the Nedbank Website Links (as defined below) or substantially similar Nedbank website links;
- j) each Applicable Pricing Supplement relating to a Tranche of Notes which is listed on the Interest Rate Market of the JSE (or any other separate platform, board or sub-market of the JSE) ("**JSE-listed Applicable Pricing Supplement**");
- k) each supplement to this Programme Memorandum circulated by the Issuer from time to time;
- l) all information pertaining to the Issuer and/or Nedbank Group which is relevant to the Programme and/or this Programme Memorandum which is (i) electronically submitted by the JSE Stock Exchange News Service ("**SENS**") to SENS subscribers and/or (ii) available on any electronic news service established or used or required by the JSE,

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

The constitutional documents of the Issuer are available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer.

This Programme Memorandum is available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). Each supplement to this Programme Memorandum and each JSE-listed Applicable Pricing Supplement will (as and when such documents are approved and become available) be available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). For as long as this Programme Memorandum remains registered with the JSE, this Programme Memorandum, each supplement to this Programme Memorandum and each JSE-listed Applicable Pricing Supplement are also available (or will also be available) on the following website link: <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/debt-investor/debt-investors-programme.html>.

For as long as this Programme Memorandum remains registered with the JSE, this Programme Memorandum, each



supplement to this Programme Memorandum and each JSE-listed Applicable Pricing Supplement will be available on the JSE's website at [www.jse.co.za](http://www.jse.co.za).

The annual financial statements, interim financial statements, Annual Reports and Integrated Reports listed in paragraphs (a), (c), (e) and (g) above are available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, these annual financial statements, interim financial statements, Annual Reports and Integrated Report are available on the following website links:

- a) <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/integrated-reporting.html>;
- b) <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/financial-results.html>;
- c) <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/other-group-companies/nedbank-limited.html> (certain historic Nedbank Limited information).

The annual financial statements, interim financial statements, Annual Reports and Integrated Reports listed in paragraphs (b), (d), (f) and (h) above will (as and when such annual financial statements, interim financial statements, Annual Reports and Integrated Reports are approved and become available) be available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, these annual financial statements, interim financial statements, Annual Reports and Integrated Reports will (as and when such annual financial statements, interim financial statements, Annual Reports and Integrated Reports are approved and become available) be available on the website links described in the paragraph above.

The King IV information listed in paragraph (i) above is available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, the King IV information listed in paragraph (i) above is available on the website links described below (together, the "**Nedbank Website Links**") (or will be available, where any of such information is updated after the Programme Date, on the Nedbank Website Links or substantially similar Nedbank website links):

- a) <https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2017/2017%20Nedbank%20Group%20King%20IV%20Principles.pdf>;
- b) <https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2017/2017%20Governance%20and%20Ethics%20Review.pdf>.

The Issuer will, for as long as this Programme Memorandum remains registered with the JSE, review this Programme Memorandum, on an annual basis following each anniversary of the Programme Date, to consider if any of the information contained in this Programme Memorandum in relation to the Issuer, but expressly excluding the Terms and Conditions, is outdated in a material respect.

If, following such review, the Issuer determines that any of the information contained in this Programme Memorandum in relation to the Issuer, but expressly excluding the Terms and Conditions, is outdated in a material respect, the Issuer shall procure that this Programme Memorandum is updated as set out in the penultimate paragraph below.

No update of any information which has been incorporated by reference into this Programme Memorandum (see the 1<sup>st</sup> paragraph, and the proviso thereto, above) will require an update of this Programme Memorandum; provided that the Issuer will procure that a SENS announcement is released which notifies the Noteholders of the update of information which has been incorporated by reference into this Programme Memorandum and where such updated information is available.

The required updates to this Programme Memorandum will be provided for in a new Programme Memorandum or a supplement to this Programme Memorandum, as the case may be. All such updates must be approved by the JSE. The Issuer will procure that a SENS announcement is released which contains a summary of such updates and a statement that the new Programme Memorandum or the supplement to this Programme Memorandum, as the case may be, containing such updates will be available for inspection on the following website link: <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/debt-investor/debt-investors-programme.html>.



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

## GENERAL DESCRIPTION OF THE PROGRAMME

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

### ISSUE

The Issuer may, at any time and from time to time (without the consent of any Noteholder), issue one or more Tranches of Notes (denominated in the Specified Currency) under the Programme, pursuant to this Programme Memorandum, provided that the aggregate Outstanding Principal Amount of all of the Notes (including Existing Notes) in issue under the Programme from time to time does not exceed the Programme Amount.

Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Applicable Terms and Conditions. The Issuer will, prior to the issue of a Tranche of Notes, complete an Applicable Pricing Supplement based on the *pro forma* Applicable Pricing Supplement set out in the section of this Programme Memorandum headed "*Pro Forma Applicable Pricing Supplement*".

A Tranche of Notes may comprise, without limitation, Commodity Linked Notes, Equity Linked Notes, Currency Linked Notes, Inflation Linked Notes, Fund Linked Notes, Index Linked Notes, Credit Linked Notes, Warrants (subject to the applicable provisions of the JSE Main Board Listings Requirements and Section 19 thereof) or such other type of Note as may be determined by the Issuer and the relevant Dealer/s and specified in the Applicable Pricing Supplement.

The additional provisions relating to the issue of a Tranche of Warrants (as contemplated in the applicable provisions of the JSE Main Board Listings Requirements and Section 19 thereof) will be set out in an annexure to the Applicable Pricing Supplement relating to that Tranche of Warrants and/or in a supplement to this Programme Memorandum prior to the Issue Date of the first Tranche of Warrants to be issued under the Programme.

### SETTLEMENT OF NOTES

Settlement of a Tranche of Notes may be by way of cash settlement or physical settlement, as specified in the Applicable Pricing Supplement, or by way of such other form of settlement as is specified in the Applicable Pricing Supplement.

### LISTING

A Tranche of Notes may be listed on the Interest Rate Market of the JSE and/or on such other or additional Financial Exchange/s (including, subject to the applicable provisions of the JSE Main Board Listings Requirements and Section 19 thereof, the Main Board of the JSE) as may be determined by the Issuer and the relevant Dealer/s, subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange/s.

A Tranche of Warrants will be, and any other Tranche of Notes may be, listed on the Main Board of the JSE. Where a Tranche of Notes is to be listed on the Main Board of the JSE, the provisions of the JSE Main Board Listings Requirements relating to the listing of that Tranche of Notes on the Main Board of the JSE, will be set out in an annexure to the Applicable Pricing Supplement relating to that Tranche of Notes and/or in a supplement to this Programme Memorandum prior to the Issue Date of the first Tranche of such Notes to be issued under the Programme.

Unlisted Notes are not regulated by the JSE. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE. The holders of Notes (including Warrants) that are not listed on the Main Board of the JSE will have no recourse against the JSE.

A copy of the signed Applicable Pricing Supplement relating to a Tranche of Notes which is to be listed on the Interest Rate Market of the JSE or on the Main Board of the JSE, as the case may be, will be delivered to the JSE and the Central Securities Depository, before the Issue Date, and the Notes in that Tranche may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement, in accordance with the Applicable Procedures.

Where the listing of a Tranche of Notes on the Interest Rate Market of the JSE or the Main Board of the JSE, as the case may be, has been approved by the JSE, the granting of such listing will be announced by the Issuer on SENS by no later than the close of business on the day preceding the Issue Date.

The settlement of trades in Uncertificated Notes will take place in accordance with the electronic settlement procedures of the JSE and the Central Securities Depository.

The settlement and redemption procedures for a Tranche of Notes which is listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE or the Main Board of the JSE, as the case may be, will be specified in the Applicable Pricing Supplement.

#### **PROGRAMME AMOUNT**

As at the Programme Date, the Programme Amount is ZAR15,000,000,000. The aggregate Outstanding Principal Amount of Notes (including Existing Notes) in issue under the Programme may not exceed ZAR15,000,000,000, unless such amount is increased by the Issuer as set out below (and as set out in the section of the Previous Programme Memorandum headed "*General Description of the Programme*").

For the purpose of calculating the aggregate Outstanding Principal Amount of all Notes (including Existing Linked Notes) in issue under the Programme, pursuant to this Programme Memorandum, from time to time:

- a) the ZAR equivalent of a Tranche of Notes denominated in any Specified Currency other than ZAR shall be determined, at or about the time at which a Subscription Agreement is entered into between the Issuer and the relevant Dealer/s for the issue and placing of that Tranche of Notes (or where no such Subscription Agreement is entered into, at or about the time of placing that Tranche of Notes), on the basis of the spot rate at such time for the sale of such ZAR amount against the purchase of such other Specified Currency in the Johannesburg inter-bank foreign exchange market, as quoted by any leading bank selected by the Issuer;
- b) the ZAR equivalent of a Tranche of Notes in respect of which the Redemption Amount is calculated by reference to an index and/or a formula (as indicated in the Applicable Pricing Supplement) shall be calculated *mutatis mutandis* in accordance with paragraph (a) above, with reference to the aggregate Principal Amount of that Tranche of Notes (regardless of the Issue Price of that Tranche of Notes);
- c) the ZAR equivalent of a Tranche of Zero Coupon Notes (or any other Tranche of Notes issued at a discount or a premium) shall be calculated *mutatis mutandis* in accordance with paragraph (a) above, with reference to the Issue Price of that Tranche of Zero Coupon Notes.

From time to time the Issuer may elect to increase the Programme Amount. Subject to the Applicable Procedures and all Applicable Laws, the Issuer may, without the consent of any Noteholder, increase the Programme Amount. Upon notice of the increase in the Programme Amount having been given to the Noteholders in accordance with Condition 17 (*Notices*), all references in this Programme Memorandum (and each agreement, deed or document relating to the Programme and/or this Programme Memorandum) to the Programme Amount will be, and will be deemed to be, references to the Programme Amount as so increased.

#### **RATING**

The Programme is not rated. The Applicable Pricing Supplement will reflect the Rating which has been assigned to the Issuer as well as the Rating Agency or Rating Agencies which assigned such Rating. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating, if any, which has been assigned to a Tranche of Notes, as well as the Rating Agency or Rating Agencies which assigned such Rating or Ratings. The Issuer will procure that any change to the Rating of the Issuer and/or a Tranche of Notes that occurs after the Programme Date is announced on SENS.

#### **RISK FACTORS**

Investing in the Notes involves certain risks (see the section of this Programme Memorandum headed "*Risk Factors*").

## RISK FACTORS

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

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts under any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information available to it as at the Programme Date, or which it may not be able to anticipate. All of these investment considerations are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*The Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. The information set out below is not intended as advice and does not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes.*

*Prospective investors in any Notes should also read the information set out elsewhere in this Programme Memorandum (including all documents incorporated by reference into this Programme Memorandum) and, in relation to a Tranche of Notes, the Applicable Pricing Supplement, and consult their own financial, tax and legal advisers as to the risks and investment considerations arising from an investment in the Notes, the appropriate tools to analyse such an investment, and the suitability of such an investment in the context of the particular circumstances of each investor.*

*Potential investors in any Notes should ensure that they fully understand the nature of the Notes and the extent of their exposure to risks, and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial position. The Notes are specialist securities. Potential investors should be aware that specialist securities involve a high degree of risk, including the risk of losing some or a significant part of their initial investment. Potential investors in Notes should be prepared to sustain a total loss of their investment in such Notes. The Notes represent general, unsecured, unsubordinated, contractual obligations of the Issuer and rank pari passu in all respects with each other. Potential investors in Notes are reminded that the Notes constitute obligations of the Issuer only and of no other person. Therefore, potential investors in Notes should understand that they are relying on the credit worthiness of the Issuer.*

### RISKS RELATING TO THE ISSUER

#### Documents incorporated by reference

A description of Nedbank Group, the Issuer and their businesses is set out in the Integrated Report of Nedbank Group and its consolidated subsidiaries for the financial year ended 31 December 2017 ("**2017 Integrated Report**").

Further information on Issuer-specific risks is set out in the section of the 2017 Integrated Report headed "*MANAGING RISK STRATEGICALLY*" on pages 48 to 50 inclusive of the 2017 Integrated Report.

The 2017 Integrated Report is incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*") and is available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer. In addition, the 2017 Integrated Report is available on the following website links:

- a) <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/integrated-reporting.html>;
- b) <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/financial-results.html>.

The description of Issuer-specific risks may be updated from time to time in the Integrated Reports of Nedbank Group and its consolidated subsidiaries for all financial years after the Programme Date. These Integrated Reports are incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*"). These Integrated Reports will (as and when such Integrated Reports are approved and become available) be available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, these Integrated Reports will (as and when such Integrated Reports are approved and become available) be available on the website links described

in the paragraph above.

### **Risk management**

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

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

### **Concentration risk**

The Issuer's business is 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 the results of its operations.

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

### **Competitive landscape**

The Issuer is subject to significant competition from other major 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.

### **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 (particularly in relation to retail loans) which could have an adverse effect on its financial condition and results of operations. This is a sector-wide risk that is not isolated to the Issuer.

### **Failure of systems and breaches of 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 its 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 client's confidential information wrongfully which could expose it 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.

### **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.

### **Terrorist acts**

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.

### **Legal, regulatory and tax risk**

The Issuer's business in South Africa is highly regulated. Regulatory agencies have broad jurisdiction over many aspects of the Issuer's business, including capital adequacy, prudential and liquidity requirements (see "*The Basel III Accord and Capital Adequacy*" 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 Basel III Accord and Capital Adequacy*" 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 past or future economic crisis's or the effect any such changes would have on the Issuer and its business.

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.

### **Exchange control**

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which the South African Government ("**Government**") may further relax such exchange controls cannot be predicted with certainty. 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. Because South Africa has a fully floating exchange rate and a flexible interest rate policy, this could result in a rapid depreciation of the Rand exchange



rate which could serve to stem the flight and could also result in an increase in interest rates due to the depreciation of the Rand.

### **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 a similar crisis, 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. Further, 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 writedowns of its investments and loan impairment provisions. This would impact the Issuer's financial performance.

## **THE BASEL III ACCORD AND CAPITAL ADEQUACY**

### **General**

Basel III provides, among other things, for 3 "tiers" of Regulatory 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 (see "*South African implementation of Basel III*" below).

The International BCBS Basel III quantitative impact studies ("**QIS**") enable selected banks to report figures to enable the Basel Committee on Banking Supervision ("**BCBS**") to assess the impact of Basel III. These QIS reports are submitted on a bi-annual basis. The Issuer has participated fully in the QIS process.

### **Circulars, guidance notes and directives**

Regulations 38(11)(b) and 38(12) of the Regulations Relating to Banks have adopted the language of the Basel III Accord and this has led to a number of uncertainties (see "*South African implementation of Basel III*" – "*Uncertainties*" below).

The Prudential Authority has endeavoured to address these uncertainties by issuing, on a periodic basis, circulars, guidance notes and directives in terms of section 6 of the Banks Act (see "*South African implementation of Basel III*" – "*Uncertainties*" below).

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

The main changes under Basel III are summarised as follows:

- Basel III provides for tighter definitions of what constitutes acceptable regulatory capital. Basel III places enhanced emphasis on the consistency and quality of capital and on curtailing, among other things, liquidity risk. From a capital perspective the most heavily impacted banks are likely to be those with relatively large capital market businesses, particularly trading activities, complex securitisations, over-the-counter derivatives (counterparty credit risk) and securities lending.
- Basel III allocates a higher regulatory capital value to shareholders' equity than to subordinated loss-absorbing debt, preference shares and hybrid capital. For example, it is expected that tier 2 capital will be allowed to constitute less than the current 33% of a bank's overall capital.
- Basel III has introduced two new buffers: a capital conservation buffer of 2.5% (if a bank's capital adequacy ratios fall below the minimum required ratio, including this buffer, the bank will be subject to dividend and bonus restrictions) and a countercyclical buffer that ranges between 0% and 2.5%, depending on whether the rate of credit extension exceeds the growth of the real economy. These buffers are due to be phased in from 2016, but market expectations could lead to earlier compliance.
- Basel III provides for a new maximum leverage ratio.
- Basel III has introduced two new minimum liquidity standards – the liquidity coverage ratio ("**LCR**") and the net stable funding ratio ("**NSFR**"). From a liquidity perspective many banks, domestic and foreign, were able to meet the LCR requirements following the BCBS announcement on the 06 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 South African Reserve Bank ("**SARB**") released a directive relating to the NSFR, where it confirmed that the available stable funding (ASF) factor applicable to wholesale deposits in the 0 to 6 months bucket be increased from 0% to 35% 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 04/2018 headed "*Continued Provision of a committed liquidity facility by the South African Reserve Bank*" dated 05 September 2018 ("**Guidance Note 04/2018**"). In terms of Guidance Note 04/2018, among other things, each individual bank will be required to meet the level 1 qualifying high-quality liquid assets ("**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% 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% of the full HQLA requirement, as projected for the year in which the relevant application is made. While Guidance Note 04/2018 confirms that SARB will continue to provide a CLF in the short-term it also confirmed that the SARB will phase-out the CLF over a three-year period and will no longer provide such facility after 01 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% and has remained compliant throughout the transition period as the minimum regulatory requirement increased by 10% per year, where it reached the final 100% requirement on 01 January 2019.

Basel III is a minimum global standard and, accordingly, the relevant authority is not prevented from setting higher standards, as was done in South Africa with the implementation of Basel II.

The main impact of Basel III on South African banks and controlling companies 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.

#### **Loss absorption at the point of non-viability of the Issuer**

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

Under the Loss Absorption PONV Requirements, the terms and conditions of all instruments, the proceeds of the issue of which rank (or are intended to rank) as "tier 2 capital" or "additional tier 1 capital" as the case may be ("**Capital Instruments**") must have a provision that requires such Capital Instruments, at the option of the Prudential Authority, to either be written off or converted into "common equity" (that is, ordinary shares) upon the occurrence of the relevant "trigger event".

#### **South African implementation of Basel III**

##### ***Regulations Relating to Banks and the Banks Act***

The Regulations Relating to Banks promulgated under the Banks Act published as Government Notice No. R. 1029 in *Government Gazette* No. 35950, dated 12 December 2012, came into operation on 1 January 2013 and provided, among other things, for the partial implementation of the Basel III Accord in South Africa and the requirements with which specified categories of Capital Instruments had to comply in order for the proceeds of the issue thereof to rank as "tier 2 capital" or "additional tier 1 capital". These Regulations Relating to Banks were further amended, with effect from 1 April 2015, by Government Notice No. R. 261 published in *Government Gazette* No. 38616, dated 27 March 2015. These amended Regulations Relating to Banks have, with effect from 1 July 2016, been further amended by Government Notice No. 297 of 2016 published in *Government Gazette* No. 40002, dated 20 May 2016 (such amended Regulations Relating to Banks being the "**Regulations Relating to Banks**").

The required amendments to the Banks Act to provide, among other things, for the full implementation of the Basel III Accord in South Africa, were promulgated and came into force on 10 December 2013. These amendments are contained in the Banks Amendment Act, 2013, published in *Government Gazette* No. 37144 of 10 December 2013. Subsequently, the Banks Act was further amended by the Banks Amendment Act, No. 3 of 2015 and, most recently (with effect from 29 March 2018) by the Financial Sector Regulation Act, 2017 (see "*Financial Sector Regulation Act, 2017*" below).

##### ***Legislation applicable to Capital Instruments***

The legislation which is applicable to, among others, Capital Instruments, includes (i) legislation (including the Banks 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) the Circulars, Guidance Notes and Directives then in effect in South Africa (see "*Circulars, guidance notes and directives*" above) issued by the Prudential Authority, which legislation, regulations, Circulars, Guidance Notes and Directives relate to and/or provide for the implementation of the Basel III Accord in South Africa.

##### ***Prudential Authority***

The Prudential Authority for purposes of Basel III in South Africa is the Prudential Authority established in terms of section 32 of the Financial Sector Regulation Act, 2017. 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.

##### ***Loss Absorption PONV Requirements***

For purposes of the implementation of the Basel III Accord (or the applicable provisions thereof) in South Africa, the Loss Absorption PONV Requirements are currently contractual in nature and the relevant contractual provisions are set out in the Regulations Relating to Banks as read with the relevant Guidance Note.

However, it is expected that duly enforceable legislation will be enacted in South Africa that will provide for, among other things, the Loss Absorption PONV Requirements (see "*Recovery and Resolution Legislation*" below).

##### ***Uncertainties***

Regulations 38(11)(b) and 38(12) of the Regulations Relating to Banks have adopted the language of the Basel III

Accord and this has led to a number of uncertainties in regard to Capital Instruments.

## **Recovery and Resolution Legislation**

### **General**

Certain "recovery and resolution" legislation ("**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 the document entitled "*Strengthening South Africa's Resolution Framework for Financial Institutions*" ("**Resolution Framework**"). The Resolution Framework reflects the collective views of the National Treasury, the SARB and the Financial Services Board. The Resolution Framework 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 position paper was intended to solicit public comment and to serve as a basis for further industry discussions in preparation for the drafting of an appropriate Bill. The Financial Sector Laws Amendment Bill [B-2018] ("**Resolution Bill**") was released on 25 September 2018. The Resolution Bill has been approved by Cabinet, and gives effect to 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 Resolution Bill seeks to strengthen the ability of the SARB to manage the orderly resolution or winding down of a failing financial institution, with minimum disruption to the broader economy. In addition, the Resolution Bill 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 Resolution Bill, when enacted, will apply to all registered South African banks, including mutual and cooperative banks.

The bail-in option is likely to empower the Prudential Authority to recapitalise a failed financial institution by allocating losses to its shareholders and unsecured creditors in a manner that respects the hierarchy of claims in an insolvency of the relevant financial institution, consistent with shareholders and creditors of the relevant financial institution not receiving less favourable treatment than they would have done in insolvency. The bail-in option may include the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the Issuer (including both senior and subordinated liabilities) and the power to convert a liability from one form to another. The scope and timing of the Recovery and Resolution Legislation are expected to be finalised in 2019, but this is not an absolute certainty.

Although not certain, the conditions for use of the bail-in option are likely to be, in summary, that (i) the Prudential Authority determines that the Issuer is failing or is likely to fail, (ii) it is not reasonably likely that any other action can be taken to avoid the Issuer's failure and (iii) the Prudential Authority determines that it is in the public interest to exercise the bail-in option. Any future bail-in option exercised by the Prudential Authority in respect of the Subordinated Notes is likely to involve the exercise of some discretion by the Prudential Authority, and could potentially result in a Subordinated Noteholder losing part of, or the entire value of, its investment in Subordinated Notes.

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, for reasons that will become clear in the paper. 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 Resolution Bill, possibly (but as a last resort) combined with some form of official support.

The current regulatory framework for banks provides for the Registrar of Banks (now the Prudential Authority) to take certain recovery actions in the context of tier 1 and 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 takes responsibility for the resolution process and the resolution powers of the Resolution Bill 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 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 Resolution Bill 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 DRI, regardless of its size, complexity or structure.

In order to comply with the KAs, South Africa's resolution framework should explicitly allow the regulatory authority 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-down or conversion of liabilities in the South African framework is the 'PONV' write-down and conversion of additional tier 1 and tier 2 instruments, as set out in Regulation 38 of the Regulations Relating to Banks (see "*South African implementation of Basel III*" under "*Regulations Relating to Banks and the Banks Act*" above). Regulation 38(11)(b)(i) sets out certain loss-absorbing requirements for additional tier 1 and 2 instruments, including a requirement that the instruments must contain a provision that allows such instruments to be either written down or converted at the discretion of the Registrar of Banks (now the Prudential Authority). The write-down and conversion provisions contained in Regulation 38 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 down 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 be 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 no-creditor-worse-off ('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 Insolvency Act;
- preferred creditors: existing preference in line with Insolvency Act;
- 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.

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;
- 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 relevant Minister.

*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 Companies Act read with the Insolvency Act 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 Resolution Bill.

### **Uncertainties**

There are a number of uncertainties that arise from the Resolution Framework. For example, will the point of non-viability ('PONV') 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). Will the implementation of the Recovery and Resolution Legislation mean that the proceeds of the issue of preference shares will again qualify (fully) as regulatory capital, and that such instruments will qualify as total loss-absorbing capacity ('TLAC') instruments?

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.

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 of the Recovery and Resolution Legislation on the pricing of the Notes.

### **Financial Sector Regulation Act, 2017**

As part of South Africa's 'Twin Peaks' legislation which aims to regulate the entire financial sector, the South African Financial Sector Regulation Act, 2017 ("**Financial Sector Regulation Act**") has recently been enacted. Certain sections of the Financial Sector Regulation Act came into effect in March 2018.

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.

### **"Grandfathering" of capital instruments issued before 1 January 2013**

The Loss Absorption PONV Requirements implemented in South Africa do not apply retrospectively and, accordingly, some or all of the capital instruments issued by the Issuer before 1 January 2013 will be "grandfathered" (that is, phased out) over a ten-year period from 1 January 2013.

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

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

Notwithstanding the above, the Issuer has implemented numerous initiatives in preparation for the full implementation of Basel III in South Africa, and has internally assessed and provided, to the best of its ability, for the anticipated budgetary impacts of the full implementation of Basel III in South Africa.

### **Capital adequacy requirements**

#### **General**

The Issuer is subject to the capital adequacy requirements set out in the Banks Act, as read with the Regulations



Relating to Banks, which provide for a minimum target ratio of capital to risk-adjusted assets, which could limit its operations (see "*South African implementation of Basel III*" above).

The Issuer must, in terms of the Banks Act, as read with the Regulations Relating to Banks (see "*South African implementation of Basel III*" above) and Directive 6/2016 (see "*Directive 6/2016*" below), maintain a minimum level of capital based on risk-adjusted assets and off-balance-sheet exposures.

Any failure by the Issuer to maintain its capital adequacy ratios may result in sanctions against the Issuer which may in turn impact on its ability to fulfil its obligations under the Notes.

### **Directive 6/2016**

Directive 6/2016 headed "*Capital framework for South Africa based on the Basel III framework*", dated 24 November 2016 ("**Directive 6/2016**") replaces Directive 05/2013 dated 26 April 2013. 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% 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%. 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% 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% 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-S18 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% of the specified D-S18 capital requirement, up to a maximum of 1% 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 the provisions 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 2018. 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 <sup>1</sup> (Total Pillar 2A range 0,5% to 2,0%)	Reg 38(8)(e)(ii)	$A_1 \geq 50\%$ of P2A	$A_2 \geq 75\%$ of P2A	P2A ( $\leq 2,0\%$ )	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 <sup>1</sup> (0% to 2.5%)	Reg 38(8)(e)(vi)	$C_1 = \min(1\% \text{ or } 50\% \text{ of DSIB})$	$C_2 = \min(1,5\% \text{ or } 75\% \text{ of DSIB})$	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 ( $\leq 2,5\%$ )	Phased in from 1 January 2016
Countercyclical buffer range <sup>2</sup> (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 <sup>3</sup>		$7,0\% + B_1 + E_1 + \min(2,0\% \text{ or } (A_1 + C_1))$	$8,5\% + B_2 + E_2 + \min(2,5\% \text{ or } (A_2 + C_2))$	$10,5\% + ICR + CCB + \min(3,5\% \text{ or } (P2A + DSIB))$	

<sup>1</sup> The aggregate requirement for Pillar 2A and D-SIB will not exceed 2,0 per cent for CET1, 2,5 per cent for Tier 1 and 3,5 per cent in respect of the total capital-adequacy ratio.

<sup>2</sup> 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.

<sup>3</sup> 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 CET1, 8 per cent for Tier 1 and 10 per cent in respect of the total capital-adequacy ratio.

## 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
<b>Common Equity Tier 1 requirements (CET1)</b>											
Minimum CET1 Ratio (per Basel III)	4,5%	3,5%	4,0%	4,5%	4,5%	4,5%	4,5%	4,5%			
Pillar 2A for CET1		1,0%	1,5%	2,0%	1,75%	1,50%	1,0%	0,50%			
Minimum CET1 plus Pillar 2A		4,5%	5,5%	6,5%	6,25%	6,0%	5,5%	5,0%			
Phasing in of D-SIB requirements at CET1 level <sup>1</sup>					25%	50%	75%	100%			
Capital Conservation buffer <sup>2</sup>	2,5%				0,625%	1,25%	1,875%	2,5%			
Countercyclical buffer (maximum per cent, if imposed) <sup>2</sup>	2,5%				0,625%	1,25%	1,875%	2,5%			
<b>Tier 1 requirements (T1)</b>											
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 <sup>1</sup>					25%	50%	75%	100%			
<b>Total capital requirements</b>											
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 <sup>1</sup>					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									

<sup>1</sup> The aggregate requirement for Pillar 2A and D-SIB will not exceed 2,0 per cent for CET1, 2,5 per cent for Tier 1 and 3,5 per cent in respect of the total capital-adequacy ratio

<sup>2</sup> The capital conservation buffer together with the countercyclical buffer will be applied at CET1 level and will also be required to be met at both a Tier 1 and Total capital level.

It is difficult for the Issuer to predict the precise effects of the changes that may result from the implementation of Basel III on the Issuer's calculations of capital, the impact of these revisions on other aspects of its operations or the impact on the pricing of the Notes.

#### **GENERAL RISKS RELATING TO THE 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. The risks of a particular Tranche of Notes will depend on the Applicable Terms and Conditions of that Tranche of Notes, but may include, without limitation, the possibility of significant changes in the values of the applicable interest rates or other indices or formula. Prospective investors could lose all or a substantial portion of their investment.

Such risks generally depend on factors over which the Issuer has no control and which cannot readily be foreseen, such as economic and political events and the supply of and demand for the relevant securities, assets or other property. Neither the current nor the historical price, value or performance of (a) the relevant interest rates or other indices or formulae, (b) the relevant classes of securities, assets or other property, or (c) the relevant entities should be taken as an indication of future price, value or performance during the term of any Tranche of Notes.

#### **Investment suitability**

Investors in the Notes should have (either alone or with the help of a financial adviser) sufficient knowledge and experience in financial and business matters to meaningfully evaluate the merits and risks of investing in a particular issue of Notes and the information contained in or incorporated by reference into this Programme Memorandum, or any Applicable Pricing Supplement, as well as access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of their particular circumstances.

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

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

#### **Exchange rate risks and exchange controls**

All payments (whether in respect of principal, interest or otherwise) in respect of a Tranche of Notes will be made in the Specified Currency. If a Tranche of Notes is denominated in a Specified Currency other than ZAR, certain risks may arise relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit ("**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 will 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.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Noteholders may receive less interest or principal in respect of the Notes than expected, or no interest or principal.

#### **Legal investment considerations may restrict certain investments**

The investment activities of certain investors in the Notes are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor in the Notes should consult its legal advisers to determine whether and to what extent (a) the Notes are legal investments for it, (b) the Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

#### **Meetings of Noteholders**

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

#### **Change of law**

This Programme Memorandum, the Notes and the Applicable Terms and Conditions will be governed by, and construed in accordance with, the laws of South Africa. No assurance can be given as to the impact of any possible judicial decision or change to South African law or administrative practice in South Africa after the Programme Date.

#### **Rating**

The Programme is not rated. The Applicable Pricing Supplement will reflect the Rating which has been assigned to the Issuer as well as the Rating Agency or Rating Agencies which assigned such Rating. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating, if any, which has been assigned to a Tranche of Notes, as well as the Rating Agency or Rating Agencies which assigned such Rating or Ratings. The Issuer will procure that any change to the Rating of the Issuer and/or a Tranche of Notes that occurs after the Programme Date is announced on SENS.

Neither a Rating of the Issuer nor a Rating of a Tranche of Notes is a recommendation to subscribe for, buy, sell or hold any Notes, inasmuch as, among other things, a Rating does not comment on the market price or suitability of the Notes for a particular investor.

A Rating of a Tranche of Notes only addresses the likelihood that the aggregate outstanding Principal Amount of Notes in that Tranche will be fully repaid by the Maturity Date and that the interest (if any) payable in respect of such Notes will be paid on a timely basis. A Rating of a Tranche of Notes does not address the likelihood of repayment of the aggregate outstanding Principal Amount of such Notes before the Maturity Date.

A Rating of the Issuer and/or a Tranche of Notes may be subject to suspension, reduction or withdrawal at any time by the assigning Rating Agency and, accordingly, there can be no assurance that a Rating of the Issuer and/or a Tranche of Notes will remain for any given period of time or that a Rating will not be lowered or withdrawn entirely by the Rating Agency if, in its judgment, circumstances in the future warrant such action.

There can be no assurance of any connection between a Rating on a national scale basis and a Rating on an international scale basis.

A Rating assigned to the Issuer and/or a Tranche of Notes by a rating agency that has not been requested by the Issuer to do so, may be lower than the equivalent Rating of the Issuer and/or that Tranche of Notes assigned by the Rating Agency, or such rating agency may rate the Issuer and/or a Tranche of Notes on an international scale basis which may be lower than the Rating on a national basis assigned to the Issuer and/or that Tranche of Notes by the Rating Agency. Any adverse change in the Rating of the Issuer and/or a Tranche of Notes could adversely affect the trading price of all or any of the Notes.

#### **Listing of Notes and limited liquidity**

The Issuer may issue listed or unlisted Notes. The continued listing of any Tranche of Notes listed on the Interest Rate Market of the JSE and/or on the Main Board of the JSE/ and/or on any other Financial Exchange/s is subject to the rules of the relevant Financial Exchange/s in force from time to time. There can accordingly be no assurance that the listing of any Tranche of Notes will continue until the Maturity Date.

There may be a limited secondary market for the Notes. There can be no assurance that any secondary market for any

of the Notes will continue until the Maturity Date. Generally, Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors will have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. Consequently, a subscriber or purchaser must be prepared to hold its Notes until the Maturity Date.

In addition, global credit market conditions may lead to a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors in the Notes suffering losses in secondary re-sales even if there is no decline in the performance of the assets of the Issuer.

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

If 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.

### **Uncertificated Notes**

Each Tranche of Uncertificated Notes will be issued in uncertificated form and will be held in the Central Securities Depository.

Subject to the Applicable Procedures and unless the context clearly otherwise indicates, references to "Uncertificated Notes" include Beneficial Interests in Uncertificated Notes, and *vice versa*, and references to "Noteholders of Uncertificated Notes" include the holders of Beneficial Interests in Uncertificated Notes, and *vice versa*.

The CSD Procedures will determine the procedures for transfer, payment and communication between Noteholders of Uncertificated Notes and the Issuer.

The Participants will maintain records of Uncertificated Notes held by their clients.

Subject to the CSD Procedures, the registered Noteholders of Uncertificated Notes will be able to trade their Uncertificated Notes only through the Central Securities Depository. Subject to the CSD Procedures, the Noteholders of Uncertificated Notes may only exercise their rights in respect of such Uncertificated Notes through their Participants.

The Issuer has opened the Designated Bank Account with the Settling Bank. The Designated Bank Account will be used solely for purposes of depositing (and funding) the aggregate amount which is due and payable, on the relevant Payment Date, in respect of a Tranche of Uncertificated Notes.

The Issuer will, in accordance with the CSD Procedures, make an irrevocable deposit, into the Designated Bank Account, of the full aggregate amount which is due and payable, on the relevant Payment Date, in respect of a Tranche of Uncertificated Notes.

The funds in the Designated Bank Account will be transferred to the relevant Participants, by means of the South African Multiple Option Settlement ('SAMOS') system operated by the South African Reserve Bank. The Participants will then make payment of the relevant amounts to the registered Noteholders of Uncertificated Notes, in accordance with the CSD Procedures, as contemplated in Condition 9.2 (*Method of payment – Uncertificated Notes*).

Once the funds deposited into the Designated Bank Account have been cleared and credited to the Designated Bank Account, and transferred from the Designated Bank Account to the relevant Participants, neither the Settling Bank nor the Issuer will be responsible for the loss in transmission of any such funds.

A Noteholder of Uncertificated Notes must therefore rely on the CSD Procedures to receive payments under such Uncertificated Notes.

Noteholders of Uncertificated Notes must vote in accordance with the Applicable Procedures. Subject to the CSD Procedures, the Noteholders of Uncertificated Notes must exercise their respective rights to vote through their respective Participants. Subject to the CSD Procedures, the respective Participants will vote in accordance with the respective instructions conveyed to them by the respective Noteholders of Uncertificated Notes.

Subject to the Financial Markets Act, the Noteholder of Uncertificated Notes will only be entitled to exchange such Uncertificated Notes for Notes represented by a Certificate in accordance with Condition 13.1 (*Exchange of Uncertificated Notes*).



### **Notes represented by Certificates where the denominations involve integral multiples**

If the aggregate Principal Amount of Notes held by a Noteholder is equivalent to a fraction of the Specified Denomination or a fraction of any multiple thereof, the Certificate representing such Notes will be issued in accordance with, and be governed by, the Applicable Procedures.

A Noteholder which holds Notes in an aggregate Outstanding Principal Amount which is less than the minimum Specified Denomination may not receive a Certificate in respect of such holding and may need to purchase an additional Principal Amount of Notes such that its total holding of such Notes amounts to the minimum Specified Denomination.

A Noteholder which holds Notes which are represented by a Certificate should be aware that, where such Notes have a denomination which is a fraction of the Specified Denomination or a fraction of any multiple thereof, such Notes may be illiquid and difficult to trade.

### **Recourse against the JSE**

Unlisted Notes are not regulated by the JSE. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE. The holders of Notes (including Warrants) that are not listed on the Main Board of the JSE will have no recourse against the JSE.

### **Non-recourse obligations**

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

### **Tax considerations**

The Issuer has carried out (or will have carried out) all material steps reasonably necessary to ensure its compliance with the current provisions of fiscal legislation (including the Income Tax Act, the Value-Added Tax Act and other fiscal provisions). Disclosure of the transactions entered into by the Issuer will be accounted for in terms of current requirements but no assurance can be given that the views of these bodies will not differ from the treatment adopted by the Issuer from time to time.

A summary of the more important fiscal provisions which may impact on the Notes as at the Programme Date is set out in the section of this Programme Memorandum headed "*Taxation*". The summary does not constitute tax advice.

Potential investors in the Notes should, before making an investment in the Notes, consult their own professional advisers as to the potential tax consequences of, and their tax positions in respect of, an investment in the Notes.

No representation, warranty and/or undertaking is given by the Issuer (or any other person) in respect of the fiscal treatment of acquiring, holding and/or disposing of Notes, and no liability and/or responsibility is assumed or accepted by the Issuer (or any other person) for the fiscal treatment of any aspect of the Notes in the hands of any Noteholder.

## **ADDITIONAL RISKS RELATING TO INDEX LINKED NOTES**

### **General risks relating to Index Linked Notes**

The Issuer may issue Index Linked Notes where the Final Redemption Amount or interest or other interim amounts payable is dependent upon the level of an index or basket of indices. The index or basket of indices may be comprised of reference equities, bonds, other securities, property, currency exchange rate or other assets or bases of reference, and may be a well-known and widely published index or basket of indices or an index or basket of indices established by the Group or another entity which may not be widely published or available. An investment in Index Linked Notes will entail significant risks not associated with a conventional fixed rate or floating rate debt security.

The terms of Index Linked Notes may provide for amounts payable in respect of such Index-Linked Notes to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). Potential investors in Index Linked Notes should be aware that:

- the market price of such Index Linked Notes may be volatile;
- no interest may be payable on such Index Linked Notes;
- payments of principal or interest on such Index Linked Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Index Linked

Notes or even zero;

- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Index-Linked Notes in conjunction with a multiplier greater than one, or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to Noteholders of Index Linked Notes, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

#### **Returns on Index Linked Notes**

The return payable on Index Linked Notes may not reflect the return a purchaser would realise if he or she actually owned the relevant assets comprising the components of the index. For example, if the components of the indices are shares, Holders will not receive any dividends paid on those shares and will not participate in the return on those dividends unless the relevant index takes such dividends into account for purposes of calculating the relevant level. Similarly, Noteholders of Index Linked Notes will not have any voting rights in the underlying shares or any other assets which may comprise the components of the relevant index. Accordingly, Noteholders of Index Linked Notes may receive a lower payment upon redemption/settlement of such Index Linked Notes than such purchaser would have received if he or she had invested in the components of the index directly.

#### **Change in the composition or discontinuance of an index**

The sponsor of any index can add, delete or substitute the components of such index or make other methodological changes that could change the level of one or more components. The changing of components of any index may affect the level of such index as a newly added component may perform significantly worse or better than the company it replaces, which in turn may affect the amounts payable by the Issuer to the purchasers of the relevant Index Linked Notes. The sponsor of any such index may also alter, discontinue or suspend calculation or dissemination of such index. The sponsor of an index will have no involvement in the offer and sale of the relevant Index Linked Notes and will have no obligation to any Noteholder of Index Linked Notes. The sponsor of an index may take any actions in respect of such index without regard to the interests of the Noteholders of Index Linked Notes, and any of these actions could adversely affect the market value of the relevant Index Linked Notes. The Issuer shall have no liability to the Noteholders of Index Linked Notes for any act or failure to act by the sponsor in connection with the calculation, adjustment or maintenance of the index.

#### **Index Modification, Index Cancellation, Index Disruption and correction of index levels**

The Calculation/Issuer Agent has broad discretion to make certain determinations and adjustments, to replace the original Index with another and/or to cause early redemption/settlement of the Index, any of which may be adverse to Noteholders of Index Linked Notes in connection with Index Modification, Index Cancellation, and Index Disruption. The Calculation/Issuer Agent may determine that the consequence of any such event is to make adjustments to the Index Linked Notes, or to replace such index with another or to cause early redemption/settlement of the Index Linked Notes. The Calculation/Issuer Agent may (subject to the Applicable Terms and Conditions of the relevant Tranche of Index Linked Notes) also amend the relevant index level due to corrections in the level reported by the index sponsor. Such determinations may have an adverse effect on the timing of valuation and consequently the value of the Index Linked Notes.

#### **ADDITIONAL RISKS RELATING TO REFERENCE ITEM LINKED NOTES**

##### **General considerations**

The performance of Reference Item Linked Notes will be linked to the performance of an underlying commodity (or basket of commodities) or commodity index (or indices) or currency (or basket of currencies) or currency exchange rate (or exchange rates) or equity (or basket of equities) or equity index (or indices) or interest in a fund or collective investment scheme (or interests in a basket of funds or collective investment schemes) or consumer price index (or similar index of inflation) or other index (or indices) (each a "**Reference Item**"). As regards Reference Item Linked Notes which are Index Linked Notes see, in addition, "*Additional risks relating to Index Linked Notes*" above.

A "**Physical Asset**" is a Reference Item which is a non-cash asset, such as the underlying commodity (or basket of commodities) or currency (or basket of currencies) or equity (or basket of equities) or interest in a fund or collective investment scheme (or interests in a basket of funds or collective investment schemes) which relates to the relevant Tranche of Reference Item Linked Notes. Where a Tranche of Reference Item Linked Notes references Physical Asset/s and Physical Settlement is specified in the Applicable Pricing Supplement as being applicable, that Tranche of

Reference Item Linked Notes will be redeemed by the Issuer delivering the Physical Asset/s to the relevant Noteholders on the Physical Delivery Date (see "*Physical Settlement*" below).

Reference Item Linked Notes may involve a degree of risk, which may include interest rate, corporate, market, foreign exchange, time value and/or political risks, as well as other risks arising from fluctuations in the values of the relevant securities (or basket of securities), index (or basket of indices), commodity (or commodity index) or other Reference Item/s, as well as general risks applicable to the stock and capital markets and other exchanges.

In order to realise a return upon an investment in Reference Item Linked Notes, an investor in Reference Item Linked Notes must have correctly anticipated the timing and magnitude of an anticipated increase or the absence of a decrease of the value of the relevant Reference Item/s relative to the Issue Price and must also be correct about when any change will occur. If the value and/or performance of the Reference Item/s does not increase, or decreases, as the case may be, before such Reference Item Linked Notes are redeemed, part of the investor's investment in such Reference Item Linked Notes may be lost on redemption. Other than in respect of Reference Item Linked Notes which are redeemable prior to the Maturity Date at the election of the Noteholder, the only means by which a Noteholder of Reference Item Linked Notes could realise value from such Reference Item Linked Notes prior to their Maturity Date would be to sell such Reference Item Linked Notes at their then market price, in the secondary market (if available). Fluctuations in the value and/or performance of the Reference Item/s may affect the value of such Reference Item Linked Notes. An investment in Commodity Linked Notes may bear similar market risks to a direct investment in the relevant commodity/ies and investors in Reference Item Linked Notes should take advice accordingly.

The occurrence of certain events or circumstances, in each case as specified in the Applicable Pricing Supplement, will affect the value of certain Reference Item Linked Notes. Prospective investors in such Reference Item Linked Notes should understand the risks of transactions involved in such Reference Item Linked Notes and should reach an investment decision only after careful consideration of the suitability of such Notes in the light of the investor's particular financial circumstances, its risk appetite, together with any other available information regarding such Reference Item Linked Notes and the Reference Item/s to which such Reference Item Linked Notes are linked.

#### **Settlement Method**

Physical Settlement will only be applicable to a Tranche of Reference Item Linked Notes where the relevant Reference Item/s is/are Physical Asset/s and then only if Physical Settlement, or Physical Settlement at the option of the Issuer, is specified in the Applicable Pricing Supplement as being applicable.

If Physical Settlement is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Reference Item Linked Notes or if Cash Settlement or Physical Settlement at the option of the Issuer is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Reference Item Linked Notes and the Issuer elects Physical Settlement, as the case may be, that Tranche of Reference Item Linked Notes will be redeemed by the Issuer delivering the relevant Physical Asset/s to the relevant Noteholders on the Physical Delivery Date. If so specified in the Applicable Pricing Supplement, the relevant Noteholders shall be liable for payment of any applicable Taxes (as defined in the Applicable Pricing Supplement) and Redemption Expenses in respect of the Physical Settlement of the relevant Tranche of Reference Item Linked Notes. The delivery by the Issuer of the relevant Physical Asset/s in the manner set out in the Applicable Pricing Supplement shall constitute the *in specie* redemption in full of the relevant Tranche of Reference Item Linked Notes.

Cash Settlement will be the applicable Settlement Method of a Tranche of Reference Item Linked Notes which references Reference Item/s which is/are not Physical Asset/s.

#### **Settlement risk**

Where the Reference Item Linked Notes provide for Physical Settlement, the Calculation/Issuer Agent may determine that a Settlement Disruption Event is subsisting. Any such determination may affect the value of the Reference Item Linked Notes and/or may delay Physical Settlement in respect of the Reference Item Linked Notes.

#### **Disrupted Days and Disruption Events**

Where Reference Item Linked Notes are Equity Linked Notes, and a Disrupted Day is specified as applying in the Applicable Pricing Supplement, the Calculation/Issuer Agent may determine that an event giving rise to a Disrupted Day has occurred at any relevant time. Where the Reference Item Linked Notes are Currency Linked Notes, the Calculation/Issuer Agent may determine that a Disruption Event has occurred at any relevant time. Where the Reference Item Linked Notes are Commodity Linked Notes, the Calculation/Issuer Agent may determine that a Commodity Market Disruption Event has occurred at any relevant time. Any such determination may have an effect on the timing of valuation and consequently the value of such Reference Item Linked Notes and/or may delay settlement of such Reference Item Linked Notes.

### **Certain factors affecting the value and trading price of Reference Item Linked Notes**

The interim value of Reference Item Linked Notes may vary with the price and/or level and/or performance of the Reference Item/s and may be affected by a number of other factors, including but not limited to:

- the value and volatility of the Reference Item/s;
- where the Reference Item/s is/are equity securities, the dividend rate on the Reference Item/s and the financial results and prospects (financial and other) of the issuer of each Reference Item;
- market interest rates;
- fluctuations in currency exchange rates;
- fluctuations in commodities prices;
- the liquidity of such Reference Item Linked Notes or any Reference Item/s in the secondary market;
- the time remaining to any Redemption Date or the Maturity Date; and
- economic, financial, sovereign and political events in one or more jurisdictions, including factors affecting capital markets generally and stock exchange/s on which any Reference Item or Reference Item Linked Notes may be traded.

There can be no assurance that a Noteholder of Reference Item Linked Notes will be able to sell such Reference Item Linked Notes prior to the Maturity Date at a price equal to or greater than the market value of the Reference Item Linked Notes on the Issue Date, and such Noteholder may only be able to sell such Reference Item Linked Notes at a discount, which may be substantial to the Issue Price. The past performance of any Reference Item should not be taken as an indication of the future performance of that Reference Item during the term of any Reference Item Linked Note.

Some Reference Item Linked Notes are not principal protected and Noteholders of such Reference Item Linked Notes may lose some or a significant part of their Principal. Noteholders of such Reference Item Linked Notes may lose the value of their entire investment or part of it, as the case may be.

### **Nature of the Reference Item/s**

The Applicable Pricing Supplement relating to a Tranche of Reference Item Linked Notes will describe the Reference Item/s to which that Tranche of Reference Item Linked Notes relates. The relevant Applicable Pricing Supplement will also specify the nature of the responsibility (if any) taken by the Issuer for the information relating to the Reference Item/s contained in the Applicable Pricing Supplement. However, unless otherwise expressly stated in the relevant Applicable Pricing Supplement, any information contained in the Applicable Pricing Supplement in respect of the Reference Item/s will only consist of extracts from, or summaries of, information contained in financial and other information released publicly by the issuer, owner or sponsor, as the case may be, of the Reference Item/s or which is otherwise publicly available. Unless otherwise expressly stated in the relevant Applicable Pricing Supplement, the Issuer will accept responsibility for accurately reproducing such extracts or summaries, but the Issuer will not accept any further or other responsibility (express or implied) in respect of such information.

Investors in Reference Item Linked Notes should conduct their own investigations into the relevant Reference Item/s and, in deciding whether to purchase Reference Item Linked Notes, investors should form their own views of the merits of such an investment based upon such investigations and not in reliance solely upon any information given in this Programme Memorandum and/or any Applicable Pricing Supplement.

### **No claim against any Reference Item**

No Noteholders of Reference Item Linked Notes will have any claim in respect of any Reference Item and, in the event that the amount paid by the Issuer on redemption of the Reference Item Linked Notes is less than the Principal Amount, no Noteholder of Reference Item Linked Notes will have any recourse to any Reference Item.

### **Legal, tax and regulatory risks**

Legal, tax, policy and regulatory changes in the South African investment environment or otherwise, may occur during the term of the Programme that may have an adverse effect on the Reference Item/s and, therefore, on the performance of the Reference Item Linked Notes which relate to such Reference Item/s. No prediction can be made as to the effect of such changes (if any) will be on the Issuer and/or such Reference Item Linked Notes.

### **Hedging**

The Issuer and/or any of its Affiliates may enter into one or more hedging transactions with respect to the Reference Item/s or related derivatives. In connection with such hedging activities or with respect to proprietary or other trading

activities by the Issuer and/or any of its Affiliates, the Issuer and/or any of its Affiliates may enter into transactions in the Reference Item/s or related derivatives which may, but are not intended to, affect the market price, liquidity or value of the relevant Reference Item Linked Notes and which may be considered to be adverse to the interest of the Noteholders of such Reference Item Linked Notes.

#### **Potential conflicts of interest**

The Issuer and its Affiliates may engage in trading and market-making activities and may hold long or short positions in the Reference Item/s and other instruments or derivative products based on or related to the Reference Item/s for their proprietary accounts or for other accounts under their management. The Issuer and its respective Affiliates may also issue Reference Item Linked Notes in respect of the Reference Item/s which are securities, or issue derivative instruments in respect thereof. To the extent that the Issuer, directly or through its Affiliates, serves as issuer, agent, manager or underwriter of such securities or other instruments, its interests with respect to such Reference Item/s may be adverse to those of the Noteholders of Reference Item Linked Notes. The Issuer or its Affiliates may also act as underwriter in connection with future offerings of securities which comprise the Reference Item/s or may act as financial advisors to certain underlying companies. Such activities may present certain conflicts of interest, may influence the prices of such Reference Item/s and may adversely affect the value of the relevant Reference Item Linked Notes.

#### **ADDITIONAL RISKS RELATING TO CREDIT LINKED NOTES**

##### **Reliance on creditworthiness of the Issuer**

Credit Linked Notes comprise debt obligations of the Issuer and, consequently, Noteholders are relying not only on the creditworthiness of the Reference Entities but also on the creditworthiness of the Issuer. The Credit Linked Notes will not be secured in any way.

##### **Performance of the Reference Entities**

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

The Cash Settlement Amount or the Auction Settlement Amount or the Market Value of the Deliverable Obligations in respect of a Tranche of Credit Linked Notes may be less than the Principal Amount of the Credit Linked Notes or zero. Accordingly, Noteholders may be exposed to the credit of the Reference Entities to the full extent of their investment in the Credit Linked Notes.

##### **Settlement Method**

Following the occurrence of a Credit Event in respect of a Tranche of Credit Linked Notes, subject to satisfaction of the Conditions to Settlement, the Issuer shall redeem that Tranche of Notes, in accordance with the applicable Settlement Method, on the basis set out in the Applicable Pricing Supplement.

The Settlement Method applicable to a Tranche of Credit Linked Notes will be Auction Settlement, Cash Settlement or Physical Settlement, as set out in (and subject to) the Applicable Pricing Supplement.

##### **Payments of interest and principal may be postponed**

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

##### **Default by a Reference Entity**

Noteholders of Credit Linked Notes will be exposed to the credit risk of the Reference Entity/ies from the date specified in the Applicable Pricing Supplement, which may be a date prior to the Issue Date. Neither the Issuer nor any



other person on its behalf makes any representation or warranty, express or implied, as to the credit quality of the Reference Entity/ies. The Issuer may have acquired, or during the term of the relevant Credit Linked Notes may acquire confidential information with respect to the Reference Entity/ies and is not required to disclose this information to Noteholders of Credit Linked Notes or any other person.

#### **No contractual rights against any Reference Entity**

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

Credit Linked Notes are linked to the creditworthiness of the relevant Reference Entity/ies. The likelihood of a Credit Event occurring in respect of any Reference Entity will generally fluctuate with, among other things, the financial condition and other characteristics of such Reference Entity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The market price of Credit Linked Notes may be very volatile and it is impossible to predict how the performance of the relevant Reference Entity/ies will vary over time. The timing of changes in the performance of the relevant Reference Entity/ies may affect the actual yield to the Noteholders of Credit Linked Notes, even if the average level is consistent with their expectations. In general, the earlier a Credit Event occurs in respect of the relevant Reference Entity/ies, the greater the effect on yield. Noteholders of Credit Linked Notes should also be aware that the price at which a Noteholder will be able to sell Credit Linked Notes prior to the final payment date may be at a substantial discount to the market value of the Credit Linked Notes as at the Issue Date, depending on the performance of the relevant Reference Entity/ies and the occurrence or non-occurrence of a Credit Event in respect of such Reference Entity/ies.

#### **Market conditions**

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

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

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

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

#### **2014 ISDA Credit Derivatives Definitions**

The 2014 ISDA Credit Derivatives Definitions published by the International Swaps and Derivatives Association Inc. ("**2014 ISDA Credit Derivatives Definitions**") apply, in principle, to unfunded credit default swaps. Save to the extent expressly set out in the Applicable Pricing Supplement relating to a Tranche of Credit Linked Notes, the 2014 ISDA Credit Derivatives Definitions are incorporated by reference into, and form part of, the Applicable Terms and Conditions. While there may be many similarities between the Credit Linked Note provisions in the Applicable Pricing

Supplement relating to a Tranche of Credit Linked Notes and the 2014 Credit Derivatives Definitions there are a number of significant differences. In particular, the Issuer may determine that certain provisions of the 2014 Credit Derivatives Definitions, which are intended for use by market participants in "over the counter" transactions, require amendment when incorporated in the Applicable Terms and Conditions of a Tranche of Credit Linked Notes. Consequently, investing in Credit Linked Notes is not exactly equivalent to investing in a credit default swap that incorporates the 2014 Credit Derivatives Definitions.

#### **Determinations made by Credit Derivatives Determinations Committees**

The 2014 ISDA Credit Derivatives Definitions provide for Credit Derivatives Determinations Committees to make determinations that are relevant to the majority of the credit derivatives market and to promote transparency and consistency.

The Calculation/Issuer Agent may, in making any determination, have regard to announcements, determinations, decisions and resolutions made by ISDA and/or the ISDA Credit Derivatives Determinations Committees. Such announcements, determinations, decisions and resolutions may affect the redemption and settlement of Credit Linked Notes pursuant to the Applicable Terms and Conditions (including the quantum and timing of payments and/or deliveries on redemption). For the avoidance of doubt, neither the Issuer nor the Calculation/Issuer Agent accepts any liability to any person for any determinations, redemption, calculations, decisions and/or delay or suspension of payments and/or redemption of Credit Linked Notes pursuant to the Applicable Terms and Conditions resulting from or relating to announcements, publications, determinations, decisions and resolutions made by ISDA and/or any Credit Derivatives Determinations Committee.

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

#### **Auction Settlement**

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

#### **Issuer's ability to influence the Auction Final Price**

If Credit Linked Notes are redeemed following the occurrence of a Credit Event pursuant to the Applicable Terms and Conditions, the amount payable in respect of the Credit Linked Notes may be determined by reference to the Auction Final Price determined according to an auction procedure set out in the applicable Auction Settlement Terms. There is a possibility that the Issuer or the Calculation/Issuer Agent (or one of their respective Affiliates) would act as a participating bidder in any such auction. In such capacity, it may take certain actions which may influence the Auction Final Price including (without limitation): (a) providing rates of conversion to determine the applicable currency conversion rates to be used to convert any obligations which are not denominated in the auction currency into such currency for the purposes of the auction; and (b) submitting bids, offers and physical settlement requests with respect to the relevant obligations of the Reference Entity that are subject to the auction. In deciding whether to take any such action (or whether to act as a participating bidder in any auction), the Issuer or the Calculation/Issuer Agent (or an Affiliate of any of them) will be under no obligation to consider the interests of any Noteholder of Credit Linked Notes.

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

#### **Credit Event and Succession Event Backstop Dates**

In respect of a Credit Event relating to Credit Linked Notes, a Credit Event may not be triggered unless either (i) a request is submitted to ISDA for the relevant Credit Derivatives Determinations Committee to consider whether the



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

### **Selection and valuation of Deliverable Obligations or Valuation Obligations**

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

### **Potential conflicts of interest**

Where the Issuer acts as Calculation/Issuer Agent or the Calculation/Issuer Agent is an Affiliate of the Issuer, potential conflicts of interest may exist between the Calculation/Issuer Agent and the Noteholders of Credit Linked Notes, including with respect to certain determinations and judgements that the Calculation/Issuer Agent may make pursuant to the Applicable Terms and Conditions that may influence the amount receivable upon redemption of the Credit Linked Notes.

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

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

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

Linked Notes or any other person for any profit or other benefit to it or any of its Affiliates which may result directly or indirectly from any such election.

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

Where the Issuer or any Affiliate of the Issuer is a DC Party, potential conflicts of interest may exist between the DC Party and Noteholders of Credit Linked Notes, including with respect to certain determinations and judgements that the Issuer or its Affiliate may make in its capacity as a DC Party in connection with its performance of its respective duties under the Rules and/or the Auction Settlement Terms. Action or determinations made by the Issuer or any of its Affiliates in its capacity as a DC Party or as a participant in an Applicable Auction may affect the redemption and settlement of the Credit Linked Notes (including the quantum and timing of payments upon redemption).

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

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

#### **ADDITIONAL RISKS RELATING TO FUND LINKED NOTES**

The Issuer may issue Fund Linked Notes where the Final Redemption Amount or Interest Amount or other interim amounts payable are dependent upon the price or changes in the price of investments in an underlying fund ("**Fund**"). Accordingly, an investment in Fund Linked Notes may bear similar market risks to a direct investment in the Fund and investors in Fund Linked Notes should take advice accordingly. An investment in Fund Linked Notes will entail significant risks not associated with a conventional debt security.

The price of investments in the Fund may be affected by the performance of the Fund service providers, and in particular the investment adviser.

Investors in Fund Linked Notes should be aware that the following specific risks may apply to certain Funds, especially those Funds which are described as "hedge funds".

#### **Funds and investments in Funds may be subject to transfer restrictions and illiquidity**

Funds and the assets thereof may be subject to transfer restrictions arising by way of applicable securities laws or otherwise. Such restrictions may mean that Noteholders of Fund Linked Notes are not entitled to acquire interests in the Funds directly. Holders of investments in a Fund may have the right to transfer or withdraw their investments in the Fund only at certain times and upon completion of certain documentary formalities and such rights may be subject to suspension or alteration. These circumstances may affect the net asset value of the Funds and/or the investments in the Fund. Prospective investors in Fund Linked Notes should familiarise themselves with the features of the Funds and/or the investments in the Fund in this regard.

#### **Investment valuations may be uncertain**

The valuation of investments made by the Fund is generally controlled by the management company of the Fund.

Valuations are performed in accordance with the terms and conditions governing the Fund. Such valuations may be based upon the unaudited financial records of the Fund and any accounts pertaining thereto. Such valuations may be preliminary calculations of the net asset values of the Fund and accounts. The Fund may hold a significant number of investments which are illiquid or otherwise not actively traded and in respect of which reliable net asset values may be difficult to obtain. In consequence, the management company may vary certain quotations for investments made by the Fund in order to reflect its judgement as to the fair value thereof. Therefore, valuations may be subject to subsequent adjustment upward or downward. Uncertainties as to the valuation of investments made by the Fund and/or Fund assets and/or accounts may have an adverse effect on the net asset value of the Fund where such judgements regarding valuations prove to be incorrect, and this in turn can have an adverse effect on the value of the Fund Linked Notes.

**The performance of a Fund will be affected by charges incurred in trading**

The performance of a Fund will be affected by the charges incurred thereby relating to investments made by the Fund. The Fund may engage in short-term trading which may result in increased turnover and associated higher than normal brokerage commissions and other expenses.

**The Issuer, the Dealer/s and the Calculation/Issuer Agent have no duty to disclose any information with respect to any underlying Fund and/or investments made by a Fund**

The Issuer, the Dealer/s, the Calculation/Issuer Agent or any of their respective Affiliates may have acquired, or during the term of Fund Linked Notes may acquire, non-public information with respect to an underlying Fund that they may not disclose.

None of the Issuer, the Dealer/s, the Calculation/Issuer Agent, any of their respective Affiliates or any of their respective directors, employees or agents is under any obligation (i) to assess on behalf of the Noteholders of Fund Linked Notes, the likely performance of an underlying Fund and/or investments made by the Fund and/or or conduct any investigation or due diligence in respect of the issuer of investments made by the Fund or, where applicable, the manager of the underlying Fund and/or investments in the Fund or (ii) other than as may be required by applicable rules and regulations relating to the Fund Linked Notes, to make available any public or non-public information they may possess in respect of an underlying Fund and/or investments made by the Fund.

Prospective investors in Fund Linked Notes must therefore make an investment decision based upon their own due diligence and should purchase Fund Linked Notes on the basis of their own assessment of the likely performance of investments made by the Fund and the underlying Funds (or basket of underlying Funds) in the knowledge that non-public information which the Issuer, the Dealer(s) (if any), the Calculation/Issuer Agent or any of their respective Affiliates may have will not be disclosed to investors in Fund Linked Notes.

**Legal and regulatory changes may be adverse to a Fund and/or investments made by a Fund**

Future changes to applicable law or regulation may be adverse to a Fund and/or investments made by a Fund and, consequently, the related Fund Linked Notes.

**There are investment risks pertaining to Funds**

All investments in a Fund risks the loss of capital and/or the diminution of investment returns. A Fund may utilise (*inter alia*) strategies such as short-selling, leverage, securities lending and borrowing, investment in sub-investment grade or non-readily realizable investments, uncovered options transactions, options and futures transactions and foreign exchange transactions and the use of concentrated portfolios, each of which could, in certain circumstances, magnify adverse market developments and losses.

A Fund may make investments in markets that are volatile and/or illiquid and it may be difficult or costly for positions therein to be opened or liquidated.

No assurance can be given relating to the present or future performance of a Fund and/or investments made by a Fund. The performance of a Fund and investments made by a Fund is dependent in large part on the performance and strategy of the management company of the Fund. Certain management companies may utilise analytical models upon which investment decisions are based. No assurance can be given that these persons will succeed in meeting the investment objectives of the Fund, that any analytical model used thereby will prove to be correct or that any assessments of the short-term or long-term prospects, volatility and correlation of the types of investments in which the Funds have invested or will invest will prove accurate.

**A Fund may be subject to Fund Events**

If certain events specified in the Applicable Pricing Supplement as Extraordinary Events occur, the Calculation/Issuer Agent may replace the Fund and/or investments in the Fund with other Funds and/or investments in the Fund and,

thereafter, the amount payable in respect of the relevant Fund Linked Notes will depend on and be calculated by reference to the performance of an alternative asset. This may have a considerable impact on the value and the amount payable in respect of the relevant Fund Linked Notes. Alternatively, any determination dates and payment dates may be changed by the Calculation/Issuer Agent, or the amount paid per Fund Linked Note may be based on the only cash amounts that an investor in the Fund and/or investments in the Fund actually received, which might be as low as zero.

#### **Risk from composition and changes to a Fund**

The management company can, without regard to the interests of the Noteholders of Fund Linked Notes, add, delete or substitute any Funds by reference to which the value of a Fund is calculated or make other methodological changes that could change the investment profile of a Fund. The management company may also determine to discontinue a Fund. If a Fund is discontinued, it may (if so specified in the Applicable Pricing Supplement) be replaced by other assets and/or the relevant Fund Linked Notes may be redeemed early.

In the event that a Fund is materially modified or permanently cancelled or the management company fails to calculate or announce the net asset value of a Fund, the Calculation/Issuer Agent will either make such adjustments to any variable, calculation methodology, valuation, settlement, payment terms or any other terms and conditions of the relevant Fund Linked Notes as the Calculation/Issuer Agent determines appropriate to account for the effect on the Fund Linked Notes of such events, or the Issuer may redeem the Fund Linked Notes early. Any of these decisions or determinations may adversely impact the value of Fund Linked Notes.

#### **The net asset value of a Fund can be affected by exchange rates and exchange controls**

The net asset value of a Fund could be adversely affected not only by hedging costs and changes in exchange rates, but also by local exchange control regulations and other limitations, including currency exchange limitations and political and economic developments in the relevant countries.

#### **Funds are subject to market risks**

The markets in which a Fund invests may prove to be highly volatile from time to time as a result of, for example, sudden changes in government policies on taxation and currency repatriation or changes in legislation relating to the value of foreign ownership in companies, and this may affect the net asset value at which a Fund may liquidate positions to meet repurchase requests or other funding requirements.

#### **Hedging techniques employed by Funds are subject to limitations**

A Fund may in certain cases employ various hedging techniques to reduce the risk of Investment positions. A substantial risk remains, nonetheless, that such techniques will not always be available and when available, will not always be effective in limiting losses. A Fund may take substantial unhedged positions.

#### **Fluctuations in interest rates can expose a Fund to losses**

The values of securities held by a Fund tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding net asset values of a Fund's positions to move in directions which were not initially anticipated.

To the extent that interest rate assumptions underlie the hedge ratios implemented in hedging a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose a Fund to losses.

#### **The absence of regulatory oversight of a Fund may adversely affect the performance of a Fund and/or investments made by a Fund**

A Fund may not be regulated under the laws of any country or jurisdiction. In this event, certain protections of such laws (which, among other things, may require investment companies to have disinterested directors, require securities to be held in custody and segregated, regulate the relationship between the investment company and its adviser and mandate investor approval before fundamental investment policies may be changed) may not apply to a Fund. This absence of regulation may adversely affect the performance of a Fund and/or investments made by a Fund.

#### **A suspension of trading may make it impossible for a Fund to liquidate positions**

A securities exchange typically has the right to suspend or limit trading in any instrument traded on that exchange. A suspension could render it impossible for a Fund to liquidate positions and thereby expose the value of a Fund and/or investments in the Fund to losses.

#### **The lack of liquidity in certain markets may be a disadvantage for a Fund**

Despite the heavy volume of trading in securities and other financial instruments, the markets for some securities and

other financial instruments have limited liquidity and depth. This could be a disadvantage to a Fund, both in the realisation of quoted prices and in the execution of orders at desired prices, resulting in a decline in the value of a Fund and/or investments made by a Fund.

**The loss of key individuals could have an adverse effect on the performance of a Fund**

The success of a Fund is dependent on the expertise of its managers. The loss of one or more key individuals could have a material adverse effect on the ability of a fund manager to direct a Fund's portfolio, resulting in losses for a Fund and a decline in the value of a Fund and/or investments made by a Fund and, consequently, the related Fund Linked Notes. Indeed, certain fund managers may have only one principal, without whom the relevant fund manager could not continue to operate.

**Funds managed by inexperienced investment managers may be a riskier investment than Funds with more experienced fund managers**

Certain Funds may be managed by investment managers who have managed hedge Funds for a relatively short period of time. The previous experience of such investment managers is typically in trading proprietary accounts of financial institutions or managing unhedged accounts of institutional asset managers or other investment firms. Because such investment managers do not have direct experience in managing Funds or hedge Funds, including experience with financial, legal or regulatory considerations unique to fund management, and there is generally less information available on which to base an opinion of such managers' investment and management expertise, investments with such investment managers may be subject to greater risk and uncertainty than investments with more experienced fund managers. This means that an investment in the related Fund Linked Notes will also be riskier.

**There is a risk that a fund manager could divert or abscond with the assets, fail to follow agreed-upon investment strategies, provide false reports of operations or engage in other misconduct**

There is a risk that a fund manager could divert or abscond with the assets, fail to follow agreed-upon investment strategies, provide false reports of operations or engage in other misconduct. This can have an adverse effect on the related Fund Linked Notes.

**The performance-based compensation paid to a fund manager is typically calculated on a basis that includes unrealised appreciation and may consequently be greater than if such compensation were based solely on realised gains**

The performance-based compensation paid to a fund manager is typically calculated on a basis that includes unrealised appreciation and may consequently be greater than if such compensation were based solely on realised gains.

Each Fund generally calculates its own performance compensation based on its individual performance, irrespective of increases in the overall value of the Fund. Furthermore, when the Fund is rebalanced and an unprofitable underlying asset is removed, the loss carried forward by such Fund's trading is eliminated for purposes of calculating subsequent performance compensation due to the fund manager of any replacement underlying asset. Thus, there may be substantial incentive compensation due to the relevant Fund manager even during a period when the portfolio of assets is incurring significant losses. This in turn can affect the value of the Fund and/or investments made by the Fund, and consequently the value of the related Fund Linked Notes.

**Funds may be exposed to the risk of concentrating their investments in a single company or industry**

Because many hedge Funds have the authority to concentrate their investments in securities of a single issuer or industry, the overall adverse impact on one or more components of the Fund, and correspondingly on the value of the Fund and/or investments made by the Fund (and consequently the value of the related Fund Linked Notes), of adverse movements in the value of such securities could be considerably greater than if the Fund were not permitted to concentrate their investments. Moreover, a number of hedge Funds included as components in a Fund might accumulate substantial positions in the same or related instruments at the same time. Because information regarding the actual investments made by such Funds is not generally available, the management company will be unable to identify any such accumulations, which could expose the relevant Fund and/or investments made by the Fund to the risk of sudden and severe declines.

**Funds are often highly leveraged, exposing them to the risk of large losses**

A Fund may be able to borrow without limitation and may utilise various lines of credit and other forms of leverage. In addition, certain of a Fund's investment strategies (primarily those utilising derivative instruments) may involve indirect forms of leverage. While leverage presents opportunities for increasing a Fund's total return, it increases the potential risk of loss as well. Any event which adversely affects the value of an Investment by a Fund is magnified to the extent that such Investment is leveraged, with corresponding effects on the value of the related Fund Linked



Notes. Leverage can have a similar effect on issuers of securities in which a Fund invests. The use of leverage by a Fund could result in substantial losses which would be greater than if leverage had not been used. A Fund's assets may be further leveraged or hedged by the use of derivatives. In addition, investments of a Fund may include investments in partnerships and other pooled investment vehicles, which themselves employ leverage to a significant extent. Such investments are subject to the same leverage risks as described above and a Fund could lose its entire investment.

Banks and dealers that provide financing to a Fund may be able to apply essentially discretionary margin, haircut, financing and security and collateral valuation policies. In this event, changes by banks and dealers in these policies may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous net asset values, thereby adversely affecting the value of the related Fund Linked Notes.

#### **Funds may be exposed to non-creditable taxes**

As Funds may be resident in jurisdictions which have not entered into any double taxation conventions with other countries, income of such Funds may be subject to withholding taxes in the countries of source of that income. As such Funds may not be subject to income taxation in their countries of residence, these withholding taxes will be an expense of the Fund resulting in a reduction in the net income of the Fund and may have a negative impact on the performance of the Fund.

#### **Fund investment criteria**

It may be difficult to specify precisely or comprehensively the strategies of a Fund. As a result, it may not sometimes be clear whether or not a Fund fulfils the investment criteria set out in its offering document.

#### **Certain Funds may invest primarily in equities**

The investment orientation of a Fund may be based to a significant extent on equity investments. Investment in equity securities to aggressively seek capital appreciation is speculative and is generally perceived to encompass greater risks than those involved in connection with an investment in debt securities of comparable issuers. Investors in the related Fund Linked Notes should have regard to the investment orientation of the underlying Fund and be comfortable that they can bear the risk of a significant decline in the value of the Fund.

#### **Funds which invest in fixed income securities**

A Fund may invest in fixed income securities and, therefore, may be exposed to the risk of default by the issuers of such securities. Such default may result in delays in payment, or non-payment of interest or principal when due, thereby adversely affecting amounts due on the related Fund Linked Notes. Furthermore, the net asset value of fixed income securities may also fluctuate with changes in prevailing interest rates and/or in the creditworthiness of the issuer, and these fluctuations may result in a loss of capital by a Fund.

#### **Some Funds may invest in other collective investment schemes**

Some Funds may invest in other collective investment schemes. Investment in schemes of this type may afford the investor less transparency in respect of the ultimate assets of the scheme.

#### **Large subscriptions and redemptions**

Large subscriptions and redemptions may result in the liquidation or dilution of Fund assets that may affect the net asset value of such Fund and/or investments made by such Fund and, consequently, the value of the related Fund Linked Notes.

#### **Funds which invest in emerging markets**

A Fund may invest in securities of governments of, or companies domiciled in, less-developed or emerging markets. This involves additional considerations including: political and economic considerations, such as greater risks of expropriation, nationalisation and general social, political and economic instability; potential lack of liquidity and net asset value volatility; fluctuations in the rate of exchange between currencies and possible currency exchange controls; and government policies that may restrict investment opportunities and difficulties that may arise in connection with the clearance and settlement of trades. Investments in Fund Linked Notes which are related to such Funds are therefore more risky.

Accounting and financial reporting standards in such countries may not be equivalent to standards in more developed countries and less information may be available to investors in companies located in these countries than is available to investors in more developed countries. Custody arrangements in such countries may also present enhanced risk. The related Fund Linked Notes will be correspondingly affected.



### **The use of repurchase agreements**

A Fund may use repurchase agreements. Under a repurchase agreement, a security is sold to a buyer and at the same time the seller of the security agrees to buy back the security at a later date at a higher net asset value. In the event of a bankruptcy or other default of the transferor of securities in a repurchase agreement, a Fund could experience delays in liquidating the underlying securities and losses, including possible declines in the value of the collateral during the period while it seeks to enforce its rights thereto; possible subnormal levels of income and lack of access to income during this period and the expenses of enforcing its rights. In the case of a default by the transferee of securities in a repurchase agreement, the management company bears the risk that the transferee may not deliver the securities when required. The related Fund Linked Notes will be correspondingly affected.

### **A Fund may engage in exchange rate speculation**

A Fund may engage in exchange rate speculation. Foreign exchange rates have been highly volatile in recent years. The combination of volatility and leverage gives rise to the possibility of large profit but also carries a high risk of loss. In addition, there is counterparty credit risk since foreign exchange trading is done on a principal to principal basis. The related Fund Linked Notes will be correspondingly affected.

### **Funds which invest in commodity futures**

Commodity futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested.

### **Funds which invest in derivatives**

A Fund may use derivative instruments, such as credit default swaps, stripped mortgage-backed securities, options and other swaps. There are uncertainties as to how the derivatives market will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Substantial risks are also involved in borrowing and lending against such instruments. The prices of these instruments are volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the positions held by a Fund, thereby causing substantial losses to the Fund and/or investments in the Fund, and consequently also the related Fund Linked Notes. Most of these instruments are not traded on exchanges but rather through an informal network of banks and dealers. These banks and dealers have no obligation to make markets in these instruments and may apply essentially discretionary margin and credit requirements (and thus, in effect, force a Fund to close out its relevant positions). In addition, such instruments carry the additional risk of failure to perform by the counterparty to the transaction. Government policies may have profound effects on interest and exchange rates which, in turn, affect prices of derivative instruments. Many other unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations. Investors in Fund Linked Notes need to be able to understand the potential impact of such events on their investment.

### **A Fund may sell securities short**

A Fund may sell securities short. Short selling exposes a Fund to theoretically unlimited risk due to the lack of an upper limit on the price to which a security may rise. Short selling involves the sale of borrowed stock. If a stock loan is called, the short seller may be forced to repurchase the stock at a loss. In addition, some traders may attempt to profit by forcing short sellers to incur a loss. Traders may make large purchases of a stock that has been sold short. The large purchases are intended to drive up the stock price, and cause the short sellers to incur losses. By doing this traders hope the short sellers will limit their losses by repurchasing the stock and force the stock price even higher. Investors need to fully understand such strategies and the impact they can have on the related Fund Linked Notes.

### **Substantial losses may be incurred on "hedge" or "arbitrage" positions**

The use of arbitrage strategies by a Fund in no respect should be taken to imply that such strategies are without risk. Substantial losses may be incurred on "hedge" or "arbitrage" positions, and illiquidity and default on one side of a position may effectively result in the position being transformed into an outright speculation. Every arbitrage strategy involves exposure to some second order risk of the market, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds or the net asset value spread between different classes of stock for the same underlying firm.

Further, there are few examples of "pure" arbitrage Funds. Most Funds also employ limited directional strategies which expose them to market risk. Investors in the related Fund Linked Notes need to fully understand such strategies and the impact they can have on the related Fund Linked Notes.

### **Investments may be subject to legal or other restrictions on transfer**

Investments may be subject to legal or other restrictions on transfer or for which no liquid market exists. The market net asset values, if any, of such investments tend to be more volatile and a Fund may not be able to sell them when it desires to do so or to realise what it perceives to be their fair value in the event of a sale. Moreover, investments made by the Fund may include those that are not listed on a stock exchange or traded on an over-the-counter market. As a result of the absence of a public trading market for these securities, they may be less liquid than publicly traded securities. A Fund may encounter substantial delays in attempting to sell non-publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realised from these sales could be less than those originally paid by a Fund. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements which would be applicable if their securities were publicly traded. Investors in the related Fund Linked Notes need to be capable of understanding the impact of these restrictions and events on the value of their investment.

### **Credit risk of counterparties**

Many of the markets in which a Fund effects its transactions are "over-the-counter" or "inter-dealer" markets. The participants in these markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. To the extent that a Fund invests in swaps, derivatives or synthetic instruments, or other over-the-counter transactions in these markets, the Fund may take a credit risk with regard to parties with which it trades and also may bear the risk of settlement default. These risks may differ materially from those involved in exchange-traded transactions, which generally are characterised by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may subject a Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. Such "counterparty risk" is increased for contracts with longer maturities when events may intervene to prevent settlement. The ability of a Fund to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities, and the absence of a regulated market to facilitate settlement, may increase the potential for losses for investors in the related Fund Linked Notes.

### **A Fund which takes a controlling stake in a company**

A Fund may take controlling stakes in companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise and other types of related liability. Investors in the related Fund Linked Notes need to be capable of understanding and analysing the impact of such an event on their investment.

### **The shares of certain Funds may only be redeemable on certain dates**

The shares of a Fund may only be redeemable on certain redemption dates, subject to the prescribed notice period in respect of the Fund. This gives rise to a time delay between the execution of an order for redemption and payment of the proceeds on such redemption. If the Fund becomes insolvent following the date on which a redemption order would have to be notionally placed or the Calculation/Issuer Agent determines that the Fund would fail to pay to any shareholder in cash the full redemption proceeds owing to them if they redeemed their shares on the relevant date, an adjustment may be made by the Calculation/Issuer Agent when calculating the return on the related Fund Linked Notes to the net asset value per share of the Fund, thereby reducing the return on the related Fund Linked Notes.

The market price of Fund Linked Notes may be volatile and may depend on the time remaining to the Redemption Date and the volatility of the price of investments in the Fund. The price of investments in the Fund may be affected by the economic, financial and political events in one or more jurisdictions, including factors affecting the exchange(s) or quotation system(s) on which any investments in the Fund are made.

## **GENERAL RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES**

### **Notes subject to early redemption at the election of the Issuer**

If the Issuer Early Redemption Election is applicable to a Tranche of Notes, that Tranche of Notes may be redeemed (subject, where applicable, to Physical Settlement), at the election of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part, on the Early Redemption Date (Call) at the Early Redemption Amount (Call), as more fully described in Condition 8.2 (*Redemption at the election of the Issuer*).

If any Specified Early Redemption Event is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Notes then, if that Specified Early Redemption Event has occurred and is continuing, that Tranche of Notes may be redeemed (subject, where applicable, to Physical Settlement), at the election of the Issuer in whole or, if so

specified in the Applicable Pricing Supplement, in part, on the Early Redemption Date (Specified Early Redemption Event), at the Early Redemption Amount (Specified Early Redemption Event), as more fully described in Condition 8.4 (*Redemption following a Specified Early Redemption Event*).

A Specified Early Redemption Event, in relation to a Tranche of Notes, is a Tax Event and/or a Change in Law and/or a Hedging Disruption Event and/or an Increased Cost of Hedging Event (in each instance, where specified in the Applicable Pricing Supplement as being applicable) and/or such Other Early Redemption Event as is specified in the Applicable Pricing Supplement.

If specified in the Applicable Pricing Supplement as being applicable to a Tranche of Notes, the Early Redemption Amount (Specified Early Redemption Event) will be (i) the Fair Value of that Tranche of Notes plus accrued interest (if any) to the Early Redemption Date (Specified Early Redemption Event) less the (ii) the Unwind Costs. In this event, the relevant Noteholders will bear all Unwind Costs. In addition, the Fair Value of the relevant Tranche of Notes may be less than the aggregate outstanding Principal Amount.

These elective redemption features may limit the market value of the Notes. During any period when the Issuer may elect to redeem a Tranche of Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any such redemption period.

The Issuer may be expected to redeem a Tranche of Notes when its cost of borrowing is lower than the Interest Rate applicable to that Tranche of Notes. In such circumstances a Noteholder may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that applicable to the relevant Tranche of Notes. Potential investors in the Notes should consider reinvestment risk in light of other investments available at that time.

#### **Interest rate risks**

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Fixed Rate Notes.

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

#### **Variable rate Notes with a multiplier or other leverage factor**

Notes with variable Interest Rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include these features.

#### **Notes issued at a substantial discount or premium**

The market values of Notes issued at a substantial discount or premium to 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.

#### **GENERAL**

This Programme Memorandum identifies some of the information that a prospective investor in the Notes should consider prior to making an investment in the Notes. However, neither this Programme Memorandum nor any Applicable Pricing Supplement provides (or will provide) (and does not purport to provide) all of the information or the comprehensive analysis necessary to evaluate the economic and other consequences of investing in the Notes. Therefore, a potential investor in the Notes should conduct its own thorough analysis, including its own accounting, legal and tax analysis, prior to deciding to invest in the Notes. A potential investor in the Notes should make an investment in the Notes only after it has determined that such investment is suitable for its financial investment objectives. Neither this Programme Memorandum nor any Applicable Pricing Supplement is (or will be) (and does not purport to be) investment advice.

#### **RISKS RELATING TO OTHER NOTES**

The risks (if any) of investing in particular types of Notes (including, without limitation, Warrants) which are not set out in, or covered by, this section of the Programme Memorandum headed "*Risk Factors*" will be set out in an annexure to the Applicable Pricing Supplement relating to the relevant Tranche of Notes and/or in a supplement to

this Programme Memorandum prior to the Issue Date of the first Tranche of such Notes to be issued under the Programme.

## SUMMARY OF THE PROGRAMME

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

### **Approval and listing**

This Programme Memorandum, dated 8 February 2019, was registered and approved by the JSE on 4 February 2019.

A Tranche of Notes may be listed on the Interest Rate Market of the JSE and/or on such other or additional Financial Exchange/s (including, subject to the applicable provisions of the JSE Main Board Listings Requirements and Section 19 thereof, the Main Board of the JSE) as may be determined by the Issuer and the relevant Dealer/s, subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme.

The Applicable Pricing Supplement relating to a Tranche of Notes will specify whether or not the Notes in that Tranche will be listed and, if so, on which Financial Exchange/s.

A Tranche of Warrants will be, and any other Tranche of Notes may be, listed on the Main Board of the JSE. Where a Tranche of Notes is to be listed on the Main Board of the JSE, the provisions of the JSE Main Board Listings Requirements relating to the listing of that Tranche of Notes on the Main Board of the JSE, will be set out in an annexure to the Applicable Pricing Supplement relating to that Tranche of Notes and/or in a supplement to this Programme Memorandum prior to the Issue Date of the first Tranche of such Notes to be issued under the Programme.

Unlisted Notes are not regulated by the JSE. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE. The holders of Notes (including Warrants) that are not listed on the Main Board of the JSE will have no recourse against the JSE.

### **Arranger**

Nedbank Limited, acting through its Corporate and Investment Banking division.

### **Blocked Rand**

Blocked Rand may be used for the purchase of or subscription for Notes, subject to the Exchange Control Regulations (see the section of this Programme Memorandum headed "*Exchange Control*").

### **Calculation/Issuer Agent**

Nedbank Limited, acting through its Corporate and Investment Banking division, unless the Issuer elects to appoint another entity as Calculation/Issuer Agent, as contemplated in Condition 16 (*Transfer Agent, Calculation/Issuer Agent and Settling Bank*).

### **Central Securities Depository**

Strate Proprietary Limited, a central securities depository licensed in terms of the Financial Markets Act, or any additional or alternative depository approved by the Issuer.

### **Clearing and settlement**

The Central Securities Depository is the operator of an electronic clearing system which matches, clears and facilitates the settlement of all transactions carried out on the Interest Rate Market of the JSE or the Main Board of the JSE, as the case may be.

Each Tranche of Uncertificated Notes will be issued, cleared and settled in accordance with the Applicable Procedures through the Central Securities Depository electronic settlement system (see the section of this Programme Memorandum headed "*Settlement, Clearing and Transfers of Notes*" under "*Uncertificated Notes*").

Each Tranche of Notes which is listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE or the Main Board of

the JSE, as the case may be, will be issued, cleared and settled in accordance with the rules and settlement procedures for the time being of that Financial Exchange (see the section of this Programme Memorandum headed "*Settlement, Clearing and Transfers of Notes*" under "*Notes listed on any other Financial Exchange*").

A Tranche of unlisted Notes which is issued in registered certificated form will be issued, cleared and settled in the manner described in the section of this Programme Memorandum headed "*Settlement, Clearing and Transfers of Notes*" under "*Notes issued in certificated form*".

**CSD Procedures**

In relation to a Tranche of Uncertificated Notes, the rules and operating procedures for the time being of the Central Securities Depository and Participants.

**Dealers**

Nedbank Limited, acting through its Corporate and Investment Banking division.

If the Issuer does not itself place a Tranche of Notes, the Issuer may agree with any third-party Dealer/s to issue, and such Dealer/s may agree to place, that Tranche of Notes by entering into an appropriate agreement for the issue and placing of that Tranche of Notes (see the section of this Programme Memorandum headed "*Subscription and Sale*" under "*Arranger, Debt Sponsor, Dealer and Placing Arrangements*").

**Debt Sponsor**

Nedbank Limited, acting through its Corporate and Investment Banking division.

**Description of the Programme**

Nedbank Limited ZAR15,000,000,000 Structured Note Programme.

**Distribution**

A Tranche of Notes may be offered by way of public auction or private placement or any other means permitted by law as determined by the Issuer and the relevant Dealer/s, and as specified in the Applicable Pricing Supplement.

**Exchange control**

This Programme Memorandum does not require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations.

In general, the issue of a Tranche of Notes will not require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations.

However, under certain circumstances (and if so indicated in the Applicable Pricing Supplement), the issue of a particular Tranche of Notes will require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations. In particular, a Tranche of Reference Item Linked Notes which references one or more foreign Reference Item/s may be "*based on foreign reference assets*" for purposes of the Inward Listings Directive (see the section of this Programme Memorandum headed "*Exchange Control*").

**Form of Notes**

All Notes will be issued in registered form, and will be registered in the Register in the name of the Noteholder thereof, as described in the section of this Programme Memorandum headed "*Form of the Notes*"

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE or on the Main Board of the JSE, as the case may be, will be issued in registered uncertificated form in terms of Chapter IV of the Financial Markets Act (see the section of this Programme Memorandum headed "*Form of the Notes*").

A Tranche of unlisted Notes will, if so specified in the Applicable Pricing Supplement, be issued in registered uncertificated form (see the section of this Programme Memorandum headed "*Form of the Notes*").



<b>Governing Law</b>	This Programme Memorandum, the Notes and the Applicable Terms and Conditions will be governed by, and construed in accordance with, the laws of South Africa.
<b>Interest</b>	<p>Notes may be interest-bearing or non-interest bearing.</p> <p>A Tranche of interest-bearing Notes will bear interest on the aggregate Outstanding Principal Amount at the applicable Rate of Interest, calculated in accordance with the applicable provisions of Condition 7 (<i>Interest</i>) as read with the Applicable Pricing Supplement, for the period from and including the Interest Commencement Date to but excluding the Redemption Date.</p> <p>The Rate of Interest, Interest Commencement Date, Interest Payment Date/s and Interest Period/s applicable to a Tranche of interest-bearing Notes will be specified in the Applicable Pricing Supplement.</p> <p>The Redemption Amount of a Tranche of Notes may be calculated by reference to one or more specified underlying assets or bases of reference (or any combination thereof) such as indices (including equity, commodity and consumer price indices), currency exchange rates, investments in an underlying fund, shares, commodities, currencies, and the credit of one or more reference entities, as specified in the Applicable Pricing Supplement.</p> <p>Zero Coupon Notes will not bear interest.</p>
<b>Issue Price</b>	A Tranche of Notes will be issued on a fully-paid basis at a discount or premium to its Principal Amount, as specified in the Applicable Pricing Supplement.
<b>Issuer</b>	Nedbank Limited.
<b>Issue and transfer taxes</b>	As at the Programme Date, no securities transfer tax or any similar tax is payable under the Securities Transfer Tax Act in respect of the issue, transfer or redemption of Notes (see the section of this Programme Memorandum headed " <i>Taxation</i> "). 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 Noteholders.
<b>JSE</b>	JSE Limited, licensed as an exchange in terms of the Financial Markets Act or any exchange which operates as a successor exchange to the JSE in terms of the Financial Markets Act.
<b>Maturity Date</b>	The Maturity Date of a Tranche of Notes will be specified in the Applicable Pricing Supplement.
<b>Negative pledge</b>	The Notes will have the benefit of a negative pledge as described in Condition 6 ( <i>Negative Pledge</i> ).
<b>Noteholders</b>	The holders of Notes recorded as the registered Noteholders of such Notes in the Register (see " <i>Register</i> " below).
<b>Participants</b>	<p>The persons accepted by the Central Securities Depository as participants in terms of the Financial Markets Act.</p> <p>As at the Programme Date, the Participants are Standard Chartered Bank Johannesburg Branch, Société Generale, Citibank N.A., South Africa Branch, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank.</p> <p>Euroclear Bank S.A/N.V., as operator of the Euroclear System ("<b>Euroclear</b>"), and Clearstream Banking, <i>société anonyme</i> ("<b>Clearstream</b>"), among others, may hold Notes through their nominated Participant.</p>
<b>Programme Amount</b>	<p>As at the Programme Date, the Programme Amount is ZAR15,000,000,000.</p> <p>The aggregate Outstanding Principal Amount of Notes (including Existing Notes) in issue under the Programme may not exceed ZAR15,000,000,000, unless such amount is increased by the Issuer as set out in the section of this</p>

Programme Memorandum (and the section of the Previous Programme Memorandum) headed "*General Description of the Programme*".

## Rating

The Programme is not rated. The Applicable Pricing Supplement will reflect the Rating which has been assigned to the Issuer as well as the Rating Agency or Rating Agencies which assigned such Rating.

A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued.

The Applicable Pricing Supplement will reflect the Rating, if any, which has been assigned to a Tranche of Notes, as well as the Rating Agency or Rating Agencies which assigned such Rating or Ratings. The Issuer will procure that any change to the Rating of the Issuer and/or a Tranche of Notes that occurs after the Programme Date is announced on SENS.

Neither a Rating of the Issuer nor a Rating of a Tranche of Notes is a recommendation to subscribe for, buy, sell or hold Notes.

## Redemption:

### *Redemption on the Maturity Date*

Subject, where applicable, to Physical Settlement, unless previously redeemed, or purchased and cancelled, pursuant to Condition 8 (*Redemption and purchase*), the Issuer will redeem a Tranche of Notes, on the Maturity Date, at the Final Redemption Amount, as described in Condition 8.1 (*Scheduled redemption*).

### *Redemption at the election of the Issuer*

If the Issuer Early Redemption Election is applicable to a Tranche of Notes, that Tranche of Notes may be redeemed (subject, where applicable, to Physical Settlement), at the election of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part, on the Early Redemption Date (Call), at the Early Redemption Amount (Call), as more fully described in Condition 8.2 (*Redemption at the election of the Issuer*).

### *Redemption at the election of Noteholders*

If the Noteholder Early Redemption Election is applicable to a Tranche of Notes, a Noteholder of any Notes in that Tranche may, at its election require the Issuer (subject, where applicable, to Physical Settlement and subject to Condition 8.3 (*Redemption at the election of Noteholders*)) to redeem all or any of the Notes in that Tranche held by that Noteholder (as specified in the Noteholder Early Redemption Notice), in whole or in part (as specified in the Noteholder Early Redemption Notice), on the Early Redemption Date (Put), at the Early Redemption Amount (Put), as described in Condition 8.3 (*Redemption at the election of Noteholders*).

### *Redemption following a Specified Early Redemption Event*

If any Specified Early Redemption Event is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Notes then, if that Specified Early Redemption Event has occurred and is continuing, that Tranche of Notes may be redeemed (subject, where applicable, to Physical Settlement), at the election of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part, on the Early Redemption Date (Specified Early Redemption Event), at the Early Redemption Amount (Specified Early Redemption Event), as more fully described in Condition 8.4 (*Redemption following a Specified Early Redemption Event*).

A Specified Early Redemption Event, in relation to a Tranche of Notes, is a Tax Event and/or a Change in Law and/or a Hedging Disruption Event and/or and an Increased Cost of Hedging Event (in each instance, where specified in the Applicable Pricing Supplement as being applicable) and/or such Other Early Redemption Event as is specified in the Applicable Pricing Supplement.

If specified in the Applicable Pricing Supplement as being applicable to a Tranche of Notes, the Early Redemption Amount (Specified Early Redemption Event) will be the Fair Value of that Tranche of Notes plus accrued interest (if any) to the Early Redemption Date (Specified Early Redemption Event) less

the (ii) the Unwind Costs.

**Register**

The Register is the register of the Issuer's securities (including the register of the Issuer's uncertificated securities) contemplated in (and maintained in accordance) with Part E of the Companies Act.

The Register will be maintained by the Transfer Agent.

The registered Noteholders of Uncertificated Notes will be determined in accordance with the CSD Procedures, and such registered Noteholders will be named in the Register as the registered Noteholders of such Uncertificated Notes.

Each holder of Notes which are represented by a Certificate will be named in the Register as the registered Noteholder of such Notes.

Subject to Condition 9.2.2 (*Method of payment – Uncertificated Notes*), only Noteholders named in the Register at 17h00 (South African time) on the relevant Last Day to Register will be entitled to payments of amounts due and payable in respect of the Notes.

**Register Closed Period**

The Register will, in respect of a Tranche of Notes, be closed during the Register Closed Period.

The Register Closed Period will be from 17h00 (South African time) on the Last Day to Register until 17h00 (South African time) on the day preceding each Interest Payment Date (where applicable) and the Redemption Date.

The Last Day to Register will be until 17h00 (South African time) on the 6th Business Day or such other Business Day as is specified in the Applicable Pricing Supplement preceding each Interest Payment Date (where applicable) and the Redemption Date.

**Risk factors**

Investing in the Notes involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are set out in the section of this Programme Memorandum headed "*Risk Factors*".

**Selling restrictions**

The distribution of this Programme Memorandum and/or any Applicable Pricing Supplement and any offering or sale of or subscription for a Tranche of Notes may be restricted by law in certain jurisdictions, and is restricted by law in the United States of America, the European Economic Area, the United Kingdom and South Africa (see the section of this Programme Memorandum headed "*Subscription and Sale*" under "*Selling Restrictions*"). Any other or additional selling restrictions which are applicable to the placing of a Tranche of Notes will be set out in the Applicable Pricing Supplement. Persons who come into possession of this Programme Memorandum and/or any Applicable Pricing Supplement must inform themselves about and observe all applicable selling restrictions.

**Settlement Method**

The Central Securities Depository will not be involved in settlement of a Tranche of Notes by way of Physical Settlement, and Physical Settlement will be performed outside of the Central Securities Depository directly between Issuer and the relevant Noteholders.

*Credit Linked Notes*

Following the occurrence of a Credit Event in respect of a Tranche of Credit Linked Notes, subject to satisfaction of the Conditions to Settlement, the Issuer shall redeem that Tranche of Notes, in accordance with the applicable Settlement Method, on the basis set out in the Applicable Pricing Supplement.

The Settlement Method applicable to a Tranche of Credit Linked Notes will be Auction Settlement, Cash Settlement or Physical Settlement, as set out in (and subject to) the Applicable Pricing Supplement.

### *Reference Item Linked Notes*

Physical Settlement will only be applicable to a Tranche of Reference Item Linked Notes where the relevant Reference Item/s is/are Physical Asset/s and then only if Physical Settlement, or Physical Settlement at the option of the Issuer, is specified in the Applicable Pricing Supplement as being applicable.

If Physical Settlement is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Reference Item Linked Notes or if Cash Settlement or Physical Settlement at the option of the Issuer is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Reference Item Linked Notes and the Issuer elects Physical Settlement, as the case may be, that Tranche of Reference Item Linked Notes will be redeemed by the Issuer delivering the relevant Physical Asset/s to the relevant Noteholders on the Physical Delivery Date.

If so specified in the Applicable Pricing Supplement, the relevant Noteholders shall be liable for payment of any applicable Taxes (as defined in the Applicable Pricing Supplement) and Redemption Expenses in respect of the Physical Settlement of the relevant Tranche of Reference Item Linked Notes.

Cash Settlement will be the applicable Settlement Method of a Tranche of Reference Item Linked Notes which references Reference Item/s which is/are not Physical Asset/s.

#### **Settling Bank**

Nedbank Investor Services, a division of Nedbank Limited, unless the Issuer elects to appoint another entity as Settling Bank, as contemplated in Condition 16 (*Transfer Agent, Calculation/Issuer Agent and Settling Bank*).

The Issuer is a bank registered as such under the Banks Act and will itself (subject to the paragraph above) act as Settling Bank for purposes of payments under Uncertificated Notes, as contemplated in the CSD Procedures.

#### **Specified Currency**

South African Rand (ZAR) or (subject, to the Exchange Control Regulations and the approval of the JSE), any other currency specified as such in the Applicable Pricing Supplement.

#### **Specified Denomination**

The denomination of each Note in a Tranche of Notes will be the amount specified as such in the Applicable Pricing Supplement; provided that such amount shall not be less than ZAR1,000,000 (or the equivalent thereof in the Specified Currency if the Specified Currency is not ZAR) or such other amount as is prescribed from time to time in terms of section 96(2)(a) of the Companies Act.

#### **Status of the Notes**

The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer and will rank *pari passu* without any preference or priority among themselves and *pari passu* with Existing Notes and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, as described in Condition 5 (*Status*).

#### **Taxation**

A summary of the more important fiscal provisions pertaining to the Notes, as at the Programme Date, is set out in the section of this Programme Memorandum headed "*Taxation*". The summary is not intended to be and does not constitute tax advice.

*In particular, it should be noted that the treatment of particular types of Notes from a specific fiscal perspective may depend on the precise nature of the Applicable Terms and Conditions of the relevant Tranche of Notes and such treatment cannot be covered by the section of this Programme Memorandum headed "Taxation".*

Potential investors in the Notes should, before making an investment in the

Notes, consult their own professional advisers as to the potential fiscal consequences of, and their tax positions in respect of the acquisition, holding and/or disposal of the Notes.

**Terms and Conditions**

The terms and conditions of the Notes are set out in the section of this Programme Memorandum headed "*Terms and Conditions*" ("**Terms and Conditions**").

The Applicable Terms and Conditions of a Tranche of Notes are the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

**Transfer Agent**

Nedbank Investor Services, a division of Nedbank Limited, unless the Issuer elects to appoint another entity as Transfer Agent, as contemplated in Condition 16 (*Transfer Agent, Calculation/Issuer Agent and Settling Bank*).

**Type of Notes**

A Tranche of Notes may comprise, without limitation, Commodity Linked Notes, Equity Linked Notes, Currency Linked Notes, Inflation Linked Notes, Fund Linked Notes, Index Linked Notes, Credit Linked Notes, Warrants (subject to the applicable provisions of the JSE Main Board Listings Requirements and Section 19 thereof) or such other type of Note as may be determined by the Issuer and the relevant Dealer/s and specified in the Applicable Pricing Supplement.

The additional provisions relating to the issue of a Tranche of Warrants (as contemplated in the applicable provisions of the JSE Main Board Listings Requirements and Section 19 thereof) will be set out in an annexure to the Applicable Pricing Supplement relating to that Tranche of Warrants and/or in a supplement to this Programme Memorandum prior to the Issue Date of the first Tranche of Warrants to be issued under the Programme.

**Use of proceeds**

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

**Withholding tax**

All payments of interest in respect of the Notes will be made without withholding or deduction for or on account of any South African Taxes unless such withholding or deduction is required by Applicable Law. If any such withholding or other deduction is required by Applicable Law and is applicable to all Noteholders, the Issuer will, subject to the election of the Issuer to redeem that Tranche of Notes following a Tax Event pursuant to Condition 8.4 (*Redemption following a Specified Early Redemption Event*) (and subject to certain exceptions as provided in Condition 10.1 (*Gross up*)), pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction.

## FORM OF THE NOTES

All Notes will be issued in registered form, and will be registered in the Register in the name of the Noteholder thereof.

### UNCERTIFICATED NOTES

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE or on the Main Board of the JSE, as the case may be, will be issued in registered uncertificated form in terms of Chapter IV of the Financial Markets Act (see the section of this Programme Memorandum. Each Tranche of Uncertificated Notes will be held in the Central Securities Depository. Uncertificated Notes will not be represented by any certificate or written instrument.

Subject to the Applicable Procedures and unless the context clearly otherwise indicates, references to "Uncertificated Notes" include Beneficial Interests in Uncertificated Notes, and *vice versa*, and references to "registered Noteholders of Uncertificated Notes" include the holders of Beneficial Interests in Uncertificated Notes, and *vice versa*.

The registered Noteholders of Uncertificated Notes will be determined in accordance with the CSD Procedures, and such registered Noteholders will be named in the Register as the registered holders of such Uncertificated Notes.

Each Tranche of Uncertificated Notes will be held by the registered Noteholder/s of such Uncertificated Notes in accordance with and subject to the Financial Markets Act and the Applicable Procedures.

The Central Securities Depository maintains central securities accounts only for Participants. As at the Programme Date, the Participants are Standard Chartered Bank Johannesburg Branch, Société Generale, Citibank N.A., South Africa Branch, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank.

The clients of Participants may include the registered Noteholders of Uncertificated Notes or their custodians.

The Participants will maintain records of Uncertificated Notes held by their clients.

Subject to the CSD Procedures, the registered Noteholders of Uncertificated Notes may exercise their rights in respect of Uncertificated Notes through their Participants. Euroclear and Clearstream, among others, may hold Uncertificated Notes through their nominated Participant.

Title to Uncertificated Notes will be reflected in the securities accounts maintained by the relevant Participants for the registered Noteholders of such Uncertificated Notes.

In relation to each person shown in the records of the Central Securities Depository or the relevant Participant, as the case may be, as the registered Noteholder of Uncertificated Notes in a particular aggregate Outstanding Principal Amount of Notes, a certificate or other document issued by the Central Securities Depository or the relevant Participant, as the case may be, as to the aggregate Outstanding Principal Amount of such Uncertificated Notes standing to the account of any person shall be *prima facie* proof of such aggregate Outstanding Principal Amount of such Uncertificated Notes.

Title to Uncertificated Notes will pass on transfer thereof by way of electronic book entry in the securities accounts maintained by the relevant Participants for the registered Noteholders of such Uncertificated Notes. Uncertificated Notes may be transferred only in accordance with the CSD Procedures.

Noteholders of Uncertificated Notes must vote in accordance with the Applicable Procedures. Subject to the CSD Procedures, the registered Noteholders of Uncertificated Notes must exercise their respective rights to vote through their respective Participants. Subject to the CSD Procedures, the respective Participants will vote in accordance with the respective instructions conveyed to them by the respective registered Noteholders of Uncertificated Notes.

### NOTES REPRESENTED BY CERTIFICATES

Subject to the Financial Markets Act, the registered Noteholder of Uncertificated Notes will only be entitled to exchange such Uncertificated Notes for Notes represented by a Certificate in accordance with Condition 13.1 (*Exchange of Uncertificated Notes*).

A Tranche of unlisted Notes will, if so specified in the Applicable Pricing Supplement, be issued in registered certificated form.

Each Noteholder of Notes which are represented by a Certificate will be named in the Register as the registered Noteholder of such Notes.



Title to Notes represented by Certificates will pass upon registration of transfer in accordance with Condition 14.2 (*Transfer of Notes represented by Certificates*).

The Issuer and the Transfer Agent shall regard the Register as the conclusive record of title to Notes represented by Certificates.

#### **PAYMENTS**

Payments of all amounts due and payable in respect of Uncertificated Notes will be made in accordance with the CSD Procedures and Condition 9.3 (*Method of payment - Uncertificated Notes*).

Payments of all amounts due and payable in respect of Notes represented by Certificates will be made, in accordance with Condition 9.4 (*Method of payment - Notes represented by Certificates*), to the person named as the registered Noteholder of such Notes in the Register at 17h00 (South African time) on the Last Day to Register.

#### **TRANSFERABILITY OF THE NOTES**

The Notes in a Tranche of Notes will, upon issue, be freely transferrable and fully paid.

**PRO FORMA APPLICABLE PRICING SUPPLEMENT**

Set out below is the form of Applicable Pricing Supplement which will be completed for each Tranche of Notes which is to be listed on the Interest Rate Market of the JSE.

The form of Applicable Pricing Supplement which will be completed for each Tranche of Notes which is to be listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE (including, without limitation, the Main Board of the JSE) will, subject to the Rules of that Financial Exchange (including, without limitation, the JSE Main Board Listings Requirements) and all Applicable Laws, be substantially in the form set out below adapted, as applicable, to comply with the Rules of that Financial Exchange and all Applicable Laws.

The form of Applicable Pricing Supplement which will be completed for each Tranche of unlisted Notes will be substantially in the form set out below adapted, as applicable, in such manner as is agreed by the Issuer and the relevant Dealer/s.



**NEDBANK LIMITED**

*(incorporated with limited liability under registration number 1951/000009/06 in the Republic of South Africa)*

**ZAR15,000,000,000 STRUCTURED NOTE PROGRAMME**

**issue of ZAR[ ] [Type of Notes] due [ ]**

This document constitutes the Applicable Pricing Supplement relating to the issue of the Tranche of Notes described herein ("**Notes**" and "**this Tranche**").

This Applicable Pricing Supplement must be read in conjunction with the Amended and Updated Programme Memorandum, dated 8 February 2019, as amended and/or supplemented from time to time ("**Programme Memorandum**"), prepared by Nedbank Limited ("**Issuer**") in connection with the Nedbank Limited ZAR15,000,000,000 Structured Note Programme ("**Programme**").

The Amended and Updated Programme Memorandum, dated 8 February 2019, was registered and approved by the JSE Limited ("**JSE**") on 4 February 2019.

References to the "**Terms and Conditions**" in this Applicable Pricing Supplement are to the section of the Programme Memorandum headed "*Terms and Conditions*". References to any Condition in this Applicable Pricing Supplement are to that Condition of the Terms and Conditions.

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the Terms and Conditions.

This Tranche will be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of this Tranche set out in this Applicable Pricing Supplement.

To the extent that there is any conflict or inconsistency between the provisions of the Terms and Conditions and the provisions of this Applicable Pricing Supplement, the provisions of this Applicable Pricing Supplement shall prevail.

**A. DESCRIPTION OF THE NOTES**

1.	Issuer	Nedbank Limited
2.	Tranche number	[ ]
3.	Series number	[ ]
4.	Status of the Notes	Senior Notes (see Condition 5 ( <i>Status</i> ))
5.	Security	Unsecured
7.	Form of the Notes	Registered Notes.

The Notes are issued in registered uncertificated form and will be held in the Central Securities Depository.

8. Type of Notes *(\*delete whichever is not applicable)*  
 [Currency Linked Notes *(see Item F (Currency Linked Note Provisions) below)*]  
 [Commodity Linked Notes *(see Item G (Commodity Linked Note Provisions) below)*]  
 [Equity Linked Notes *(see Item H (Equity Linked Note Provisions) below)*]  
 [Fund Linked Notes *(see Item I (Fund Linked Note Provisions) below)*]  
 [Index Linked Notes *(see Item J (Index Linked Note Provisions) below)*]  
 [Inflation Linked Notes *(see Item K (Inflation Linked Note Provisions) below)*]  
 [Credit Linked Notes *(see Item L (Credit Linked Note Provisions) below)*]  
 [specify other]
9. Issue Date/First Settlement Date [ ]
10. Issue Price [100]%
11. Interest *(\*delete whichever is not applicable)*  
 [Fixed Rate Note Provisions *(see Condition 7.1 (Fixed Rate Note Provisions) and Item C (Fixed Rate Note Provisions) below)*]  
 [Floating Rate Note Provisions *(see Condition 7.2 (Floating Rate Note Provisions) and Item D (Floating Rate Note Provisions) below)*]  
 [Zero Coupon Note Provisions *(see Item E (Zero Coupon Note Provisions) below)*]  
 [Currency Linked Note Provisions *(see Item F (Currency Linked Note Provisions) below)*]  
 [Commodity Linked Note Provisions *(see Item G (Commodity Linked Note Provisions) below)*]  
 [Equity Linked Note Provisions *(see Item H (Equity Linked Note Provisions) below)*]  
 [Fund Linked Note Provisions *(see Item I (Fund Linked Note Provisions) below)*]  
 [Index Linked Note Provisions *(see Item J (Index Linked Note Provisions) below)*]  
 [Inflation Linked Note Provisions *(see Item K (Inflation Linked Note Provisions) below)*]  
 [Credit Linked Note Provisions *(see Item L (Credit Linked Note Provisions) below)*]  
 [specify other]
12. Redemption/Payment Basis *(\*delete whichever is not applicable)*  
 [Redemption at par]  
 [Currency Linked Redemption *(see Item F (Currency Linked Note Provisions) below)*]  
 [Commodity Linked Redemption *(see Item G (Commodity Linked Note Provisions) below)*]  
 [Equity Linked Redemption *(see Item H (Equity Linked Note Provisions) below)*]

[Fund Linked Redemption (see Item I (Fund Linked Note Provisions) below)]

[Index Linked Redemption (see Item J (Index Linked Note Provisions) below)]

[Inflation Linked Redemption (see Item K (Inflation Linked Note Provisions) below)]

[Credit Linked Redemption (see Item L (Credit Linked Note Provisions) below)]  
[specify other]

13. Change of interest or redemption payment basis [Not Applicable] [specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
14. Aggregate Principal Amount of this Tranche ZAR[ ]
15. Specified Currency [ZAR] [specify other (subject to the Exchange Control Regulations and the approval of the JSE)]
16. Specified Denomination (Principal Amount per Note) [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)] [specify other if the Specified Currency is not ZAR]
17. Minimum Specified Denomination of each Note [ZAR1,000,000] [specify other]
18. Calculation Amount [ZAR1,000,000] [specify other]
19. Business Day Convention [Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention] [specify other]
20. Day Count Fraction [Not Applicable]  
[1/1] [Actual/365] [Actual/365 Fixed)] [Actual/360] [30/360] [30E/360]  
[specify other]

#### **B. PROGRAMME AMOUNT**

1. Programme Amount as at the Issue Date [ZAR15,000,000,000] [specify other]
2. Aggregate outstanding Principal Amount of all of the Notes (including Existing Notes) in issue under the Programme as at the Issue Date ZAR[ ], excluding the aggregate Principal Amount of this Tranche and any other Tranches of Notes issued on the Issue Date specified in Item A(9) above.
3. Issuer confirmation as to Programme Amount The Issuer confirms that the issue of this Tranche will not cause the Issuer to exceed the Programme Amount.

#### **C. FIXED RATE NOTE PROVISIONS (\*delete if not applicable)**

1. Fixed Interest Rate [The Notes will bear interest at the Fixed Interest Rate per annum (nominal annual compounded semi-annually) equal to [ ]% for the period from and including the Interest Commencement Date to but excluding the Redemption Date]  
[specify other]
2. Interest Commencement Date [Issue Date] [specify other]
3. Interest Payment Dates Semi-annually in arrear on [ ] and [ ] of each year until the Redemption Date or, if any such date is not a Business Day, the date determined in accordance with the [ ] Business Day Convention (see Item A(19) above).

4. First Interest Payment Date [ ]
5. Interest Periods Each successive period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period shall commence on (and include) the Interest Commencement Date ([ ]) and end on (but exclude) the First Interest Payment Date ([ ]) and the final Interest Period shall end on (but exclude) the Redemption Date, it being recorded, for the avoidance of doubt, that if any such date is not a Business Day, the date will be determined in accordance with the [ ] Business Day Convention (see Item C(3) above).
6. Fixed Coupon Amount ZAR[ ] per Calculation Amount.
7. Broken Amount/s [Applicable] [Not Applicable]
8. Default Rate [[ ]% per annum] (see Condition 7.5.1 (*Default interest*))
9. Other terms relating to the method of calculating the Fixed Interest Rate [Applicable] [*give details*]
- D. FLOATING RATE NOTE PROVISIONS** (*\*delete if not applicable*)
1. Floating Interest Rate [The Notes will bear interest at the Floating Interest Rate per annum (nominal annual compounded quarterly) equal to the sum of the Reference Rate (see Item D(9)(b) below) plus the Margin (see Item D(11) below), determined by the Calculation/Issuer Agent in accordance with Condition 7.2.6 (*Calculation of Interest Amount*), for the period from and including the Issue Date to but excluding the Redemption Date.]  
[specify other]
2. Interest Commencement Date [Issue Date] [specify other]
3. Interest Payment Dates Quarterly in arrear on [ ], [ ], [ ] and [ ] of each year until the Redemption Date or, if any such date is not a Business Day, the date determined in accordance with the [ ] Business Day Convention (see Item A(19) above).
4. First Interest Payment Date [Issue Date] [specify other]
5. Interest Periods Each successive period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period shall commence on (and include) the Interest Commencement Date ([ ]) and end on (but exclude) the First Interest Payment Date ([ ]) and the final Interest Period shall end on (but exclude) the Redemption Date, it being recorded, for the avoidance of doubt, that if any such date is not a Business Day, the date will be determined in accordance with the [ ] Business Day Convention (see Item D(3) above).
6. Rate Determination Dates The first day of each Interest Period; provided that the Rate Determination Date for the first Interest Period shall be [ ].
7. Manner in which the Floating Interest Rate is to be determined [Screen Rate Determination] [ISDA Determination] [Other Determination - specify]
8. **If ISDA Determination applicable:** (*\*delete if not applicable*)  
[Applicable] [Not Applicable]
- (a) Floating Rate Option [ ]
- (b) Designated Maturity [ ]
- (c) Reset Date [ ]
9. **If Screen Rate** (*\*delete if not applicable*)

- Determination applicable:** [Applicable] [Not Applicable]
- (a) Reference Rate [3-month JIBAR (being, subject to Condition 7.2.3 (*Screen Rate Determination*), the average mid-market yield rate per annum for 3-month deposits in Rand which appears on the Relevant Screen Page as the "SFX 3M YIELD" at or about the Relevant Time on the Rate Determination Date, determined by the Calculation/Issuer Agent in accordance with Condition 7.2.6 (*Calculation of Interest Amount*))]  
[specify other]
- (b) Relevant Screen Page [Reuters Screen SAFEY page] [specify other]
- (c) Relevant Time [11h00 (South African time)] [specify other]
- (d) Relevant Financial Centre [Johannesburg] [specify other]
- (e) Reference Banks [Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited] [specify other]
- 10. If Other Determination applicable:** (\*delete if not applicable)  
[Applicable (Note: if the Floating Interest Rate to be calculated otherwise than by reference to Item D(8) above or Item D(9) above, insert basis for determining the Floating Interest Rate)] [Not Applicable]
11. Margin [ ]%
12. Minimum Floating Interest Rate [Applicable] [Not Applicable]
13. Maximum Floating Interest Rate [Applicable] [Not Applicable]
14. Default Rate [[ ]% per annum] (see Condition 7.5.1 (*Default interest*))
15. Fall back provisions, rounding provisions and any other terms relating to the method of calculating the Floating Interest Rate [Applicable] [give details]
- E. ZERO COUPON NOTE PROVISIONS** (\*delete if not applicable)
1. Accrual Yield [[ ]%] [specify other]
2. Reference Price [ ]
3. Any other formula/basis of determining amount payable [Not Applicable] [give details]
4. Default Rate [Condition 7.5.2 (*Default interest*) applicable] [specify other]
5. Other terms relating to the method of calculating payments for Zero Coupon Notes, if different from those set out in the Terms and Conditions [Not Applicable] [give details]
- F. CURRENCY LINKED NOTE PROVISIONS** (\*delete if not applicable)
1. Settlement Method [Cash Settlement] [Physical Settlement] [Cash Settlement or Physical Settlement at the option of the Issuer]
2. Reference Item/s [specify currency (or basket of currencies) or currency rate (or rates)]
3. Physical Asset/s [Applicable – see Item F(2) above] [Not Applicable]



4. Commencement Date [ ] (Note 1: This is the date on which the Initial Exchange Rate is calculated) (Note 2: If the Commencement Date is not specified, the Commencement Date shall be the Issue Date.)
5. Expiration Date [ ], subject to adjustment in accordance with the applicable Business Day Convention. (Note: this is the date on which the Final Exchange Rate is calculated – this date may occur 2 – 3 days before the Maturity Date)
6. Expiration Time [ ] on the Expiration Date
7. Settlement Date [The Maturity Date] [specify other]
8. Settlement Currency [ZAR] [specify other]
- 9. Cash Settlement:**
- 9.1 Determination of Guaranteed Amount:
- (a) Capital Guarantee [ ]%
- (b) Guaranteed Interest Rate [ ]% per annum
- (c) Interest Factor [The Interest Factor shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:  
 **$(1 + \text{Guaranteed Interest Rate})^{\text{Maturity Period (in years)}}$**   
 [specify other]
- (d) Guaranteed Amount [The Guaranteed Amount shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**Principal Amount of this Tranche of Notes x Capital Guarantee x Interest Factor**  
 [specify other]
- 9.2 Determination of Currency Linked Interest Amount:
- (a) Exchange [The Johannesburg inter-bank foreign exchange market] [specify other]
- (b) Reference Currencies [The following currency pairs: [EUR (1<sup>st</sup> Reference Currency) – USD (2<sup>nd</sup> Reference Currency)] [specify other currency pairs]]  
 [specify other]
- (c) Exchange Rate [The spot rate for the sale, on the Exchange, of the 1<sup>st</sup> Reference Currency against the purchase of the 2<sup>nd</sup> Reference Currency, as quoted by [any leading bank selected by the Issuer] [specify other]]  
 [specify other]
- (d) Initial Exchange Rate [The Initial Exchange Rate shall be the Exchange Rate on the Commencement Date, as calculated by the Calculation/Issuer Agent]  
 [specify other]
- (e) Final Exchange Rate [The Final Exchange Rate shall be the Exchange Rate on [the following dates [ ] [ ] and the Expiration Date] [the Expiration Date], as calculated by the Calculation/Issuer Agent]  
 [specify other]
- (f) Exchange Rate Performance Level [The Exchange Rate Performance Level shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**Final Exchange Rate ÷ Initial Exchange Rate,**  
 provided that if the amount determined above is less than 1, the Exchange Rate Performance Level shall be 1, and provided further that if the Exchange Rate Performance Level is limited by a cap (see Item (F)(9.2)(g) below) and

the amount determined above is greater than the capped Exchange Rate Performance Level, the Exchange Rate Performance Level shall be equal to the capped Exchange Rate Performance Level.]

[specify other]

- (g) Cap on Exchange Rate Performance Level [Applicable] [Not Applicable]  
If applicable: The Exchange Rate Performance Level is limited to a cap of [ ].
- (h) Participation Factor [ ]%
- (i) Exchange Rate Performance Factor [The Exchange Rate Performance Factor shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**(Exchange Rate Performance Level – [Interest Factor] or [1 (if no guaranteed interest)]) x Participation Factor,**  
provided that if the amount determined above is negative then the Exchange Rate Performance Level Factor shall be zero.]  
[specify other]
- (j) Currency Linked Interest Amount [The Currency Linked Interest Amount, if any, shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**Principal Amount of this Tranche of Notes x Exchange Rate Performance Factor]**  
[specify other]
- 9.3 Cash Settlement Amount [The Final Redemption Amount payable by the Issuer to the Noteholders on the Maturity Date shall be the amount calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**Guaranteed Amount + Currency Linked Interest Amount (if any)]**  
[specify other]
- 9.4 Business Day Convention A day on which the Exchange is open for trading, excluding Saturdays, Sundays and official public holidays in accordance with the Modified Following Business Day Convention.
- 10. Physical Settlement:** *(Note: Physical Settlement will only be applicable to a Tranche of Reference Item Linked Notes where the relevant Reference Item/s is/are Physical Asset/s and then only if Physical Settlement, or Physical Settlement at the option of the Issuer, is specified in the Applicable Pricing Supplement as being applicable)*
- 10.1 Terms relating to Physical Settlement: [specify the terms and conditions relating to Physical Settlement and delivery of the Physical Asset/s]
- 10.2 Physical Delivery Date [ ]
- 10.3 Taxes and Redemption Expenses *(\*delete if not applicable)*  
[Applicable] [Not Applicable]

The Noteholders of this Tranche of Notes shall be liable for payment of any applicable Taxes and Redemption Expenses in respect of the Physical Settlement of this Tranche.

"**Redemption Expenses**" means, in relation to this Tranche of Notes, [any expenses (other than in relation to Taxes) payable on or in respect of or in connection with the Physical Settlement of this Tranche of Notes, all as determined and calculated by the Calculation/Issuer Agent acting in a commercially reasonable manner] [specify other];

"**Taxes**" means, in relation to this Tranche of Notes, [any tax, duty, impost, levy, charge or contribution in the nature of taxation or any withholding or deduction for or on account thereof, including (but not limited to) any

applicable stock exchange tax, turnover tax, stamp duty, stamp duty reserve tax and/or other Taxes chargeable or payable in connection with the Physical Settlement of this Tranche of Notes (including without limitation, the transfer or delivery of the Physical Asset/s and/or the relevant transfer documentation), all as determined and calculated by the Calculation/Issuer Agent acting in a commercially reasonable manner] *[specify other]*.

*[specify other]*

**11. Disruption Events:**

- (a) Price Source Disruption [Applicable] [Not Applicable]  
 (b) Other Disruption Events *[specify other]*

12. 1998 FX and Currency Option Definitions Save to the extent expressly set out in this Applicable Pricing Supplement, the 1998 FX and Currency Option Definitions as at *[specify date]* as published by the International Swaps and Derivatives Association Inc. ("**1998 FX and Currency Option Definitions**") are incorporated by reference into, and form part of, this Applicable Pricing Supplement and the Applicable Terms and Conditions of this Tranche.

Save to the extent expressly set out in this Applicable Pricing Supplement, terms defined in the 1998 FX and Currency Option Definitions shall bear the same meanings in this Applicable Pricing Supplement.

13. Other terms or special conditions [Not Applicable] *[give details]*

**G. COMMODITY LINKED NOTE PROVISIONS (\*delete if not applicable)**

1. Settlement Method [Cash Settlement] [Physical Settlement] [Cash Settlement or Physical Settlement at the option of the Issuer]  
 2. Reference Item/s *[specify commodity (or basket of commodities) or commodity index (or indices)]*  
 3. Physical Asset/s [Applicable – see Item G(2) above] [Not Applicable]  
 4. Commencement Date [ ] (Note 1: This is the date on which the Initial Index Level/Commodity Reference Price is calculated) (Note 2: If the Commencement Date is not specified, the Commencement Date shall be the Issue Date.)  
 5. Expiration Date [ ], subject to adjustment in accordance with the Commodity Business Day Convention. (Note: This is the date on which the Final Index Level/Commodity Reference Price is calculated – this date will ordinarily occur 2 – 3 days before the Maturity Date)  
 6. Expiration Time [ ] on the Expiration Date  
 7. Settlement Date [Maturity Date] *[specify other]*  
 8. Settlement Currency [ZAR] *[specify other]*

**9. Cash Settlement:**

- 9.1 Determination of Guaranteed Amount:

- (a) Capital Guarantee [ ]%  
 (b) Guaranteed Interest Rate [ ]% per annum

- (c) Interest Factor [The Interest Factor shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:

**(1+ Guaranteed Interest Rate) ^ Maturity Period (in years)]**

*[specify other]*

- (d) Guaranteed Amount [The Guaranteed Amount shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**Principal Amount of this Tranche of Notes x Capital Guarantee x Interest Factor]**  
[specify other]
- 9.2 Determination of Commodity Linked Interest Amount:
- (a) Exchange [The JSE Limited] [specify other]
- (b) Reference Commodity Index/Commodity [Gold] [specify other commodity] [The following variable index: [ ]]
- (c) Initial Index Level/Commodity Reference Price [The Initial Index Level shall be [the closing level of the Reference Commodity Index, as published by the Exchange on the Commencement Date] [the Commodity Reference Price, being [the USD price of Gold] [specify other]]  
[specify other]
- (d) Final Index Level/Commodity Reference Price [The Final Index Level shall be the arithmetic mean of the closing levels of the Reference Commodity Index on the following dates [ ] [ ] and the Expiration Date, as calculated by the Calculation/Issuer Agent.]  
[The Commodity Reference Price, being [the USD price of Gold] [specify other] on the following dates [ ] [ ] and the Expiration Date, as calculated by the Calculation/Issuer Agent.]  
[specify other]
- (e) Index/Commodity Reference Price Growth Level [The Index/Commodity Reference Price Growth Level shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**Final Index Level/Commodity Reference Price ÷ Initial Index Level/Commodity Reference Price,**  
provided that if the amount determined above is less than 1, the Index/Commodity Reference Price Growth Level shall be 1, and provided further that if the Index/Commodity Reference Price Growth Level is limited by a cap (see Item (G)(9.2)(f) below) and the amount determined above is greater than the capped Index/Commodity Reference Price Growth Level, the Index/Commodity Reference Price Growth Level shall be equal to the capped Index/Commodity Reference Price Growth Level.]  
[specify other]
- (f) Cap on Index/Commodity Reference Price Growth Level [Applicable] [Not Applicable]  
If applicable: The Index/Commodity Reference Price Growth Level is limited to a cap of [ ]
- (g) Participation Factor [ ]%
- (h) Index/Commodity Reference Price Growth Factor [The Index/Commodity Reference Price Growth Factor shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**(Index/Commodity Reference Price Growth Level – [Interest Factor] or [1 (if no guaranteed interest)]) x Participation Factor,**  
provided that if the amount determined above is negative then the Index/Commodity Reference Price Growth Factor shall be zero.]  
[specify other]
- (i) Commodity Linked Interest Amount [The Commodity Linked Interest Amount, if any, shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**Principal Amount of this Tranche of Notes x Index/Commodity Reference**

**Price Growth Factor]**

[specify other]

- 9.3 Cash Settlement Amount [The Final Redemption Amount payable by the Issuer to the Noteholders on the Maturity Date shall be the amount calculated by the Calculation/Issuer Agent in accordance with the following formula:

**Guaranteed Amount + Commodity Linked Interest Amount (if any)]**

[specify other]

- 9.4 Commodity Business Day Convention A day on which the Exchange is open for trading excluding Saturdays, Sundays and official public holidays and in accordance with the Modified Commodity Business Day Convention

- 10. Physical Settlement:** *(Note: Physical Settlement will only be applicable to a Tranche of Reference Item Linked Notes where the relevant Reference Item/s is/are Physical Asset/s and then only if Physical Settlement, or Physical Settlement at the option of the Issuer, is specified in the Applicable Pricing Supplement as being applicable)*

- 10.1 Terms relating to Physical Settlement: [specify the terms and conditions relating to Physical Settlement and delivery of the Physical Asset/s]

- 10.2 Physical Delivery Date [ ]

- 10.3 Taxes and Redemption Expenses *(\*delete if not applicable)*

[Applicable] [Not Applicable]

The Noteholders of this Tranche of Notes shall be liable for payment of any applicable Taxes and Redemption Expenses in respect of the Physical Settlement of this Tranche.

"**Redemption Expenses**" means, in relation to this Tranche of Notes, [any expenses (other than in relation to Taxes) payable on or in respect of or in connection with the Physical Settlement of this Tranche of Notes, all as determined and calculated by the Calculation/Issuer Agent acting in a commercially reasonable manner] [specify other];

"**Taxes**" means, in relation to this Tranche of Notes, [any tax, duty, impost, levy, charge or contribution in the nature of taxation or any withholding or deduction for or on account thereof, including (but not limited to) any applicable stock exchange tax, turnover tax, stamp duty, stamp duty reserve tax and/or other Taxes chargeable or payable in connection with the Physical Settlement of this Tranche of Notes (including without limitation, the transfer or delivery of the Physical Asset/s and/or the relevant transfer documentation), all as determined and calculated by the Calculation/Issuer Agent acting in a commercially reasonable manner] [specify other].

[specify other]

**11. Disruption Events and Fallbacks:**

- (a) Price Source Disruption [Applicable] [Not Applicable]
- (b) Trading Disruption [Applicable] [Not Applicable]
- (c) Disappearance of Index Level/Commodity Reference Price [Applicable] [Not Applicable]
- (d) Material Change in Formula [Applicable] [Not Applicable]
- (e) Material Change in Content [Applicable] [Not Applicable]
- (f) Tax Disruption [Applicable] [Not Applicable]

- (g) Additional Market Disruption Events [ ] (*specify*)
- (h) Disruption Fallbacks [ ] (*specify*)
- (i) Maximum Days of Disruption [ ]
- (j) Price Materiality Percentage [ ]
- (k) Additional provisions for Trading Disruption [Not Applicable]  
*[If Trading Disruption applies, specify any additional futures contracts, options contracts or commodities and the related exchange to which Trading Disruption relates]*
12. 2005 ISDA Commodity Definitions Save to the extent expressly set out in this Applicable Pricing Supplement, the 2005 ISDA Commodity Definitions as at [*specify date*] as published by the International Swaps and Derivatives Association Inc. ("**2005 ISDA Commodity Definitions**") are incorporated by reference into, and form part of, this Applicable Pricing Supplement and the Applicable Terms and Conditions of this Tranche.  
  
 Save to the extent expressly set out in this Applicable Pricing Supplement, terms defined in the 2005 ISDA Commodity Definitions shall bear the same meanings in this Applicable Pricing Supplement.
13. Other terms or special conditions [Not Applicable] [*give details*]

#### H. EQUITY LINKED NOTE PROVISIONS (*\*delete if not applicable*)

1. Settlement Method [Cash Settlement] [Physical Settlement] [Cash Settlement or Physical Settlement at the option of the Issuer]
2. Reference Item/s [*specify equity (or basket of equities) or equity index (or indices)*]
3. Physical Asset/s [Applicable – see Item H(2) above] [Not Applicable]
4. Commencement Date [ ] (*Note 1: This is the date on which the Initial Index Level is calculated*) (*Note 2: If the Commencement Date is not specified, the Commencement Date shall be the Issue Date.*)
5. Expiration Date [ ], subject to adjustment in accordance with the applicable Business Day Convention. (*Note: This is the date on which the Final Index Level is calculated – this date will ordinarily occur 2 – 3 days before the Maturity Date*)
6. Expiration Time At the close of the Exchange on the Expiration Date.
7. Settlement Date [The Maturity Date] [*specify other*]
8. Settlement Currency [ZAR] [*specify other*]
- 9. Cash Settlement:**
- 9.1 Determination of Guaranteed Amount
- (a) Capital Guarantee [ ]%
- (b) Guaranteed Interest Rate [ ]% per annum
- (c) Interest Factor [The Interest Factor shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**(1 + Guaranteed Interest Rate) ^ Maturity Period (in years)**  
*[specify other]*
- (d) Guaranteed Amount [The Guaranteed Amount shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:



**Principal Amount of this Tranche of Notes x Capital Guarantee x Interest Factor]**

[specify other]

- 9.2 Determination of Equity Linked Interest Amount
- (a) Exchange [The JSE Limited] [specify other]
- (b) Reference Equity Index/Share [ ] [The following variable index: [ ] (Note: For example, the FTSE / JSE Top 40 Index (TOP40 Index), being the top 40 Shares (by capitalisation and liquidity) in all sectors of the Exchange as calculated and published by the Exchange (sector code J203))]
- (c) Initial Index Level [The Initial Index Level shall be [the closing level of the Reference Equity Index/Share, as published by the Exchange on the Commencement Date] [the actual level of the Reference Equity Index/Share, being [specify]]]  
[specify other]
- (d) Final Index Level [The Final Index Level shall be the arithmetic mean of the closing levels of the Reference Equity Index/Share on the following dates [ ] [ ] and the Expiration Date, as calculated by the Calculation/Issuer Agent.]  
[specify other]
- (e) Index Growth Level [The Index Growth Level shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**Final Index Level ÷ Initial Index Level,**  
provided that if the amount determined above is less than 1, the Index Growth Level shall be 1, and provided further that if the Index Growth Level is limited by a cap (see Item H(9.2)(f) below) and the amount determined above is greater than the capped Index Growth Level, the Index Growth Level shall be equal to the capped Index Growth Level.]  
[specify other]
- (f) Cap on Index Growth Level [Applicable] [Not Applicable]  
If applicable: The Index Growth Level is limited to a cap of [ ]
- (g) Equity Participation [ ]%
- (h) Index Growth Factor [The Index Growth Factor shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**(Index Growth Level – [Interest Factor] or [1 (if no guaranteed interest)]) x Equity Participation,**  
provided that if the amount determined above is negative then the Index Growth Factor shall be zero.]  
[specify other]
- (i) Equity Linked Interest Amount [The Equity Linked Interest Amount, if any, shall be calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**Principal Amount of this Tranche of Notes x Index Growth Factor]**  
[specify other]
- 9.3 Cash Settlement Amount [The Final Redemption Amount payable by the Issuer to the Noteholders on the Maturity Date shall be the amount calculated by the Calculation/Issuer Agent in accordance with the following formula:  
**Guaranteed Amount + Equity Linked Interest Amount (if any)]**  
[specify other]

- 9.4 Business Day Convention A day on which the Exchange is open for trading, excluding Saturdays, Sundays and official public holidays in accordance with the Modified Following Business Day Convention
- 10. Physical Settlement:** *(Note: Physical Settlement will only be applicable to a Tranche of Reference Item Linked Notes where the relevant Reference Item/s is/are Physical Asset/s and then only if Physical Settlement, or Physical Settlement at the option of the Issuer, is specified in the Applicable Pricing Supplement as being applicable)*
- 10.1 Terms relating to Physical Settlement: *[specify the terms and conditions relating to Physical Settlement and delivery of the Physical Asset/s]*
- 10.2 Physical Delivery Date [ ]
- 10.3 Taxes and Redemption Expenses *(\*delete if not applicable)*  
[Applicable] [Not Applicable]
- The Noteholders of this Tranche of Notes shall be liable for payment of any applicable Taxes and Redemption Expenses in respect of the Physical Settlement of this Tranche.
- "Redemption Expenses"** means, in relation to this Tranche of Notes, [any expenses (other than in relation to Taxes) payable on or in respect of or in connection with the Physical Settlement of this Tranche of Notes, all as determined and calculated by the Calculation/Issuer Agent acting in a commercially reasonable manner] *[specify other]*;
- "Taxes"** means, in relation to this Tranche of Notes, [any tax, duty, impost, levy, charge or contribution in the nature of taxation or any withholding or deduction for or on account thereof, including (but not limited to) any applicable stock exchange tax, turnover tax, stamp duty, stamp duty reserve tax and/or other Taxes chargeable or payable in connection with the Physical Settlement of this Tranche of Notes (including without limitation, the transfer or delivery of the Physical Asset/s and/or the relevant transfer documentation), all as determined and calculated by the Calculation/Issuer Agent acting in a commercially reasonable manner] *[specify other]*.  
*[specify other]*
- 11. Disruption Events:**
- (a) Averaging Date Disruption Modified Postponement
- (b) Index Cancellation Calculation/Issuer Agent Close Out
- (c) Index Modification Calculation/Issuer Agent Adjustment
- (d) Index Disruption Calculation/Issuer Agent Adjustment
- (e) Trading Disruption [Applicable] [Not Applicable]
- (f) Exchange Disruption [Applicable] [Not Applicable]
- (g) Early Closure [Applicable] [Not Applicable]
- (h) Additional Disruption Events [ ] *(specify)*
- 12. Adjustments:** [Applicable] [Not Applicable] *[Note: If applicable, a Method of Adjustment must be selected.]*
- 13. Extraordinary Events:** [ ] *(specify)* *[Note: To the extent that Extraordinary Events are selected as applying, consequences for the selected Extraordinary Events must also be chosen as being applicable.]*
14. Change in Law [Applicable] [Not Applicable]
15. Index Disclaimer [Applicable] [Not Applicable]

16. Non-Reliance [Applicable] [Not Applicable]
17. Agreements and Acknowledgements regarding hedging activities [Applicable] [Not Applicable]
18. Hedging Party Nedbank Limited
19. Additional Acknowledgements [Applicable] [Not Applicable]
20. 2002 ISDA Equity Derivatives Definitions The expressions defined in the 2002 ISDA Equity Derivatives Definitions as at *[specify date]*, as published by the International Swaps and Derivatives Association Inc. ("**2002 ISDA Equity Derivatives Definitions**") shall, save where otherwise defined in this Item H, have the same meanings in this Item H and shall form part of (and apply in and to) this Item H.
- The 2002 ISDA Equity Derivatives Definitions are expressly and explicitly incorporated into this Item H and, accordingly, the provisions of the 2002 ISDA Equity Derivatives Definitions shall, save where expressly otherwise provided for in this Item H, form part of (and apply in and to) this Item H.
21. Other terms or special conditions [Not Applicable] *[give details]*
- I. FUND LINKED NOTE PROVISIONS (\*delete if not applicable)**
1. Settlement Method [Cash Settlement] [Physical Settlement] [Cash Settlement or Physical Settlement at the option of the Issuer]
2. Reference Item/s *[specify interest in a fund or collective investment scheme (or interest in a basket of funds or collective investment schemes) or fund index (or indices)]*
3. Physical Asset/s [Applicable – see Item I(2) above] [Not Applicable]
4. Trade Date [ ]
5. Valuation Date(s) [ ]
6. Valuation Time [ ]
- 7. Cash Settlement:**
- 7.1 Determination of Fund Linked Interest Amount: *[give details]*
- 7.2 Fund Linked Interest Amount *[give details]*
- 7.3 Cash Settlement Amount [The Final Redemption Amount payable by the Issuer to the Noteholders on the Maturity Date shall be the amount calculated by the Calculation/Issuer Agent in accordance with the following formula:  
*[specify]*  
*[specify other]*
- 8. Physical Settlement:** *(Note: Physical Settlement will only be applicable to a Tranche of Reference Item Linked Notes where the relevant Reference Item/s is/are Physical Asset/s and then only if Physical Settlement, or Physical Settlement at the option of the Issuer, is specified in the Applicable Pricing Supplement as being applicable)*
- 8.1 Terms relating to Physical Settlement: *[specify the terms and conditions relating to Physical Settlement and delivery of the Physical Asset/s]*
- 8.2 Physical Delivery Date [ ]
- 8.3 Taxes and Redemption Expenses *(\*delete if not applicable)*

[Applicable] [Not Applicable]

The Noteholders of this Tranche of Notes shall be liable for payment of any applicable Taxes and Redemption Expenses in respect of the Physical Settlement of this Tranche.

"**Redemption Expenses**" means, in relation to this Tranche of Notes, [any expenses (other than in relation to Taxes) payable on or in respect of or in connection with the Physical Settlement of this Tranche of Notes, all as determined and calculated by the Calculation/Issuer Agent acting in a commercially reasonable manner] *[specify other]*;

"**Taxes**" means, in relation to this Tranche of Notes, [any tax, duty, impost, levy, charge or contribution in the nature of taxation or any withholding or deduction for or on account thereof, including (but not limited to) any applicable stock exchange tax, turnover tax, stamp duty, stamp duty reserve tax and/or other Taxes chargeable or payable in connection with the Physical Settlement of this Tranche of Notes (including without limitation, the transfer or delivery of the Physical Asset/s and/or the relevant transfer documentation), all as determined and calculated by the Calculation/Issuer Agent acting in a commercially reasonable manner] *[specify other]*.

*[specify other]*

9. Other terms or special conditions [Not Applicable] *[give details]*

**J. INDEX LINKED NOTE PROVISIONS** (\*delete if not applicable)

1. Type of Index Linked Notes [Indexed Interest Notes] [Indexed Redemption Amount Notes]
2. Index/Formula by reference to which Interest Rate / Interest Amount / Applicable Redemption Amount is to be determined *[give details]*
3. Manner in which the Interest Rate / Interest Amount / Applicable Redemption Amount is to be determined *[give details]*
4. Provisions where calculation by reference to Index/Formula is impossible or impracticable *[give details]*
5. Interest Commencement Date [ ]
6. Interest Payment Date(s) [ ]
7. First Interest Payment Date [ ]
8. Interest Periods [ ]
9. Minimum Rate of Interest [Not Applicable] [[ ]% per annum]
10. Maximum Rate of Interest [Not Applicable] [[ ]% per annum]
11. Market Disruption or Settlement Disruption Events *[Describe any market disruption or settlement disruption events that affect the Index]*
12. Index Sponsor [ ]
13. Other terms relating to the [Not Applicable] *[give details]*

calculation of Interest Rate /  
Interest Amount / Applicable  
Redemption Amount

14. Other terms or special [Not Applicable] *[give details]*  
conditions

**K. INFLATION LINKED NOTE PROVISIONS** (*\*delete if not applicable*)

1. Applicable Payment Date [For purposes of calculating the Interest Amount payable in respect of the Notes in this Tranche on an Interest Payment Date pursuant to Item K(7) below, all references in this Item K below to "**Applicable Payment Date**" shall mean that Interest Payment Date.

For purposes of calculating the Final Redemption Amount payable in respect of the Notes in this Tranche on the Maturity Date pursuant to Item K(9) below, all references in this Item K below to "**Applicable Payment Date**" shall mean the Maturity Date.]

*[specify other]*

2. Relevant Calendar Month [That calendar month, contemplated in Item K(4) below (paragraph (a) or paragraph (b), as the case may be), in respect of which the Calculation/Issuer Agent is required to determine the Reference CPI.]

*[specify other]*

3. **CPI Index:** [The CPI Index is the weighted average of the Consumer Price Index for the Relevant Calendar Month, as published by Statistics South Africa, which is referred to as "*CPI – All items for metropolitan areas*" in Statistical Release P0141.1; provided that following the calculation of (i) a Substitute CPI Index pursuant to Item K(3)(a) below or (ii) an Alternative Index pursuant to Item K(3)(b) below, as the case may be, all references in this Item I to "**CPI Index**" shall be construed as references to (i) that Substitute CPI Index or (ii) that Alternative Index, as the case may be.]

*[specify other]*

- (a) Substitute Index [If (i) there is a delay in the publication of the CPI Index for the Relevant Calendar Month, and (ii) the CPI Index has not been discontinued (as contemplated in Item K(3)(b) below), then the Calculation/Issuer Agent shall calculate a substitute CPI Index value (the "**Substitute CPI Index**") for the Relevant Calendar Month in accordance with paragraph (a) or paragraph (b) below, as the case may be.

a) One month delay or less in publication

If there is a delay, for a period of one month or less, in the publication of the CPI Index for the Relevant Calendar Month, the Calculation/Issuer Agent shall calculate the Substitute CPI Index in accordance with the following formula:

$$\text{CPI}_m = \text{CPI}_{m-1} \times (\text{CPI}_{m-1} \div \text{CPI}_{m-13})^{1/12}$$

where:

**CPI<sub>m</sub>** = the Substitute CPI Index for the Relevant Calendar Month;

**CPI<sub>m-1</sub>** = the CPI Index for the calendar month immediately preceding the Relevant Calendar Month;

**CPI<sub>m-13</sub>** = the CPI Index for the thirteenth calendar month preceding the Relevant Calendar Month.

b) More than one month delay in publication

If there is a delay, for a period of more than one month, in the publication of the CPI Index for the Relevant Calendar Month, the Calculation/Issuer Agent shall calculate the Substitute CPI Index in accordance with the following formula:

$$\text{CPI}_m = \text{CPI}_{m-n} \times (\text{CPI}_{m-n} / \text{CPI}_{m-n-12})^{n/12}$$

where:

**CPI<sub>m</sub>** = the Substitute CPI Index for the Relevant Calendar Month;

**CPI<sub>m-n</sub>** = the CPI Index for the most recent calendar month preceding the Relevant Calendar Month in respect of which a CPI Index was timeously published, such most recent calendar month being the "**Last Publication Month**";

**CPI<sub>m-n-12</sub>** = the CPI Index for the twelfth calendar month preceding the Last Publication Month;

**n** (for purposes of **n/12**) = the number of calendar months' delay between the Last Publication Month and the Relevant Calendar Month.

c) Subsequent calculations

Where, following a delay in the publication of the CPI Index for the Relevant Calendar Month, the Calculation/Issuer Agent is obliged to calculate a Substitute CPI Index for that Relevant Calendar Month in accordance with the provisions of paragraph (a) or paragraph (b) above, as the case may be, then the Calculation/Issuer Agent shall use that Substitute CPI Index for that Relevant Calendar Month in all subsequent calculations in which the CPI Index for that Relevant Calendar Month is a variable, notwithstanding that the actual CPI Index for that Relevant Calendar Month is, following such delay, subsequently published.]

[specify other]

(b) Alternative Index

[If, while this Tranche of Notes is outstanding, the CPI Index is (i) discontinued or (ii) in the reasonable opinion of the Calculation/Issuer Agent, fundamentally altered in a manner that is materially adverse to the interests of the Noteholders, as the case may be, the Calculation/Issuer Agent shall consult with Statistics South Africa or any successor entity and, thereafter, the Calculation/Issuer Agent shall, acting in good faith and in a commercially reasonable manner, calculate an appropriate alternative index ("**Alternative Index**") for the Relevant Calendar Month.

A change to the CPI Index will be considered Fundamental if it affects the character of the CPI Index. Technical changes made by Statistics South Africa to the CPI Index to improve its accuracy as a measure of consumer price changes will not be considered Fundamental changes.]

[specify other]

(c) Notice of Substitute CPI Index and Alternative Index

The Calculation/Issuer Agent will notify the Issuer, the Settling Bank, the JSE, the Central Securities Depository and Noteholders in accordance with Condition 17 (*Notices*), of the Substitute CPI Index (see Item K(3)(a) above) and/or the Alternative Index (see Item K(3)(b) above) (and the effective date/s thereof) as soon as practicable after each such determination, but in any event not later than 5 Business Days after each such determination.

4. **Reference CPI for an Applicable Payment Date:**

[The Reference CPI for an Applicable Payment Date shall be determined by the Calculation/Issuer Agent, on that Applicable Payment Date, in accordance with the provisions of paragraph (a) or paragraph (b) below, as the case may



be. The Reference CPI shall be rounded to five decimal places.

a) Applicable Payment Date: first day of a calendar month

If the Applicable Payment Date falls on the first day of a calendar month, the Reference CPI shall be the CPI Index for the fourth calendar month preceding that calendar month.

b) Applicable Payment Date: any other day of a calendar month

If the Applicable Payment Date does not fall on the first day of a calendar month, the Reference CPI shall be determined in accordance with the following formula:

$$\text{Reference CPI} = \text{Reference CPI}_j + \frac{[(t-1) \div D]}{(\text{Reference CPI}_{j+1} - \text{Reference CPI}_j)} \times$$

where:

**Reference CPI<sub>j</sub>** = the CPI Index for the fourth calendar month preceding the calendar month in which the Applicable Payment Date falls;

**Reference CPI<sub>j+1</sub>** = the CPI Index for the third calendar month preceding the calendar month in which the Applicable Payment Date falls;

**t** = the calendar day corresponding to the calendar day of the Applicable Payment Date (for example, if the Applicable Payment Date is 15 January 2010, t = 15);

**D** = the number of days in the calendar month in which the Applicable Payment Date falls (for example, if the Applicable Payment Date is 15 January 2010, D = 31).]

[specify other]

5. **Reference CPI for the Issue Date:** [ ]

(a) Adjustment to the Reference CPI for the Issue Date

a) General

If the CPI Index used to calculate the Reference CPI for the Issue Date specified in Item K(4) above (the "**Original CPI Index**") is reset (such reset CPI Index being hereinafter referred to as the "**Reset CPI Index**"), the Calculation/Issuer Agent shall, acting in good faith and in a commercially reasonable manner, calculate a new Reference CPI for the Issue Date (in such a way that the capital value of this Tranche of Notes is the same immediately before and after the reset) in accordance with the following formula:

$$\text{CPI} = \frac{(\text{Reset CPI Index} \times \text{CPI}_0)}{\text{Original CPI Index}}$$

where:

**CPI** = the new Reference CPI for the Issue Date;

**CPI<sub>0</sub>** = the Reference CPI for the Issue Date specified in Item K(5) above.

b) Subsequent calculations

Following the calculation of a new Reference CPI for the Issue Date

pursuant to paragraph (a) above, all references in this Item K to the "Reference CPI for the Issue Date" shall be construed as references to that new Reference CPI.]

[specify other]

6. **Index Ratio for an Applicable Payment Date:** [The Index Ratio on an Applicable Payment Date is the Reference CPI for that Applicable Payment Date (see Item K(4) above) ÷ the Reference CPI for the Issue Date (see Item K(5) above).]

[specify other]

7. **Determination of Inflation Linked Interest Amount:**

- (a) Real Rate [ ]% [(nominal annual compounded semi-annually)]

[specify other]

- (b) Interest Amount [The Interest Amount payable in respect of the Notes in this Tranche for each Interest Period will be the amount calculated by the Calculation/Issuer Agent in accordance with the following formula:

**(Issue Price x Index Ratio) x (Real Rate ÷ 2)]**

[specify other]

8. **Determination of Final Redemption Amount:** [The Final Redemption Amount payable in respect of the Notes in this Tranche on the Maturity Date (see Item I(5) above) will be the amount calculated by the Calculation/Issuer Agent in accordance with the following formula:

**(Issue Price x Index Ratio)]**

[specify other]

9. Other terms or special conditions [Not Applicable] [give details]

**L. CREDIT LINKED NOTE PROVISIONS (\*delete if not applicable)**

**1. 2014 ISDA Credit Derivatives Definitions:**

- (a) General The 2014 ISDA Credit Derivatives Definitions as at [specify date], as published by the International Swaps and Derivatives Association Inc. ("**2014 ISDA Credit Derivatives Definitions**") are, to the extent specified in this Item L below, incorporated by reference into, and form part of, this Item L and the Applicable Terms and Conditions of this Tranche.

To the extent that there is any conflict or inconsistency between the provisions of this Item L and the 2014 ISDA Credit Derivatives Definitions, the provisions of this Item L shall prevail.

- (b) Interpretation Capitalised terms not defined in this Item L shall have the meanings ascribed to them in the 2014 ISDA Credit Derivatives Definitions.

Notwithstanding anything to the contrary contained in the 2014 ISDA Credit Derivatives Definitions:

- a) all references to "Credit Derivative Transaction" in the 2014 ISDA Credit Derivatives Definitions shall be construed as references to this Tranche;
- b) all references to "Confirmation" in the 2014 ISDA Credit Derivatives Definitions shall be construed as references to this Applicable Pricing Supplement.

- (c) Additional amendments to the 2014 ISDA Credit [Not Applicable] [specify]

## Derivatives Definitions

**2. General:**

- (a) Reference Entity/ies [ ]
- [Financial Reference Entity Terms:] [Applicable][Not Applicable]
  - [Subordinated European Insurance Terms:] [Applicable] [Not Applicable]
  - [Seniority Level:] [Senior Level] [Subordinated Level]
  - Information required by Section 4.22(cc)(iv) of the JSE Debt Listings Requirements [Not Applicable] *[give details]*
- (b) Reference Obligation/s [ ] *(Note: Specify if required. A Reference Obligation must be specified for a Tranche of Notes to which Cash Settlement applies)*
- The obligation/s identified as follows:
- Primary Obligor: [ ]
- Guarantor: [ ]
- Maturity: [ ]
- Coupon: [ ]
- ISIN: [ ]
- Standard Reference Obligation [Yes] [No]
  - Non-Standard Reference Obligation [Yes] [No]
- (c) Substitute Reference Obligation [Yes] [No]
- (d) Substitution Event [Yes] [No]
- (e) All Guarantees Applicable [Yes] [No]
- (f) Reference Price [ ]% *(Note: If a percentage is not so specified, the Reference Price will be 100%)*
- (k) Section 11.1 (*Additional Representations and Agreements of the Parties*) of the 2014 ISDA Credit Derivatives Definitions [Applicable] [Not Applicable]

**3. Fixed and Floating Payments:** Not Applicable**4. Conditions to Settlement:**

- (a) Credit Event Notice Yes
- (b) Terms of Credit Event Notice upon the occurrence of a Restructuring Credit Event if different from the applicable provisions of the 2014 ISDA Credit Derivatives Definitions [Not Applicable] *[specify]*

- (c) Notice of Physical Settlement [Yes] [No] *(Note: Notice of Physical Settlement is a required Condition to Settlement where Physical Settlement is applicable to this Tranche)*
- (d) Notice of Publicly Available Information Applicable [Yes] [No]
- (e) Public Sources/s:
- Standard International Public Sources Applicable [Yes] [No]
  - Standard South Africa Public Sources Applicable [Yes] [No]
  - Additional Public Sources [ ]
- (f) Specified Number [ ] *(Note: If a number of Public Sources is not specified, the Specified Number will be two)*

#### 5. **Credit Events:**

The following Credit Event/s shall apply to this Tranche:

- (a) Bankruptcy [Yes] [No]
- (b) Failure to Pay [Yes] [No]
- Grace Period Extension Applicable [Yes] [No] *(Note: Specify whether the Issuer and the Noteholders of this Tranche ("Parties") intend Grace Period Extension to apply. If Grace Period Extension is not specified here as being applicable, Grace Period Extension will not apply to this Tranche)*
  - Grace Period [ ] Business Days *(Note: Specify the number of Business Days in the Grace Period)*
  - Payment Requirement [ ]
- (c) Obligation Default [Yes] [No]
- Default Requirement [ ]
- (d) Obligation Acceleration [Yes] [No]
- Default Requirement [ZAR10,000,000 or its equivalent in the relevant Obligation Currency as at the occurrence of the relevant Credit Event] *[specify other]*
- (e) Repudiation/Moratorium [Yes] [No]
- Default Requirement [ZAR10,000,000 or its equivalent in the relevant Obligation Currency as at the occurrence of the relevant Credit Event] *[specify other]*
- (f) Restructuring [Yes] [No]
- Mod R [Applicable] [Not Applicable]
  - Mod Mod R [Applicable] [Not Applicable]
  - Multiple Holder Obligation Applicable [Applicable] [Not Applicable]
- (g) Governmental Intervention [Yes] [No]
- Default Requirement [ZAR10,000,000 or its equivalent in the relevant Obligation Currency as at the occurrence of the relevant Credit Event] *[specify other]*
- (h) Other *[specify other]*

#### 6. **Obligations:**

- (a) Obligation Category: *(Note: Select only one)*
- Payment [Yes] [No]
  - Borrowed Money [Yes] [No]
  - Reference Obligations Only [Yes] [No]
  - Bond [Yes] [No]
  - Loan [Yes] [No]
  - Bond or Loan [Yes] [No]
- (b) Obligation Characteristics: *(Note: Select all that apply)*
- Not Subordinated [Yes] [No]
  - Specified Currency [Yes] [No]
  - Not Sovereign Lender [Yes] [No]
  - Not Domestic Currency [Yes] [No]
  - Not Domestic Law [Yes] [No]
  - Listed [Yes] [No]
  - Not Domestic Issuance [Yes] [No]
- (c) Additional Obligations [Not Applicable] *[specify]*
- (d) Excluded Obligation/s *(Note: See Section 3.6 (Excluded Obligations) of the 2014 ISDA Credit Derivatives Definitions)* [Not Applicable] *[specify]* *(Note: Unless specified here as an Excluded Obligation the Reference Obligation will be an Obligation)*
- (e) Specified Currency [ZAR] *[specify other]*
- (f) Domestic Currency [ZAR] *[specify other]*
- (g) Section 3.15 *(Interpretation of Provisions)* of the 2014 ISDA Credit Derivatives Definitions applicable [Yes] [No]
- (h) Specify if any provisions of Section 3.15 *(Interpretation of Provisions)* of the 2014 ISDA Credit Derivatives Definitions are not applicable *[Give details]*

**7. Settlement Method:**

- (a) Auction Settlement [Yes] [No]
- (b) Cash Settlement [Yes] [No]
- (c) Physical Settlement [Yes] [No]
- (d) Fallback Settlement Method [Yes] [No]
- Reference Price: [ ] %
  - Accrued Interest: [Include Accrued Interest] [Exclude Accrued Interest]

**8. Terms relating to Auction**

**Settlement:**

- (a) Auction Settlement Amount [The Auction Settlement Amount is [ ]]  
 [The Auction Settlement Amount is the amount calculated by the Calculation/Issuer Agent in accordance with the following formula [ ]]  
 [specify other]
- (b) Auction Final Price [ ]  
 Determination Date
- (c) Auction Settlement Date [ ]
- (d) Additional terms applicable to Auction Settlement [Not Applicable] [specify additional terms]

**9. Terms relating to Cash Settlement:**

- (a) Valuation Date *(Note: Include if the Cash Settlement Amount is not a fixed amount. If neither Single Valuation Date nor Multiple Valuation Dates is specified here, Single Valuation Date will apply)*
- Single Valuation Date [ ] Business Days *(Note: If the number of Business Days is not specified, the period will be five Business Days)*
  - Multiple Valuation Dates [ ] Business Days *(Note: If the number of Business Days is not specified, the period will be five Business Days) and each [ ] Business Days thereafter (Note: If the number of Business Days is not specified, the period will be five Business Days)*
  - Specify number of Valuation Dates [ ]
- (b) Valuation Time [ ]
- (c) Quotation Method [Bid] [Offer] [Mid-market] *(Note: If no Quotation Method is specified, Bid will apply)*
- (d) Quotation Amount [ ] [Representative Amount] *(Note: Specify either an amount in a currency or Representative Amount)*
- (e) Minimum Quotation Amount [ ]
- (f) Reference Dealer/s
- (i) • Specify the Reference Dealer/s [ ] *(Note: Specify the Reference Dealers. If no Reference Dealers are specified, the Calculation/Issuer Agent will select the Reference Dealers (in consultation with the Issuer (if the Issuer is not the Calculation/Issuer Agent) and the Noteholders of this Tranche; provided that in the case of Buy-in of Bonds not delivered, the Noteholders of this Tranche will select the Reference Dealers)*
- Capacity of Reference Dealer/s - specify whether a Reference Dealer may be:
    - the Issuer [Yes] [No]
    - any Affiliate of the Issuer [Yes] [No]
    - the Noteholders [Yes] [No]
    - any Affiliates of the Noteholders [Yes] [No]



- (g) Settlement Currency [ ]
- (h) Cash Settlement Date [ ] Business Days *(Note: If a number of Business Days is not specified, the period will be three Business Days)*
- (i) Cash Settlement Amount [The Cash Settlement Amount is [ ]]  
 [The Cash Settlement Amount is the amount calculated by the Calculation/Issuer Agent in accordance with the following formula [ ]]  
 [specify other]
- (j) Quotations [Include Accrued Interest] [Exclude Accrued Interest] *(Note: If neither Include Accrued Interest nor Exclude Interest is specified with respect to Quotations, the Calculation/Issuer Agent will determine, after consultation with the Issuer (if the Issuer is not the Calculation/Issuer Agent) and the Noteholders of this Tranche, based on then current market practice in the market of the Reference Obligation, whether such Quotations shall include or exclude accrued but unpaid interest)*
- (k) Valuation Method *(Note: Include if the Cash Settlement Amount is not a fixed amount)*
- one Reference Obligation and one Valuation Date [Market] [Highest]
  - one Reference Obligation and more than one Valuation Date [Average Market] [Highest] [Average Highest]
  - more than one Reference Obligation and one Valuation Date [Blended Market] [Blended Highest]
  - more than one Reference Obligation and more than one Valuation Date [Average Blended Market] [Average Blended Highest]
- (l) Additional terms applicable to Cash Settlement [Not Applicable] *[specify additional terms]*

**10. Terms relating to Physical Settlement:**

- (a) Physical Settlement Period [ ] Business Days *(Note: If a number of Business Days is not specified, the Physical Settlement Period will be, with respect to a Deliverable Obligation, the longest number of Business Days for settlement in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation/Issuer Agent after consultation with the Issuer (if the Issuer is not the Calculation/Issuer Agent) and the Noteholders of this Tranche)*
- (b) Deliverable Obligations [Include Accrued Interest] [Exclude Accrued Interest] *(Note: Specify whether, in respect of Deliverable Obligations with an outstanding principal balance, the Deliverable Obligation is to include or exclude accrued but unpaid interest. If neither Include Accrued Interest nor Exclude Interest is specified, the Deliverable Obligations shall exclude accrued but unpaid interest)*
- (c) Deliverable Obligation Category *(Note: Select only one)*
- Payment [Yes] [No]
  - Borrowed Money [Yes] [No]
  - Reference Obligations Only [Yes] [No] *(Note: If Reference Obligations Only is specified as the Deliverable Obligation Category, no Deliverable Obligation Characteristic should be*

- specified)*
- Bond [Yes] [No]
  - Loan [Yes] [No]
  - Bond or Loan [Yes] [No]
- (d) Deliverable Obligation Characteristics *(Note: Select all that apply)*
- Not Subordinated [Yes] [No]
  - Specified Currency [Yes] [No]
  - Not Sovereign Lender [Yes] [No]
  - Not Domestic Currency [Yes] [No]
  - Not Domestic Law [Yes] [No]
  - Listed [Yes] [No]
  - Not Contingent [Yes] [No]
  - Not Domestic Issuance [Yes] [No]
  - Assignable Loan [Yes] [No]
  - Consent Required Loan [Yes] [No]
  - Direct Loan Participation [Yes] [No]
  - Transferable [Yes] [No]
  - Maximum Maturity [Yes] [No]
  - Accelerated or Matured [Yes] [No]
  - Not Bearer [Yes] [No]
- (e) additional Deliverable Obligations [Not Applicable] *[specify]*
- (f) Excluded Deliverable Obligation/s [ ] *(Note: Unless specified as an Excluded Deliverable Obligation, the Reference Obligation will, subject to Section 3.14 (Method for determining Deliverable Obligations) of the 2014 ISDA Credit Derivatives Definitions, be a Deliverable Obligation even though at the time of delivery it does not fall into the Obligation Category or lacks any or all of the Deliverable Obligation Characteristics)*
- (g) Mod R *(Note: See Section 3.31 (Mod R) of the 2014 ISDA Credit Derivatives Definitions)* [Yes] [No]
- (h) Mod Mod R *(Note: See Section 3.32 (Mod Mod R) of the 2014 ISDA Credit Derivatives Definitions)* [Yes] [No]
- (i) Qualifying Participation Seller [ ] *(Note: If Direct Loan Participation is specified as a Deliverable Obligation Characteristic, specify any requirements for the Qualifying Participation Seller here. If no requirements are so specified, there will be no Qualifying Participation Seller with the result that only a participation pursuant to a participation agreement between the Parties will constitute a Direct Loan Participation)*
- (j) Maximum Maturity [ ] *(Note: If Maximum Maturity is specified as a Deliverable Obligation Characteristic, specify the maximum remaining period to maturity from the*

*Physical Settlement Date)*

- (k) Section 11.2 (*Additional Representations and Agreements for Physical Settlement*) of the 2014 ISDA Credit Derivatives Definitions [Applicable] [Not Applicable]
- Designator (*Note: See Section 11.2 (Additional Representations and Agreements for Physical Settlement) of the 2014 ISDA Credit Derivatives Definitions*) (*Note: Complete only if Section 11.2 (Additional Representations and Agreements for Physical Settlement) of the 2014 ISDA Credit Derivatives Definitions is applicable*)
    - Affiliate of Issuer [ ]
    - Affiliate of Noteholder [ ]
  - Designatee (*Note: See Section 11.2 (Additional Representations and Agreements for Physical Settlement) of the 2014 ISDA Credit Derivatives Definitions*) (*Note: Complete only if Section 11.2 (Additional Representations and Agreements for Physical Settlement) of the 2014 ISDA Credit Derivatives Definitions is applicable*)
    - Affiliate of Issuer [ ]
    - Affiliate of Noteholder [ ]
- (l) Additional terms applicable to Physical Settlement [Not Applicable] [*specify additional terms*]
- 12. Partial Cash Settlement:**
- (a) Partial Cash Settlement Terms (*Note: See Section 9.6 (Partial Cash Settlement Terms) of the 2014 ISDA Credit Derivatives Definitions*)
- Partial Cash Settlement of Consent Required Loans Applicable [Yes] [No] (*Note: Include if the Parties intend that the Partial Cash Settlement Terms are to be applicable in relation to Consent Required Loans*)
  - Partial Cash Settlement of Assignable Loans Applicable [Yes] [No] (*Note: Include if the Parties intend that the Partial Cash Settlement Terms are to be applicable in relation to Assignable Loans*)
  - Partial Cash Settlement of Participations Applicable [Yes] [No] (*Note: Include if the Parties intend that the Partial Cash Settlement Terms are to be applicable in relation to Direct Loan Participations*)
  - Valuation Time [ ]
- (b) Buy-in of Bonds not Delivered [Yes] [No] (*Note: See Section 9.7 (Buy-in of Bonds not Delivered) of the 2014 ISDA Credit Derivatives Definitions*)
- (c) Alternative Procedures Relating to Loans Not Delivered [Yes] [No] (*Note: See Section 9.8 (Alternative Procedures Relating to Loans Not Delivered) of the 2014 ISDA Credit Derivatives Definitions*)
- (d) Additional terms applicable to Partial Cash Settlement [Not Applicable] [*specify additional terms*]
13. Notifying Party [ ] [the Issuer or the Noteholders of this Tranche]

14. Term The period commencing on and including the Issue Date and ending on and including the Maturity Date.
15. Other terms or special conditions [Not Applicable] *[give details]*

**M. OTHER NOTES** *(\*delete if not applicable)*

1. If the Notes are not Commodity Linked Notes, Equity Linked Notes, Currency Linked Notes, Inflation Linked Notes, Fund Linked Notes, Index Linked Notes or Credit Linked Notes, set out the relevant description and the additional terms and conditions applicable to such Notes *[Give details]*

**N. REDEMPTION**

1. Maturity Date [ ]
2. **Final Redemption Amount:** *(\*delete whichever is not applicable)*  
 [The aggregate Outstanding Principal Amount of this Tranche plus accrued interest (if any) to the Maturity Date]  
 [Currency Linked Note Provisions *(see Item F (Currency Linked Note Provisions) above)*]  
 [Commodity Linked Note Provisions *(see Item G (Commodity Linked Note Provisions) above)*]  
 [Equity Linked Note Provisions *(see Item H (Equity Linked Note Provisions) above)*]  
 [Fund Linked Note Provisions *(see Item I (Fund Linked Note Provisions) above)*]  
 [Index Linked Note Provisions *(see Item J (Index Linked Note Provisions) above)*]  
 [Inflation Linked Note Provisions *(see Item K (Inflation Linked Note Provisions) above)*]  
 [specify other]
3. Prior approval of the Prudential Authority required for redemption prior to the Maturity Date No
4. **Issuer Early Redemption Election:** [Applicable] *(see Condition 8.2 (Redemption at the election of the Issuer))*  
 [Not Applicable]
- (a) Redemption in whole [Applicable] [Not Applicable]
- Early Redemption Date (Call) 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 Early Redemption Date (Call) in the notice of redemption given by the Issuer in terms of Condition 8.2 *(Redemption at the election of the Issuer)*.
  - Early Redemption Amount (Call) See Item N(9) below.

	• Notice period	[ ]
(b)	Redemption in part	[Applicable] [Not Applicable]
	• Early Redemption Date/s (Call)	Each Interest Payment Date (in the case of interest-bearing Notes) or each other date (in the case of non-interest-bearing Notes) stipulated as the Early Redemption Date (Call) in the relevant notice of partial redemption given by the Issuer in terms of Condition 8.2 ( <i>Redemption at the election of the Issuer</i> ).
	• Early Redemption Amount/s (Call)	See Item N(9) below.
(c)	Notice period	[ ]
5.	<b>Noteholder Early Redemption Election:</b>	[Applicable] (see Condition 8.3 ( <i>Redemption at the election of Noteholders</i> )) [Not Applicable]
6.	<b>If Noteholder Early Redemption Election applicable:</b>	A Noteholder of any Notes in this Tranche (" <b>relevant Noteholder</b> ") may, at its election (but subject to Condition 8.3.2 ( <i>Redemption at the election of Noteholders</i> )) require the Issuer to redeem all or any of such Notes held by the relevant Noteholder (as specified in the Noteholder Early Redemption Notice) (" <b>relevant Notes</b> ", in whole or in part (as specified in the Noteholder Early Redemption Notice), on the Early Redemption Date (Put), at the Early Redemption Amount (Put), as set out in Condition 8.3 ( <i>Redemption at the election of Noteholders</i> ).
(a)	Redemption in whole	[Applicable] [Not Applicable]
	• Early Redemption Date (Put)	The Early Redemption Date (Put) will be 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 Early Redemption Date (Put) in the Noteholder Early Redemption Notice.
	• Early Redemption Amount (Put)	Early Redemption Amount (Call), the Early Redemption Amount (Put), the Early Redemption Amount (Specified Early Redemption Event)
(b)	Redemption in part	[Applicable] [Not Applicable]
	• Early Redemption Date/s (Put)	Each Interest Payment Date (in the case of interest-bearing Notes) or each other date (in the case of non-interest-bearing Notes) stipulated as the Early Redemption Date (Put) in the relevant Noteholder Early Redemption Notice.
	• Early Redemption Amount/s (Put)	See Item N(9) below.
(c)	Noteholder Early Redemption Notice	In order to exercise the Noteholder Early Redemption Election, the relevant Noteholder must, not less than 30 (thirty) nor more than 60 (sixty) days before the Early Redemption Date (Put), send the duly completed Noteholder Early Redemption Notice, together with (where applicable) a copy of the Certificate (if any) representing the relevant Notes, to the Issuer, with a copy of the Noteholder Early Redemption Notice to the Transfer Agent and the Settling Bank, as more fully set out in Condition 8.3 ( <i>Redemption at the election of Noteholders</i> ).
(d)	<i>pro forma</i> Noteholder Early Redemption Notice attached	[Yes] [No]
7.	<b>Specified Early Redemption Event:</b>	[Applicable] [Not Applicable] <i>(*delete whichever is not applicable)</i> Tax Event [Applicable] [Not Applicable] Change in Law [Applicable] [Not Applicable] Hedging Disruption Event [Applicable] [Not Applicable] Increased Cost of Hedging Event [Applicable] [Not Applicable]

Other Early Redemption Event [Applicable – [specify Other Early Redemption Event]

- 8. Redemption following a Specified Early Redemption Event:** [Applicable (see Item N(6) above)] [Not Applicable]
- (a) Redemption in whole [Applicable] [Not Applicable]
- Early Redemption Date (Specified Early Redemption Event) [The date stipulated as the Early Redemption Date (Specified Early Redemption Event) in the notice of redemption given by the Issuer in terms of Condition 8.4 (*Redemption following a Specified Early Redemption Event*).] [specify other]
  - Early Redemption Amount (Specified Early Redemption Event) See Item N(9) below.
- (b) Redemption in part [Applicable] [Not Applicable]
- Early Redemption Date/s (Specified Early Redemption Event) [The date/s stipulated as the Early Redemption Date/s (Specified Early Redemption Event Call) in the notice/s of redemption given by the Issuer in terms of Condition 8.4 (*Redemption following a Specified Early Redemption Event*).] [specify other]
  - Early Redemption Amount/s (Specified Early Redemption Event) See Item N(9) below.
- 9. Early Redemption Amount:** The following amount (or the relevant portion thereof, as applicable) in respect of this Tranche (but adjusted *pro rata* to each Note (or the relevant portion thereof, as applicable) to be redeemed pursuant to the Noteholder Early Redemption Election):
- (\*delete whichever is not applicable)
- [The aggregate outstanding Principal Amount of this Tranche plus accrued interest (if any) to the Early Redemption Date.]
- [The aggregate amount of principal of this Tranche calculated in accordance with Condition 8.7 (*Early redemption of Zero Coupon Notes*)]
- [The (i) Fair Value of this Tranche of Notes plus accrued interest (if any) to the Early Redemption Date less the (ii) Unwind Costs.] (*Note: see Item N(9) below*)
- [Currency Linked Note Provisions (*see Item F (Currency Linked Note Provisions) above*)]
- [Commodity Linked Note Provisions (*see Item G (Commodity Linked Note Provisions) above*)]
- [Equity Linked Note Provisions (*see Item H (Equity Linked Note Provisions) above*)]
- [Fund Linked Note Provisions (*see Item I (Fund Linked Note Provisions) above*)]
- [Index Linked Note Provisions (*see Item J (Index Linked Note Provisions) above*)]
- [Inflation Linked Note Provisions (*see Item K (Inflation Linked Note Provisions) above*)]
- [specify other]
- 10. Fair Value and Unwind Costs:** (\*delete if not applicable)
- [Applicable] [Not Applicable] (*Note: In the case of certain types of Notes, such as Index Linked Notes, Currency Linked Notes, Commodity Linked Notes, Fund Linked Notes and Credit Linked Notes, consider deducting the cost to the*



*Issuer of the redemption of such Notes prior to the Maturity Date)*

"**Fair Value**" means, in relation to this Tranche of Notes, [an amount determined by the Calculation/Issuer Agent (acting in a commercially reasonable manner and using objectively ascertainable market inputs including, but not limited to, the Issuer's liquidity and credit curves, forward rate agreements, swap rates, inflation and interest rates, and bond rates) which represents the fair market value of this Tranche of Notes; provided that no account shall be taken of the financial condition or creditworthiness of the Issuer which shall be presumed to be able to perform fully its obligations in respect of this Tranche of Notes] *[specify other]*;

"**Unwind Costs**" means, in relation to this Tranche of Notes, [an amount equal to the total amount of any and all costs and expenses of whatsoever nature associated or incurred by the Issuer or any Affiliate in connection with the early redemption of this Tranche of Notes (including, without limitation, any costs associated with unwinding any funding or other financing relating to this Tranche of Notes, any costs associated with unwinding or reinstating any hedge positions relating to this Tranche of Notes and all taxes, regulatory costs and/or penalties), all as determined and calculated by the Calculation/Issuer Agent acting in a commercially reasonable manner] *[specify other]*.

- |     |  |   |
|-----|--|---|
| 11. | <b>Redemption of Credit Linked Notes following a Credit Event:</b> | [Applicable (see <i>Item L (Credit Linked Note Provisions) above</i> )]<br>[Not Applicable]   |
| 12. | Section 4.22(gg) of the JSE Debt Listings Requirements             | The Notes will not be "automatically redeemed on the occurrence of a trigger event" as contemplated in Section 4.22(gg) of the JSE Debt Listings Requirements). |
| 13. | Other terms applicable on redemption                               | [Not Applicable] <i>[give details]</i>  |

**0. AGENTS AND SPECIFIED OFFICES**

- |    |   |   |
|----|---|---|
| 1. | Calculation/Issuer Agent                                      | [Nedbank Limited, acting through its Corporate and Investment Banking division] <i>[specify other]</i>                  |
| 2. | Specified Office of the Calculation/Issuer Agent              | [Nedbank 135 Rivonia Campus, Third Floor Block F, 135 Rivonia Road, Sandton, 2196, South Africa] <i>[specify other]</i> |
| 3. | Settling Bank   | [Nedbank Investor Services, a division of Nedbank Limited] <i>[specify other]</i>                                       |
| 4. | Specified Office of the Settling Bank                         | [Lakeview Campus, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709, South Africa] <i>[specify other]</i>     |
| 5. | Transfer Agent  | [Nedbank Investor Services, a division of Nedbank Limited] <i>[specify other]</i>                                       |
| 6. | Specified Office of the Transfer Agent                        | [Lakeview Campus, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709, South Africa] <i>[specify other]</i>     |
| 7. | Issuer's Participant/Settlement Agent                         | [Nedbank Investor Services, a division of Nedbank Limited] <i>[specify other]</i>                                       |
| 8. | Specified Office of the Issuer's Participant/Settlement Agent | [Lakeview Campus, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709, South Africa] <i>[specify other]</i>     |

**P. REGISTER CLOSED**

- |    |                      |   |
|----|----------------------|---|
| 1. | Last Day to Register | Up until 17h00 (South African time) on [[ ] and [ ]] [[ ], [ ], [ ] and [ ]] of each year until the Redemption Date being, in each instance, the last date on which the Transfer Agent will accept Transfer Forms and record in |
|----|----------------------|---|

the Register the transfer of Notes represented by Certificates.

2. Register Closed Period The Register will be closed during the 5 days preceding each Interest Payment Date and the Redemption Date from 17h00 (South African time) on the Last Day to Register until 17h00 (South African time) on the day preceding the Interest Payment Date (or other periodic payment date, as applicable) and the Redemption Date, being the period during which the Register is closed for purposes of giving effect to transfers, redemptions or payments in respect of the Notes.
3. Books Closed Dates [[ ] and [ ]] [[ ], [ ], [ ] and [ ]] of each year until the Redemption Date.

**Q. GENERAL**

1. Exchange control approval [Not Applicable] [Applicable] (*Note: see the section of the Programme Memorandum headed "Exchange Control"*)
2. Additional selling restrictions [Not Applicable] [*give details*]
3. International Security Identification Number (ISIN) ZAG[ ]
4. Stock Code Number [ ]
5. Financial Exchange JSE Limited (Interest Rate Market of the JSE)
6. Debt Sponsor Nedbank Limited, acting through its Corporate and Investment Banking division
7. Name of Dealer [Nedbank Limited, acting through its Corporate and Investment Banking division] [*specify other*]
8. Stabilisation Manager [Not Applicable] [*give details*]
9. Method of Distribution [Dutch Auction] [Dutch Auction (sealed bid without feedback)] [Private Placement] [*specify other*]
10. Bookbuild and Allocation Policy [Not Applicable] [As set out under "*Auction and Allocation Policy*" in the Term Sheet, dated [ ], prepared by the Dealer and sent to potential investors for purposes of placing the Notes] [*specify other*]
11. Pricing Methodology [Not Applicable] [*give details*]
12. Governing law The Notes and the Applicable Terms and Conditions are governed by, and shall be construed in accordance with, the laws of South Africa.
13. Business Centre Johannesburg
13. Additional Financial Centre [Not Applicable] [*give details*]
14. Additional Business Centre [Not Applicable] [*give details*]
15. Other Banking Jurisdiction [Not Applicable] [*give details*]
16. Rating (if any) assigned to this Tranche as at the Issue Date, Rating Agency/ies and date on which such Rating is expected to be reviewed [Not Applicable] [*give details*]
17. Rating assigned to the Issuer as at the Issue Date, Rating Agency/ies and date on which such Rating is expected to be reviewed [*give details*]
18. Use of proceeds [The Issuer will use the net proceeds from the issue of this Tranche for its

general corporate purposes] [*specify other*]

19. Material change

(*Note: consider this statement as at the Issue Date*) The Issuer confirms that, as at the date of signature of this Applicable Pricing Supplement [save as is set out in the paragraph below], no material change in the financial or trading condition of the Issuer or any "subsidiary" (as defined in the Companies Act) of the Issuer has occurred since [31 December [ ] (being the end of the last financial period for which audited annual financial statements of the Issuer have been published)] [30 June [ ] (being the end of the last financial period for which audited interim financial statements of the Issuer have been published)]. This statement has not been confirmed or verified or reviewed and reported on by the auditors of the Issuer.

[*specify material change/s in the financial and/or trading condition, if applicable*]

20. Other relevant information

[Not Applicable] [*give details*]

The Issuer certifies that, to the best of its knowledge and belief, there are no facts the omission of which would make this Applicable Pricing Supplement false or misleading, that all reasonable enquiries to ascertain such facts have been made, and that this Applicable Pricing Supplement contains all information required by the JSE Debt Listings Requirements (and all other Applicable Laws) to appear in this Applicable Pricing Supplement.

The Issuer accepts full responsibility for the accuracy of the information contained in the Programme Memorandum, this Applicable Pricing Supplement, the annual financial statements of the Issuer, the "Nedbank Limited Annual Report" ("**Annual Report**") and any amendments or supplements to the aforementioned documents, except as otherwise stated therein.

The JSE takes no responsibility for the contents of the Programme Memorandum, this Applicable Pricing Supplement, the annual financial statements of the Issuer, the Annual Report and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the Programme Memorandum, this Applicable Pricing Supplement, the annual financial statements of the Issuer, the Annual Report and any amendments or supplements to the aforementioned documents, and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the Programme Memorandum and listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

Application is hereby made to list Tranche [ ] of Series [ ] of the Notes on the Interest Rate Market of the JSE, as from [ ], pursuant to the Nedbank Limited ZAR15,000,000,000 Structured Note Programme.

**NEDBANK LIMITED**

By: \_\_\_\_\_

By: \_\_\_\_\_

*duly authorised*

*duly authorised*

Name of signatory: \_\_\_\_\_

Name of signatory: \_\_\_\_\_

Capacity: \_\_\_\_\_

Capacity: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## TERMS AND CONDITIONS

The following is the text of the Terms and Conditions:

### 1. DEFINITIONS AND INTERPRETATION

#### 1.1. Definitions

Unless separately defined in the Terms and Conditions or, in relation to a Tranche of Notes, unless separately defined in the Applicable Pricing Supplement, the following expressions have the following meanings:

**"Accrual Yield"** means, in relation to a Tranche of Zero Coupon Notes, the yield accruing on the Issue Price, specified as a percentage in the Applicable Pricing Supplement;

**"Actual Payment Date"** means, in relation to each Note in a Tranche of Notes, the earlier of (A) the date on which the full amount due and payable by the Issuer to the Noteholder of such Note under the Applicable Terms and Conditions has been paid to the Noteholder of such Note or (B) if such Note is held in the Central Securities Depository, the date on which the full amount due and payable by the Issuer to the Noteholder of such Note under the Applicable Terms and Conditions has been paid to the Central Securities Depository and (in the circumstances set out in Condition 7.5 (*Default interest*)) notice to that effect has been given by the Issuer to the Noteholder of such Note (in the manner set out in Condition 17 (*Notices*));

**"Actual Redemption Date"** means, in relation to each Note in a Tranche of Notes, the earlier of (A) the date upon which such Note is actually redeemed in full by the Issuer and the full amount due and payable by the Issuer to the Noteholder of such Note under the Applicable Terms and Conditions has been paid to the Noteholder of such Note or (B) if such Note is held in the Central Securities Depository, the date on which such Note is actually redeemed in full by the Issuer and the full amount due and payable by the Issuer to the Noteholder of such Note under the Applicable Terms and Conditions has been paid to the Central Securities Depository and (in the circumstances set out in Condition 7.5 (*Default interest*)) notice to that effect has been given by the Issuer to the Noteholder of such Note (in the manner set out in Condition 17 (*Notices*));

**"Additional Business Centre/s"** means, in relation to a Tranche of Notes (where applicable), the city or cities specified as such in the Applicable Pricing Supplement;

**"Additional Financial Centre/s"** means, in relation to a Tranche of Notes (where applicable), the city or cities specified as such in the Applicable Pricing Supplement;

**"Affiliate/s"** means, in relation to any Person, each "*subsidiary*" and each "*holding company*" (each as defined in the Companies Act) of that Person, and each other Person who directly or indirectly by whatever method controls that first-mentioned Person;

**"Applicable Agency Agreement"** means each agency agreement concluded between the Issuer and the Settling Bank and/or the Calculation/Issuer Agent and/or the Transfer Agent, as amended, novated and/or substituted from time to time in accordance with its terms, unless the Issuer itself acts in any of the abovementioned capacities;

**"Applicable Laws"** means, in relation to the Issuer and/or any other Person, all and any statutes, subordinate legislation, regulations, ordinances, directives, circulars and guidance notices, and judgments and decisions of any competent authority in South Africa (including without limitation, the JSE Debt Listings Requirements, the JSE Main Board Listings Requirements and the Applicable Procedures), compliance with which is mandatory for the Issuer and/or that other Person;

**"Applicable Pricing Supplement"** means, in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to the issue of that Tranche of Notes, setting out such additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the *pro forma* pricing supplement which is set out in the section of this Programme Memorandum headed "*Pro Forma Applicable Pricing Supplement*";

**"Applicable Procedures"** means, in relation to a Tranche of Uncertificated Notes, the CSD Procedures, the JSE Rules, the JSE Debt Listings Requirements, the JSE Main Board Listings Requirements and such other rules and operating procedures for the time being as are applicable to the Central Securities Depository and/or Participants and/or the JSE and, in relation to a Tranche of Notes which is listed on any other Financial Exchange, the rules and operating procedures for the time being of that Financial Exchange;

"**Applicable Terms and Conditions**" means, in relation to a Tranche of Notes, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement relating to that Tranche of Notes;

"**Arranger**" means Nedbank Limited, acting through its Corporate and Investment Banking division;

"**Banks Act**" means, the Banks Act, 1990 as amended from time to time;

"**Beneficial Interest**" means, in relation to a Tranche of Uncertificated Notes, subject to Condition 1.2.4, the beneficial interest as co-owner of all of the Uncertificated Notes in that Tranche, as contemplated in Chapter IV of the Financial Markets Act, the nominal value of which beneficial interest, in relation to any number of Uncertificated Notes in that Tranche, is determined by reference to the proportion that the aggregate Outstanding Principal Amount of such number of Uncertificated Notes bears to the aggregate Outstanding Principal Amount of all of the Uncertificated Notes in that Tranche, as contemplated in Chapter IV of the Financial Markets Act;

"**Blocked Rand**" means, for purposes of the Exchange Control Regulations, funds which may not be remitted out of South Africa or paid into a bank account outside South Africa;

"**Business Day**" means:

- a) 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
- b) 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 a Tranche of Notes and any particular date, has the meaning given in the Applicable Pricing Supplement and, if so specified in the Applicable Pricing Supplement, 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 Business Day;
- b) "**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;
- c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- d) "**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 Applicable Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred; provided that:
  - 1. 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;
  - 2. 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
  - 3. 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
- e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation/Issuer Agent**" means Nedbank Limited, acting through its Corporate and Investment Banking division, or, if the Issuer elects to appoint another entity as Calculation/Issuer Agent, as contemplated in Condition 16 (*Transfer Agent, Calculation/Issuer Agent and Settling Bank*), that other entity, as the case may be;

"**Calculation Amount**", in relation to a Tranche of Notes (where applicable), has the meaning given in the Applicable Pricing Supplement;

"**Central Securities Depository**" means Strate Proprietary Limited (incorporated with limited liability in South Africa under registration number 1998/022242/07), licensed as a central securities depository in terms of the Financial Markets Act or any successor depository operating in terms of the Financial Markets Act or any additional or alternate depository approved by the Issuer;

"**Certificate**" means the single certificate in definitive registered form without interest coupons representing Note/s for which Uncertificated Note/s has/have been exchanged in accordance with Condition 11.1 (*Exchange of Uncertificated Notes*);

"**Change in Law**" means, in relation to a Tranche of Notes (where applicable), an event where, as a result of:

- a) any change in, or amendment to, the laws or regulations of South Africa (including, without limitation, any tax law), whether or not having retrospective effect, which change or amendment is announced on or after the Issue Date; and/or
- b) any change in the application or official interpretation of such laws or regulations by any court, tribunal or regulatory authority with competent jurisdiction (including any action taken by a taxing authority), whether or not having retrospective effect, which change is announced on or after the Issue Date,

the Issuer determines in good faith that (i) it has become illegal to hold, acquire, deal in or dispose of the Physical Asset's and/or any other Reference Item/s relating to that Tranche of Notes (where that Tranche of Notes is a Tranche of Reference Item Linked Notes) or (ii) it will incur a materially increased cost in performing its obligations under that Tranche of Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the Issuer's tax position) or (iii) the performance of the Issuer's obligations under the Applicable Terms and Conditions of that Tranche of Notes and/or that any Hedging Transactions made in relation to that Tranche of Notes has or will become unlawful, illegal or otherwise prohibited in whole or in part;

"**Commodity Linked Notes**" means a Tranche of Notes which references a commodity (or basket of commodities) or commodity index (or indices), as specified in the Applicable Pricing Supplement;

"**Commodity Linked Note Provisions**" means, in relation to a Tranche of Notes (where applicable), the provisions specified as such in the Applicable Pricing Supplement;

"**Common Monetary Area**" means, for purposes of the Exchange Control Regulations, South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland;

"**Companies Act**" means the Companies Act, 2008;

"**Condition**" means a numbered term or condition forming part of the Terms and Conditions;

"**Controlling Company**" means Nedbank Group Limited (incorporated with limited liability in South Africa under registration number 1966/010630/06) or any other company which, after the Programme Date, becomes the "*controlling company*" (as defined in the Banks Act) of the Issuer, as the case may be;

"**Credit Linked Notes**" means a Tranche of Notes relating to the credit of a reference entity or a basket of reference entities, as specified in the Applicable Pricing Supplement;

"**Credit Linked Note Provisions**" means, in relation to a Tranche of Notes (where applicable), the provisions specified as such in the Applicable Pricing Supplement;

"**CSD Procedures**" means, in relation to a Tranche of Uncertificated Notes, the rules and operating procedures for the time being of the Central Securities Depository and Participants;

"**Currency Linked Notes**" means a Tranche of Notes which references a currency (or basket of currencies) or currency rate (or rates), as specified in the Applicable Pricing Supplement;

"**Currency Linked Note Provisions**" means, in relation to a Tranche of Notes (where applicable), the provisions specified as such in the Applicable Pricing Supplement;

"**Day Count Fraction**" means, in relation to a Tranche of Notes (where applicable) and the calculation of an amount for any period of time ("**Calculation Period**"), the day count fraction specified as such in the Applicable Pricing Supplement and:

- a) if "**Actual/Actual (ICMA)**" is so specified, means:



1. 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
  2. where the Calculation Period is longer than one Regular Period, the sum of:
    - a. 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
    - b. 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;
- b) 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);
- c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- e) 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:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" 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 D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- f) 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:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;



"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" 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 D<sub>2</sub> will be 30;

- g) 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:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" 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 D<sub>1</sub> will be 30; and

"D<sub>2</sub>" 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 D<sub>2</sub> will be 30;

"**Dealers**" means Nedbank Limited, acting through its Corporate and Investment Banking division, and each other third party Dealer (if any) appointed by the Issuer from time to time;

"**Debt Sponsor**" means Nedbank Limited, acting through its Corporate and Investment Banking division;

"**Default Rate**" means, in relation to a Tranche of Notes (where applicable), the default rate specified as such in the Applicable Pricing Supplement;

"**Designated Bank Account**" means, in relation to a Tranche of Uncertificated Notes, the individual designated bank account opened by the Issuer with the Settling Bank, into which the full aggregate amount due and payable in respect of such Uncertificated Notes will be irrevocably deposited, all as required by, and in accordance with, the CSD Procedures and as contemplated in Condition 9.2.2 (*Method of payment – Uncertificated Notes*);

"**Early Redemption Amount**" means, in relation to all or any of the Notes in a Tranche of Notes (as applicable), the Early Redemption Amount (Call), the Early Redemption Amount (Put), the Early Redemption Amount (Specified Early Redemption Event), the Early Termination Amount or such other amount in the nature of an early redemption amount as may be specified in (or calculated in the manner set out in) the Applicable Pricing Supplement, as applicable;

"**Early Redemption Amount (Call)**" means, in relation to a Tranche of Notes to which the Issuer Early Redemption Election is applicable, the aggregate Outstanding Principal Amount (or the relevant portion thereof) of that Tranche plus accrued interest (if any) to the Early Redemption Date (Call) or (ii) the aggregate amount of principal (or the relevant portion thereof) of that Tranche calculated in accordance with Condition 8.7 (*Early redemption of Zero Coupon Notes*) or (iii) such other amount as may be specified in (or calculated in the manner set out in) the Applicable Pricing Supplement;

"**Early Redemption Amount (Put)**" means, in relation to each Note in a Tranche of Notes to which the Noteholder Early Redemption Election is applicable, (i) the Outstanding Principal Amount (or the relevant portion thereof) of that Note plus accrued interest (if any) to the Early Redemption Date (Put) or (ii) the amount of principal (or the relevant portion thereof) of that Note calculated in accordance with Condition 8.7 (*Early redemption of Zero Coupon Notes*) or (iii) such other amount as may be specified in (or calculated in the

manner set out in) the Applicable Pricing Supplement;

**"Early Redemption Amount (Specified Early Redemption Event)"** means, in relation to a Tranche of Notes which is to be redeemed in whole or, if so specified in the Applicable Pricing Supplement, in part in terms of Condition 8.4 (*Redemption following a Specified Early Redemption Event*), (i) the aggregate Outstanding Principal Amount (or the relevant portion thereof) of that Tranche plus accrued interest (if any) to the Early Redemption Date (Specified Early Redemption Event) or (ii) the aggregate amount of principal (or the relevant portion thereof) of that Tranche calculated in accordance with Condition 8.7 (*Early redemption of Zero Coupon Notes*) or (iii) (a) the Fair Value of that Tranche (or the relevant portion thereof) plus accrued interest (if any) to the Early Redemption Date (Tax) less the (b) Unwind Costs (or the relevant portion thereof) or (iv) such other amount as may be specified in (or calculated in the manner set out in) the Applicable Pricing Supplement;

**"Early Redemption Date (Call)"** means in relation to a Tranche of Notes to which the Issuer Early Redemption Election is applicable, the date/s specified as such in the Applicable Pricing Supplement or, if no such date/s is/are specified in the Applicable Pricing Supplement, the date/s stipulated as the date/s for redemption of that Tranche of Notes (in whole or in part), in the notice/s of redemption given by the Issuer in terms of Condition 8.2 (*Redemption at the election of the Issuer*), as applicable;

**"Early Redemption Date (Put)"** means, in relation to each Note in a Tranche of Notes to which the Noteholder Early Redemption Election is applicable, the date/s specified as such in the Applicable Pricing Supplement or, if no such date/s is/are specified in the Applicable Pricing Supplement, the Interest Payment Date/s (in the case of interest-bearing Notes) or other date/s (in the case of non-interest-bearing Notes) stipulated as the date/s for redemption of such Note (in whole or in part) in the Noteholder Early Redemption Notice/s given by the Noteholder of that Note in terms of Condition 8.3 (*Redemption at the election of Noteholders*), as applicable;

**"Early Redemption Date (Specified Early Redemption Event)"** means, in relation to a Tranche of Notes which is to be redeemed in whole or, if so specified in the Applicable Pricing Supplement, in part in terms of Condition 8.4 (*Redemption following a Specified Early Redemption Event*), the date/s stipulated as the date/s for redemption of that Tranche of Notes (in whole or in part) in the notice of redemption given by the Issuer in terms of Condition 8.4 (*Redemption following a Specified Early Redemption Event*);

**"Early Termination Amount"** means, in relation to each Note in a Tranche of Notes which has been accelerated by the Noteholder of that Note in terms of Condition 11 (*Events of Default*), (i) the Outstanding Principal Amount of that Note plus accrued interest (if any) to the Actual Redemption Date or (ii) the amount of principal of that Note calculated in accordance with Condition 8.7 (*Early redemption of Zero Coupon Notes*) or (iii) such other amount as may be specified in (or calculated in the manner set out in) the Applicable Pricing Supplement;

**"Equity Linked Notes"** means a Tranche of Notes which references an equity (or basket of equities) or equity index (or indices), as specified in the Applicable Pricing Supplement;

**"Equity Linked Note Provisions"** means, in relation to a Tranche of Notes (where applicable), the provisions specified as such in the Applicable Pricing Supplement;

**"Event of Default"** means any of the events described in Condition 11 (*Events of Default*);

**"Exchange Control Authorities"** means the Financial Surveillance Department of the South African Reserve Bank;

**"Exchange Control Regulations"** means the Exchange Control Regulations, 1961 promulgated pursuant to the Currency and Exchanges Act, 1933;

**"Existing Notes"** means Notes issued under the Programme, pursuant to the Previous Programme Memorandum, which remain in issue under the Programme as at the Programme Date;

**"Extraordinary Resolution"** means a resolution passed at a meeting (duly convened) of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) by Noteholders holding not less than 75% (seventy five percent) of the Outstanding Principal Amount (that is, the nominal value) of all of the Notes or the relevant Tranche/s of Notes (as applicable), present in person or by proxy voting at such meeting upon a show of hands or a poll;

**"Extraordinary Written Resolution"** means a resolution passed other than at a meeting of all of the Noteholders or the relevant Group/s of Noteholders (as applicable), as contemplated in Condition 21.9, with the written consent of Noteholders holding not less than 75% (seventy five percent) of the Outstanding Principal Amount (that is, the nominal value) of all of the Notes or the relevant Tranche/s of Notes (as applicable);

"**Fair Value**" means, in relation to a Tranche of Notes (where applicable), "Fair Value" as defined in the Applicable Pricing Supplement;

"**Final Redemption Amount**" means, in relation to a Tranche of Notes which is to be redeemed on the Maturity Date in terms of Condition 8.1 (*Scheduled redemption*), (i) the aggregate Outstanding Principal Amount of that Tranche plus accrued interest (if any) to the Maturity Date or (ii) such other amount as may be specified in (or calculated in the manner set out in) the Applicable Pricing Supplement;

"**Financial Exchange**" means, in relation to a Tranche of listed Notes, the Interest Rate Market of the JSE and/or the Main Board of the JSE and/or such other (or additional) financial exchange/s as may be determined by the Issuer and the relevant Dealer/s subject to all Applicable Laws, as specified in the Applicable Pricing Supplement;

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

- a) amounts raised by acceptance under any acceptance credit facility;
- b) amounts raised under any note purchase facility;
- c) 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;
- d) 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
- e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Financial Markets Act**" means the Financial Markets Act, 2012;

"**First Interest Payment Date**" means, in relation to a Tranche of Notes (where applicable), the date specified as such in the Applicable Pricing Supplement;

"**Fixed Coupon Amount**" means, in relation to a Tranche of Notes (where applicable), the amount specified as such in the Applicable Pricing Supplement;

"**Fixed Interest Rate**" means, in relation to a Tranche of Notes (where applicable), the fixed interest rate per annum specified as such in (or calculated in the manner set out in) the Applicable Pricing Supplement;

"**Fixed Rate Notes**" means a Tranche of Notes which will bear interest at a Fixed Interest Rate, as specified in the Applicable Pricing Supplement;

"**Fixed Rate Note Provisions**" means, in relation to a Tranche of Notes (where applicable), the provisions specified as such in the Applicable Pricing Supplement;

"**Floating Interest Rate**" means, in relation to a Tranche of Notes (where applicable), the floating interest rate per annum specified as such in (or calculated in the manner set out in) the Applicable Pricing Supplement;

"**Floating Rate Notes**" means a Tranche of Notes which will bear interest at a Floating Interest Rate, as specified in the Applicable Pricing Supplement;

"**Floating Rate Note Provisions**" means, in relation to a Tranche of Notes (where applicable), the provisions specified as such in the Applicable Pricing Supplement;

"**Fund Linked Notes**" means a Tranche of Notes which references an interest in a fund or collective investment scheme (or interest in a basket of funds or collective investment schemes) or a fund index (or indices), as specified in the Applicable Pricing Supplement;

"**Fund Linked Note Provisions**" means, in relation to a Tranche of Notes (where applicable), the provisions specified as such in the Applicable Pricing Supplement;

"**Group**" means the Controlling Company, the Issuer and each wholly-owned consolidated Subsidiary of the Controlling Company and the Issuer which is regulated as a banking operation;

"**Group of Noteholders**" means, in relation to a Tranche of Notes, the holders of the Notes in that Tranche or, if a Tranche of Notes is in the same Series as any other Tranche or Tranches of Notes, the holders of the Notes in that Series, as the case may be;

"**Guarantee**" means, in relation to any Financial Indebtedness of any Person, any obligation of another Person

to pay such Financial Indebtedness including (without limitation):

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

**"Hedging Disruption"** means, in relation to a Tranche of Notes (where applicable), that the Issuer is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any Hedging Transaction(s) or asset(s) it deems necessary to hedge the price risk of issuing and performing its obligations under the Applicable Terms and Conditions of that Tranche of Notes and/or or (b) realise, recover or remit the proceeds of any such Hedging Transaction(s) or asset(s);

**"Hedging Transactions"** means, in relation to a Tranche of Notes (where applicable), any purchase, sale, entry into or maintenance of one or more (a) positions or contracts in securities, options, futures, derivatives or foreign exchange, (b) stock loan transactions, or (c) other instruments or arrangements (howsoever described) by the Issuer or any of its Affiliates in order to hedge, individually or on a portfolio basis, the Issuer's obligations under the Applicable Terms and Conditions of that Tranche of Notes;

**"Increased Cost of Hedging"** means, in relation to a Tranche of Notes (where applicable), that the Issuer would incur a materially increased (as compared with circumstances existing on the Issue 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 Hedging Transaction(s) or asset(s) it deems necessary to hedge the price risk of issuing and performing its obligations under the Applicable Terms and Conditions of that Tranche of Notes, or (b) realise, recover or remit the proceeds of any such Hedging 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 shall not be deemed to be an Increased Cost of Hedging;

**"Index Linked Notes"** means a Tranche of Notes which references an index (or indices), as specified in the Applicable Pricing Supplement;

**"Index Linked Note Provisions"** means, in relation to a Tranche of Notes (where applicable), the provisions specified as such in the Applicable Pricing Supplement;

**"Inflation Linked Notes"** means a Tranche of Notes which references a consumer price index (or similar index of inflation), as specified in the Applicable Pricing Supplement;

**"Inflation Linked Note Provisions"** means, in relation to a Tranche of Notes (where applicable), the provisions specified as such in the Applicable Pricing Supplement;

**"Interest Amount"** means, in relation to a Tranche of Notes for an Interest Period (where applicable), the amount of interest payable in respect of that Tranche of Notes for that Interest Period;

**"Interest Commencement Date"** means, in relation to a Tranche of Notes (where applicable), the Issue Date or such other date as is specified as the Interest Commencement Date in the Applicable Pricing Supplement;

**"Interest Payment Date"** means, in relation to a Tranche of Notes (where applicable), each date specified as such in the Applicable Pricing Supplement or, if any such date is not a Business Day, the date determined in accordance with the applicable Business Day Convention specified in the Applicable Pricing Supplement;

**"Interest Period"** means, in relation to a Tranche of Notes (where applicable), each successive period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period shall commence on (and include) the Interest Commencement Date and end on (but exclude) the First Interest Payment Date and the final Interest Period shall end on (but exclude) the Redemption Date, it being recorded, for the avoidance of doubt, that if any such date is not a Business Day, the date will be determined in accordance with the applicable Business Day Convention specified in the Applicable Pricing Supplement;

**"Interest Rate"** and **"Rate of Interest"** means, in relation to a Tranche of Notes (where applicable), the Fixed Interest Rate or the Floating Interest Rate or such other rate/s of interest applicable to that Tranche of Notes as is/are specified in (or calculated in the manner set out in) the Applicable Pricing Supplement;

**"Interest Rate Market of the JSE"** means the separate platform or sub-market of the JSE designated as the *"Interest Rate Market"* and on which Debt Securities (as defined in the JSE Debt Listings Requirements) may be

listed, or such other separate platform or sub-market of the JSE as is selected by the Issuer, subject to all Applicable Laws;

"**ISDA**" means International Swaps and Derivatives Association Inc;

"**2014 ISDA Credit Derivatives Definitions**" means, in relation to a Tranche of Credit Linked Notes, the 2014 ISDA Credit Derivatives Definitions published by ISDA, as amended, supplemented, revised or republished from time to time or such other ISDA Credit Derivatives Definitions as are specified as such in the Applicable Pricing Supplement;

"**ISDA Definitions**" means, in relation to a Tranche of Notes (where applicable), the 2006 ISDA Definitions (*Interest Rate and Currency Derivative Transactions*) published by ISDA, as amended, supplemented, revised or republished from time to time or such other ISDA Definitions as are specified as such in the Applicable Pricing Supplement;

"**ISDA Determination**" means, in relation to a Tranche of Notes (where applicable), the manner (set out in Condition 7.2.4 (*ISDA Determination*)) as read with the Applicable Pricing Supplement) in which the Floating Interest Rate applicable to that Tranche of Notes is to be determined;

"**ISDA Rate**", in relation to a Tranche of Notes (where applicable), has the meaning given to it in Condition 7.2.4 (*ISDA Determination*);

"**Issue Date**" means, in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;

"**Issue Price**" means, in relation to a Tranche of Notes, the price specified as such in the Applicable Pricing Supplement;

"**Issuer**", "**Nedbank**" and "**Nedbank Limited**" means Nedbank Limited (incorporated with limited liability in South Africa under registration number 1951/000009/06);

"**Issuer Early Redemption Election**" means, in relation to a Tranche of Notes (where applicable), the election of the Issuer to redeem that Tranche of Notes (in whole or in part) in terms of Condition 8.2 (*Redemption at the election of the Issuer*);

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

"**JSE**" means JSE Limited (incorporated with limited liability in South Africa under registration number 2005/022939/06), licensed as an exchange in terms of the Financial Markets Act, or any exchange which operates as a successor exchange to the JSE in terms of the Financial Markets Act;

"**JSE Debt Listings Requirements**" means the JSE Debt Listings Requirements applicable to the Interest Rate Market of the JSE, as amended and/or supplemented from time to time by the JSE;

"**JSE Main Board Listing Requirements**" means the JSE Listings Requirements applicable to the Main Board of the JSE, as amended and/or supplemented from time to time by the JSE;

"**JSE Rules**" means the exchange rules of the JSE promulgated from time to time pursuant to the provisions of the Financial Markets Act;

"**Last Day to Register**" means, in relation to a Tranche of Notes, the sixth Business Day or such other Business Day as is specified in the Applicable Pricing Supplement preceding each Interest Payment Date (where applicable) and the Redemption Date until 17h00 (South African time) on that Business Day, such Business Day being the last day on which the Transfer Agent will accept Transfer Forms and record in the Register the transfer of Notes in that Tranche represented by Certificate/s;

"**Main Board of the JSE**" means the separate platform or sub-market of the JSE designated as the "*Main Board*" and on which "Securities" (as defined in the JSE Main Board Listings Requirements) may be listed, or such other separate platform or sub-market of the JSE as is selected by the Issuer, subject to all Applicable Laws;

"**Margin**" means, in relation to a Tranche of Notes (where applicable), the margin specified as such in the Applicable Pricing Supplement;

"**Maturity Date**" means, in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;

"**Maturity Period**" means, in relation to a Tranche of Notes, the period from (and including) the Issue Date to (but excluding) the Maturity Date;



**"Maximum Redemption Amount"** means, in relation to a Tranche of Notes (where applicable), the amount specified as such in the Applicable Pricing Supplement;

**"Minimum Redemption Amount"** means, in relation to a Tranche of Notes (where applicable), the amount specified as such in the Applicable Pricing Supplement;

**"Noteholder"** and **"holder"** means (i) subject to Condition 1.2.4, the registered Noteholder of Uncertificated Note/s determined in accordance with the CSD Procedures (in the case of Uncertificated Notes) and (ii) the holder of Note/s recorded as the registered Noteholder of such Note/s in the Register (in the case of Notes represented by Certificates);

**"Noteholder Early Redemption Election"** means, in relation to a Tranche of Notes (where applicable), the election of a Noteholder of Note/s in that Tranche to require the Issuer to redeem all or any of such Note/s (in whole or in part), on the Early Redemption Date (Put), in terms of Condition 8.3 (*Redemption at the election of Noteholders*);

**"Noteholder Early Redemption Notice"** means, in relation to a Tranche of Notes to which the Noteholder Early Redemption Election is applicable, a written notice (in the form obtainable from the Issuer and/or the Transfer Agent and/or attached to the Applicable Pricing Supplement) which must be completed and signed by a Noteholder of Note/s in that Tranche who wishes to exercise the Noteholder Early Redemption Election in respect of all or any of such Note/s (in whole or in part) and which must be sent to the Issuer (with copies thereof to the Transfer Agent and the Settling Bank) in accordance with Condition 8.3 (*Redemption at the election of Noteholders*);

**"Notes"** means notes of any kind (including, without limitation, Commodity Linked Notes, Equity Linked Notes, Currency Linked Notes, Inflation Linked Notes, Fund Linked Notes, Index Linked Notes and Credit Linked Notes) issued or to be issued by the Issuer, under the Programme, pursuant to the Programme Memorandum;

**"Ordinary Resolution"** means a resolution passed at a meeting (duly convened) of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) by Noteholders holding not less than 51% (fifty one percent) of the Outstanding Principal Amount (that is, the nominal value) of all of the Notes or the relevant Tranche/s of Notes (as applicable), present in person or by proxy voting at such meeting upon a show of hands or a poll;

**"Ordinary Written Resolution"** means a resolution passed other than at a meeting of all of the Noteholders or the relevant Group/s of Noteholders (as applicable), as contemplated in Condition 21.9, with the written consent of Noteholders holding not less than 51% (fifty one percent) of the Outstanding Principal Amount (that is, the nominal value) of all of the Notes or the relevant Tranche/s of Notes (as applicable);

**"Outstanding Principal Amount"** means, in relation to each Note in a Tranche of Notes, the Principal Amount of that Note less (on each occasion on which that Note is partially redeemed in terms of (and subject to the Applicable Terms and Conditions, that portion of the Principal Amount of that Note which has been so partially redeemed and, in relation to the Programme at any point in time, the aggregate of all of such Principal Amounts of all of the Notes (including Existing Notes) in issue under the Programme at that time;

**"Participant"** means a Person accepted by the Central Securities Depository as a participant in terms of the Financial Markets Act;

**"Payment Business Day"** means:

- a) if the Specified Currency is euro, any day which is:
  1. 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
  2. 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
- b) if the Specified Currency is not euro, any day which is:
  1. 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
  2. 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;

**"Payment Date"** means, in relation to a Tranche of Notes, the date on which any amount (whether in respect of principal, interest or otherwise) is due and payable by the Issuer in respect of such Notes;

**"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:

- a) 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;
- b) such Security Interest is created pursuant to any securitisation, asset-backed financing or like arrangement in accordance with normal market practice; and
- c) 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;

**"Physical Asset/s"** means, in relation to a Tranche of Reference Item Linked Notes, Reference Item/s relating to that Tranche of Reference Item Linked Notes which is/are physical asset/s capable of being delivered to the Noteholders of that Tranche of Reference Item Linked Notes including, without limitation, the relevant underlying commodity (or basket of commodities) or currency (or basket of currencies) or equity (or basket of equities) or interest in a fund or collective investment scheme (or interests in a basket of funds or collective investment schemes), as applicable;

**"Physical Delivery Date"** means, in relation to a Tranche of Reference Item Linked Notes which reference Physical Asset/s, the date specified as such in the Applicable Pricing Supplement;

**"place"** means, in relation to a Dealer, to use reasonable commercial endeavours to procure the subscription and payment for the Notes in one or more Tranches of Notes pursuant to a Subscription Agreement so that all of the Notes in such Tranche/s are subscribed and paid for on the Issue Date/s and **"placing"** will be construed accordingly;

**"Previous Programme Memorandum"** means the consolidated Programme Memorandum, dated 13 July 2016, prepared by the Issuer in respect of the Programme;

**"Principal Amount"** means, in relation to each Note in a Tranche of Notes, the nominal amount (that is, the nominal value) of that Note (being the amount equivalent to the Specified Denomination), and in relation to any number of Notes in that Tranche, such number of Notes multiplied by that nominal amount;

**"Principal Financial Centre"** means, in relation to any Specified Currency, the principal financial centre for that Specified Currency; provided that:

- a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation/Issuer Agent;
- b) in relation to South African Rand, it means Johannesburg;
- c) in relation to Australian dollars, it means either Sydney or Melbourne;
- d) in relation to New Zealand dollars, it means either Wellington or Auckland; and
- e) 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/Issuer Agent;

**"Principal Subsidiary"** means a Subsidiary of the Issuer Group whose (a) total profits, before tax and extraordinary items represent in excess of 10% 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% 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;



**"Programme"** means the Nedbank Limited ZAR15,000,000,000 Structured Note Programme under which the Issuer may from time to time issue Notes;

**"Programme Amount"** means the maximum aggregate outstanding Principal Amount of all of the Notes (including Existing Notes) that may be in issue under the Programme at any one point in time (being, as at the Programme Date, ZAR15,000,000,000) or such increased amount as is determined by the Issuer from time to time, as set out in the section of this Programme Memorandum headed "*General Description of the Programme*";

**"Programme Date"** means the date of this Programme Memorandum, being 8 February 2019;

**"Programme Memorandum"** means this document so entitled in respect of the Programme dated 8 February 2019; provided that if the Issuer publishes a new Programme Memorandum or a supplement to the Programme Memorandum, as the case may be (as contemplated in the section of this document headed "*Documents Incorporated by Reference*"), references to "Programme Memorandum" shall be construed as references to that new Programme Memorandum or the Programme Memorandum as supplemented by that supplement to the Programme Memorandum, as the case may be;

**"Prudential Authority"** means the Prudential Authority established in terms of section 32 of the Financial Sector Regulation Act, 2017 or such other governmental authority in South Africa (if any) as will have the responsibility for making decisions relating to the declaration of a bank as being non-viable;

**"Rate Determination Date"** means, in relation to a Tranche of Notes (where applicable), the first day of each Interest Period; provided that the Rate Determination Date for the first Interest Period shall, in the case of a Tranche of Floating Rate Notes or if otherwise specified in the Applicable Pricing Supplement, be the date specified as such in the Applicable Pricing Supplement;

**"Rating"** means, in relation to the Issuer or a Tranche of Notes, as the case may be, the rating assigned to the Issuer or that Tranche of Notes, as the case may be, by any Rating Agency, as specified in the Applicable Pricing Supplement;

**"Rating Agency/ies"** means Standard & Poor's and/or Moody's Investor Services Limited and/or Global Credit Rating Co. Proprietary Limited and/or such other internationally recognised rating agency/ies as is/are appointed by the Issuer;

**"Redemption Amount"** means, in relation to all or any of the Notes in a Tranche of Notes (as applicable), the Final Redemption Amount or the Early Redemption Amount, as applicable;

**"Redemption Date"** means, in relation to all or any of the Notes in a Tranche of Notes (as applicable), the Maturity Date, the Early Redemption Date (Call), the Early Redemption Date (Put), the Early Redemption Date (Specified Early Redemption Event) or any other date on which that Tranche of Notes (or any Note/s in that Tranche) is/are due to be redeemed (in whole or in part) in terms of the Applicable Terms and Conditions, as applicable;

**"Redemption Expenses"** means, in relation to a Tranche of Notes (where applicable), the "Redemption Expenses" as defined in the Applicable Pricing Supplement;

**"Reference Banks"** means, in relation to a Tranche of Notes (where applicable), the banks specified as such in the Applicable Pricing Supplement or, if none, four major banks (selected by the Calculation/Issuer Agent and approved by the Issuer) in the market that is most closely connected with the Reference Rate;

**"Reference Item Linked Notes"** means Commodity Linked Notes, Currency Linked Notes, Equity Linked Notes, Fund Linked Notes, Index Linked Notes and/or Inflation Linked Notes, as applicable;

**"Reference Item/s"** means, in relation to a Tranche of Reference Item Linked Notes, the underlying commodity (or basket of commodities) or commodity index (or indices) or currency (or basket of currencies) or currency exchange rate (or exchange rates) or equity (or basket of equities) or equity index (or indices) or interest in a fund or collective investment scheme (or interests in a basket of funds or collective investment schemes) or consumer price index (or similar index of inflation) or other index (or indices), relating to that Tranche of Reference Item Linked Notes, as specified in the Applicable Pricing Supplement;

**"Reference Price"** means, in relation to a Tranche of Zero Coupon Notes, the price specified as such in the Applicable Pricing Supplement;

**"Reference Rate"** means, in relation to a Tranche of Notes (where applicable), the rate specified as such in the Applicable Pricing Supplement;

**"Register"** means the register of the Issuer's securities (including the register of the Issuer's uncertificated securities) contemplated in (and maintained in accordance) with Part E of the Companies Act;

**"Register Closed Period"** means, in relation to a Tranche of Notes, from 17h00 (South African time) on the Last Day to Register until 17h00 (South African time) on the day preceding each Interest Payment Date (or other periodic payment date, as applicable) and the Redemption Date, during which the Register will be closed for purposes of giving effect to transfers, redemptions or payments in respect of that Tranche of Notes;

**"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 an irregular Interest Period;

**"Regular Period"** means:

- a) in the case of a Tranche 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;
- b) in the case of a Tranche 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
- c) in the case of a Tranche 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;

**"Relevant Financial Centre"** means, in relation to a Tranche of Notes (where applicable), the centre specified as such in the Applicable Pricing Supplement;

**"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 Screen Page"** means, in relation to a Tranche of Notes (where applicable), the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the Applicable Pricing Supplement, 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"** means, in relation to a Tranche of Notes (where applicable), the time specified as such in the Applicable Pricing Supplement;

**"Representative"** means a Person duly authorised to act on behalf of a Noteholder, which Person may be regarded by each of the Issuer, the Transfer Agent and the Settling Bank (acting in good faith) as being duly authorised to act based upon the tacit or express representation made by such Person, in the absence of express notice to the contrary from that Noteholder;

**"Screen Rate Determination"** means, in relation to a Tranche of Floating Rate Notes (where applicable), the manner (set out in Condition 7.2.3 (*Screen Rate Determination*)) as read with the Applicable Pricing Supplement) in which the Floating Interest Rate applicable to that Tranche is to be determined;

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

**"Securities Transfer Tax Act"** means the Securities Transfer Tax Act, 2007;

**"SENS"** means the JSE Stock Exchange News Service;

**"Series"** means a Tranche of Notes which, together with any other Tranche/s of Notes, is expressed in the Applicable Pricing Supplement to form a single series of Notes, identified in the Applicable Pricing Supplements relating to such Tranches of Notes by way of a unique numeral (such as Series 1);

**"Settling Bank "** means Nedbank Investor Services, a division of Nedbank Limited or, if the Issuer elects to appoint another entity as Settling Bank as contemplated in Condition 16 (*Transfer Agent, Calculation/Issuer*

*Agent and Settling Bank*), that other entity, as the case may be;

**"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 (including all Existing 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;

**"Specified Currency"** means, in relation to each Note in a Tranche of Notes, subject to the Exchange Control Regulations and the approval of the JSE, the currency specified as such in the Applicable Pricing Supplement;

**"Specified Denomination"** means, in relation to each Note in a Tranche of Notes, the amount specified as such in the Applicable Pricing Supplement; provided that such amount shall not be less than ZAR1,000,000 (or the equivalent thereof in the Specified Currency if the Specified Currency is not ZAR) or such other amount as is prescribed from time to time in terms of section 96(2)(a) of the Companies Act;

**"Specified Early Redemption Event"** means, in relation to a Tranche of Notes, a Tax Event and/or a Change in Law and/or a Hedging Disruption Event and/or an Increased Cost of Hedging Event (in each instance, where specified in the Applicable Pricing Supplement as being applicable) and/or such other Early Redemption Event as is specified in the Applicable Pricing Supplement;

**"Specified Office"** means, in relation to each of the Issuer, the Calculation/Issuer Agent, the Settling Bank and the Transfer Agent, the address of the office specified in respect of such entity at the end of this Programme Memorandum or such other address as is notified by such entity (or, where applicable, a successor to such entity) to the Noteholders in accordance with Condition 17 (*Notices*), as the case may be;

**"Specified Period"** means, in relation to a Tranche of Notes (where applicable), the period specified as such in the Applicable Pricing Supplement;

**"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"** means all present and future taxes, duties, imposts, levies, charges, fees withholdings or deductions of whatever nature imposed, levied, collected, withheld or assessed by, or on behalf of, any governmental, fiscal or other competent authority in South Africa (including any penalty payable in connection with any failure to pay, or delay in paying, any of the same) and **"Tax"** and **"Taxation"** will be construed accordingly;

**"Tax Event"** means, in relation to a Tranche of Notes, an event where, as a result of a Tax Law Change, 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 10.1 (*Gross up*) and the Issuer cannot avoid the foregoing by taking measures reasonably available to it;

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

**"Terms and Conditions"** means this section of the Programme Memorandum headed *"Terms and Conditions"*;

**"Tranche"** and **"Tranche of Notes"** means those Notes which are issued on and subject to the identical Applicable Terms and Conditions (including as to listing) and in respect of which the same Applicable Pricing Supplement applies;

**"Transfer Agent"** means Nedbank Investor Services, a division of Nedbank Limited or, if the Issuer elects to appoint another entity as Transfer Agent, as contemplated in Condition 16 (*Transfer Agent, Calculation/Issuer Agent and Settling Bank*), that other entity, as the case may be;

"**Transfer Form**" means the written form for the transfer of a Note represented by a Certificate, in the usual form or in such other form as is approved by the Transfer Agent;

"**Uncertificated Notes**" means, subject to Condition 1.2.4, Notes issued in registered uncertificated form in terms of Chapter IV of the Financial Markets Act, and held in the Central Securities Depository;

"**Unwind Costs**" means, in relation to a Tranche of Notes (where applicable), the "Unwind Costs" as defined in the Applicable Pricing Supplement;

"**Value-Added Tax Act**" means the Value-Added Tax Act, 1991;

"**VAT**" means value added tax imposed in terms of the Value-Added Tax Act, or any similar tax imposed in place thereof from time to time;

"**Warrants**" means "*warrants*" as defined in Section 19 of the JSE Main Board Listing Requirements;

"**ZAR**" and "**South African Rand**" means the lawful currency of South Africa, being South African Rand, or any successor currency;

"**Zero Coupon Notes**" means a Tranche of Notes which will be offered and sold at a discount to their Principal Amount or at par and will not bear interest other than in the case of late payment, as specified in the Applicable Pricing Supplement (and includes, where the context requires, any Tranche of Notes to which the Zero Coupon Note Provisions are specified in the Applicable Pricing Supplement as being applicable);

"**Zero Coupon Note Provisions**" means, in relation to a Tranche of Notes (where applicable), the provisions specified as such in the Applicable Pricing Supplement.

## 1.2. Interpretation

1.2.1. To the extent that there is any conflict or inconsistency between the provisions of the Terms and Conditions and the provisions of any of the Applicable Procedures (including, without limitation, the CSD Procedures, the JSE Debt Listings Requirements and the JSE Main Board Listing Requirements) those provisions of the Applicable Procedures shall prevail.

1.2.2. In the Terms and Conditions:

1.2.2.1. if an expression is stated in Condition 1.1 (*Definitions*) to have the meaning given in the Applicable Pricing Supplement, but the Applicable Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the relevant Tranche of Notes; and

1.2.2.2. any reference to the Applicable Agency Agreement shall be construed as a reference to the Applicable Agency Agreement, as amended and/or supplemented from time to time.

1.2.3. Unless inconsistent with the context or save where the contrary is expressly specified in the Terms and Conditions:

1.2.3.1. all references in the Terms and Conditions to any statute, regulation or other legislation will be a reference to that statute, regulation or other legislation as at the Programme Date and as amended, re-enacted or replaced and substituted from time to time;

1.2.3.2. references to any Condition are to that Condition of the Terms and Conditions;

1.2.3.3. words denoting the singular only will include the plural also and *vice versa*, words denoting one gender only will include the other genders and words denoting persons only will include firms and corporations and *vice versa*;

1.2.3.4. the use of the word "including" followed by a specific example/s will not be construed as limiting the meaning of the general wording preceding it and the *eiusdem generis* rule will not be applied in the interpretation of such general wording or such specific example/s. Such references to "including" and "in particular" will not be construed restrictively but will mean "including, without prejudice to the generality of the foregoing" and "in particular, but without prejudice to the generality of the foregoing" respectively;

1.2.3.5. any reference to days (other than a reference to Business Days), months or years will be a reference to calendar days, months or years, as the case may be;

1.2.4. Subject to the Applicable Procedures and unless the context clearly otherwise indicates, references to "Uncertificated Notes" include Beneficial Interests in Uncertificated Notes, and *vice versa*, and references to

"registered Noteholders of Uncertificated Notes" include the holders of Beneficial Interests in Uncertificated Notes, and *vice versa*.

- 1.2.5. If any provision in a definition in the Terms and Conditions is a substantive provision conferring a right or imposing an obligation on any party then, notwithstanding that it is only in a definition, effect shall be given to that provision as if it were a substantive provision in the body of the Terms and Conditions.
- 1.2.6. Headings and sub-headings in the Terms and Conditions are inserted for convenience only.
- 1.2.7. Where any term is defined within a particular Condition, that term shall bear the meaning ascribed to it in that Condition wherever it is used in the Terms and Conditions.
- 1.2.8. The *contra proferentem* rule shall not be applied in the interpretation of the Terms and Conditions.

## 2. ISSUE

- 2.1. The Issuer may, at any time and from time to time (without the consent of any Noteholder), issue one or more Tranche/s of Notes (denominated in the Specified Currency) under the Programme, pursuant to the Programme Memorandum; provided that the aggregate Outstanding Principal Amount of all of the Notes (including Existing Notes) in issue under the Programme from time to time does not exceed the Programme Amount.
- 2.2. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Applicable Terms and Conditions of that Tranche of Notes.
- 2.3. The Applicable Terms and Conditions of a Tranche of Notes are incorporated by reference into the Certificate/s (if any) representing any Note/s in that Tranche. The Applicable Pricing Supplement will be attached to such Certificate/s.
- 2.4. The Issuer may issue listed or unlisted Notes. A Tranche of Notes may be listed on the Interest Rate Market of the JSE and/or on such other or additional Financial Exchange/s (including, subject to the applicable provisions of the JSE Main Board Listings Requirements and Section 19 thereof, the Main Board of the JSE) as may be determined by the Issuer and the relevant Dealer/s, subject to all Applicable Laws.
- 2.5. A Tranche of Warrants will be, and any other Tranche of Notes may be, listed on the Main Board of the JSE. Where a Tranche of Notes is to be listed on the Main Board of the JSE, the provisions of the JSE Main Board Listings Requirements relating to the listing of that Tranche of Notes on the Main Board of the JSE, will be set out in an annexure to the Applicable Pricing Supplement relating to that Tranche of Notes and/or in a supplement to this Programme Memorandum prior to the Issue Date of the first Tranche of such Notes to be issued under the Programme.
- 2.6. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange/s.
- 2.7. Unlisted Notes are not regulated by the JSE. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE. The holders of Notes (including Warrants) that are not listed on the Main Board of the JSE will have no recourse against the JSE.

## 3. FORM, TYPE AND DENOMINATION

### 3.1. General

- 3.1.1. All payments in relation to the Notes in a Tranche will be made in the Specified Currency. The denomination of each Note in a Tranche will be the Specified Denomination.
- 3.1.2. A Tranche of Notes may comprise, without limitation, Commodity Linked Notes, Equity Linked Notes, Currency Linked Notes, Inflation Linked Notes, Fund Linked Notes, Index Linked Notes, Credit Linked Notes, Warrants (subject to the applicable provisions of the JSE Main Board Listings Requirements and Section 19 thereof) or such other type of Note as may be determined by the Issuer and the relevant Dealer/s and specified in the Applicable Pricing Supplement.
- 3.1.3. The additional provisions relating to the issue of a Tranche of Warrants (as contemplated in the applicable provisions of the JSE Main Board Listings Requirements and Section 19 thereof) will be set out in an annexure to the Applicable Pricing Supplement relating to that Tranche of Warrants and/or in a supplement to this Programme Memorandum prior to the Issue Date of the first Tranche of Warrants to be issued under the Programme.



### 3.2. Notes issued in certificated form

A Tranche of unlisted Notes will, if so specified in the Applicable Pricing Supplement, be issued in registered certificated form and will be represented by one or more Certificates.

### 3.3. Notes issued in uncertificated form

- 3.3.1. Each Tranche of Uncertificated Notes will be issued in registered uncertificated form in terms of Chapter IV of the Financial Markets Act, and will be held in the Central Securities Depository. Uncertificated Notes will not be represented by any certificate or written instrument.
- 3.3.2. Each Tranche of Uncertificated Notes will be held by the registered Noteholder/s of such Uncertificated Notes in accordance with and subject to the Financial Markets Act and the CSD Procedures.
- 3.3.3. Subject to the Financial Markets Act, the registered holder of Uncertificated Notes shall be entitled to exchange such Uncertificated Notes for Notes represented by a Certificate in accordance with Condition 13.1 (*Exchange of Uncertificated Notes*).

## 4. TITLE

### 4.1. Notes issued in uncertificated form

- 4.1.1. The registered Noteholders of Uncertificated Notes will be determined in accordance with the CSD Procedures, and such registered Noteholders will be named in the Register as the registered holders of such Uncertificated Notes.
- 4.1.2. The clients of Participants may include the registered Noteholders of Uncertificated Notes or their custodians. The Participants will maintain records of the Uncertificated Notes held by their clients.
- 4.1.3. Title to Uncertificated Notes will be reflected in the securities accounts maintained by the relevant Participants for the registered Noteholders of such Uncertificated Notes.
- 4.1.4. In relation to each Person shown in the records of the Central Securities Depository or the relevant Participant, as the case may be, as the registered Noteholder of Uncertificated Notes in a particular aggregate Outstanding Principal Amount, a certificate or other document issued by the Central Securities Depository or the relevant Participant, as the case may be, as to the aggregate Outstanding Principal Amount of such Uncertificated Notes standing to the account of such Person shall be *prima facie* proof of such aggregate Outstanding Principal Amount of such Uncertificated Notes.
- 4.1.5. Uncertificated Notes may be transferred only in accordance with the CSD Procedures.
- 4.1.6. Subject to the CSD Procedures, the registered Noteholders of Uncertificated Notes may only exercise their rights in respect of Uncertificated Notes through their Participants.
- 4.1.7. Any reference in the Terms and Conditions to the relevant Participant shall, in respect of an Uncertificated Note, be a reference to the Participant appointed to act as such by the registered Noteholder of such Uncertificated Note.

### 4.2. Notes represented by Certificates

- 4.2.1. Each holder of Notes represented by a Certificate will be named in the Register as the registered holder of such Notes.
- 4.2.2. Title to Notes represented by a Certificate will pass upon registration of transfer in the Register in accordance with Condition 14.2 (*Transfer of Notes represented by Certificates*).

### 4.3. Register

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

## 5. STATUS

The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* without any preference or priority among themselves and *pari passu* with Existing Notes and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other present and future unsecured and unsubordinated

obligations of the Issuer.

## 6. **NEGATIVE PLEDGE**

So long as any 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 Notes equally and rateably therewith or (b) providing such other security for the Notes, as may be approved by an Extraordinary Resolution of Noteholders.

## 7. **INTEREST**

### 7.1. **Fixed Rate Note Provisions**

#### 7.1.1. *Application*

This Condition 7.1 is applicable to a Tranche of Notes only if the Fixed Rate Note Provisions are specified in the Applicable Pricing Supplement as being applicable.

#### 7.1.2. *Accrual of interest*

A Tranche of Fixed Rate Notes will bear interest on its aggregate Outstanding Principal Amount, at the Fixed Interest Rate, for the period from (and including) the Interest Commencement Date to (but excluding) the Redemption Date. The interest due on a Tranche of Fixed Rate Notes in respect of an Interest Period will be payable in arrear on the Interest Payment Date in respect of that Interest Period. The first payment of interest will be made on the First Interest Payment Date.

#### 7.1.3. *Fixed Coupon Amount*

The amount of interest payable in respect of a Tranche of Fixed Rate Notes for any Interest Period shall be the Fixed Coupon Amount.

#### 7.1.4. *Calculation of Interest Amount*

The Interest Amount payable in respect of a Tranche of Fixed Rate Notes for any Interest Period for which a Fixed Coupon Amount is not specified will be determined by multiplying the Fixed Interest Rate applicable to that Tranche of Fixed Rate Notes by its Outstanding Principal Amount, then multiplying the product by the applicable Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). 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.

### 7.2. **Floating Rate Note Provisions**

#### 7.2.1. *Application*

This Condition 7.2 is applicable to a Tranche of Notes only if the Floating Rate Note Provisions are specified in the Applicable Pricing Supplement as being applicable.

#### 7.2.2. *Accrual of interest*

7.2.2.1. A Tranche of Floating Rate Notes will bear interest on its aggregate Outstanding Principal Amount, at the Floating Interest Rate, for the period from (and including) the Interest Commencement Date to (but excluding) the Redemption Date. The interest due on a Tranche of Floating Rate Notes in respect of an Interest Period will be payable in arrear on the Interest Payment Date in respect of that Interest Period. The first payment of interest will be made on the First Interest Payment Date.

7.2.2.2. The Floating Interest Rate applicable from time to time to a Tranche of Floating Rate Notes will be determined (and specified in the Applicable Pricing Supplement):

7.2.2.2.1. on the basis of ISDA Determination; or

7.2.2.2.2. on the basis of Screen Rate Determination; or

7.2.2.2.3. on such other basis as may be determined by the Issuer and specified in the Applicable Pricing Supplement.

#### 7.2.3. *Screen Rate Determination*

Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which



the Floating Interest Rate is to be determined, the Floating Interest Rate applicable to a Tranche of Floating Rate Notes for each Interest Period will be determined by the Calculation/Issuer Agent on the following basis:

- 7.2.3.1. if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation/Issuer Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Rate Determination Date;
- 7.2.3.2. in any other case, the Calculation/Issuer 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 Rate Determination Date;
- 7.2.3.3. if, in the case of Condition 7.2.3.1, the Reference Rate does not appear on the Relevant Screen Page or, in the case of Condition 7.2.3.2, fewer than two Reference Rates appear on the Relevant Screen Page or if, in either case, the Relevant Screen Page is unavailable, the Calculation/Issuer Agent will:
  - 7.2.3.3.1. request the principal office, in the Relevant Financial Centre, of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Rate Determination Date to prime banks in the Relevant Financial Centre inter-bank market in an amount that is representative for a single transaction in that market at that time; and
  - 7.2.3.3.2. determine the arithmetic mean of such quotations;
- 7.2.3.4. if fewer than two such quotations are provided as requested, the Calculation/Issuer Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation/Issuer Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation/Issuer Agent, at approximately 11h00 (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 banks in the Principal Financial Centre of the Specified Currency 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 Floating Interest Rate 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 that if the Calculation/Issuer 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 Floating Interest Rate applicable to the relevant Tranche of Floating Rate 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 relevant Tranche of Floating Rate Notes in respect of a preceding Interest Period.

#### 7.2.4. *ISDA Determination*

If ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Floating Interest Rate is to be determined, the Floating Interest Rate applicable to a Tranche of Floating Rate 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/Issuer Agent under an interest rate swap transaction if the Calculation/Issuer Agent were acting as Calculation/Issuer Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- 7.2.4.1. the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the Applicable Pricing Supplement;
- 7.2.4.2. the Designated Maturity (as defined in the ISDA Definitions) is the period specified in the Applicable Pricing Supplement; and
- 7.2.4.3. 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) or the Johannesburg inter-bank offered rate (JIBAR), as the case may be, for a currency, the first day of that Interest Period or (B) in any other case, as specified in the Applicable Pricing Supplement.

#### 7.2.5. *Maximum or Minimum Floating Interest Rate*

If any Maximum Floating Interest Rate or Minimum Floating Interest Rate is specified in the Applicable Pricing Supplement, then the Floating Interest Rate applicable to a Tranche of Floating Rate Notes shall in no event be greater than the maximum or be less than the minimum so specified.

### 7.2.6. *Calculation of Interest Amount*

- 7.2.6.1. The Calculation/Issuer Agent will, on or as soon as practicable after each Rate Determination Date or Reset Date, as applicable, but in any event not later than 3 (three) Business Days after that Rate Determination Date or that Reset Date, as applicable, calculate the Interest Amount payable in respect of a Tranche of Floating Rate Notes for such Interest Period.
- 7.2.6.2. The Interest Amount payable in respect of a Tranche of Floating Rate Notes for an Interest Period will be determined by multiplying the Floating Interest Rate applicable to that Tranche of Floating Rate Notes by its Outstanding Principal Amount, then multiplying the product by the applicable Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). 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.

### 7.3. **Reference Item Linked Notes**

If the Commodity Linked Note Provisions or the Currency Linked Note Provisions or the Equity Linked Note Provisions or the Fund Linked Note Provisions or the Index Linked Note Provisions or the Inflation Linked Note Provisions, as the case may be, are specified in the Applicable Pricing Supplement as being applicable to a Tranche of Notes, the Reference Item's required to calculate any periodic and/or final payment amount will be specified in the Applicable Pricing Supplement, and the Interest Commencement Date (or other payment commencement date), the Interest Amount (or other payment amount) payable for each Interest Period (or other payment period) and the Redemption Amount payable on the Redemption Date, will be specified in (or calculated in the manner set out in) the Applicable Pricing Supplement.

### 7.4. **Other Notes**

The Applicable Pricing Supplement relating to any other Tranche of Notes not specifically provided for in the Terms and Conditions will set out, among other things, the manner in which the interest and/or other amounts payable in respect of that Tranche are to be calculated, the Interest Commencement Date (and/or other payment commencement date), the Interest Payment Date/s (and/or other payment date/s) and the Interest Period/s (and/or other payment period/s).

### 7.5. **Default interest**

- 7.5.1. If payment of principal (or the relevant portion thereof) and/or interest due and payable in respect of a Tranche of interest-bearing Notes (or the relevant Notes in that Tranche) is improperly withheld or refused, the overdue principal (or the relevant portion thereof) and/or interest will bear interest at the Default Rate from (and including) such due date for payment to (but excluding) the Actual Payment Date.
- 7.5.2. If payment of principal (or the relevant portion thereof) due and payable in respect of a Tranche of Zero Coupon Notes (or the relevant Zero Coupon Notes in that Tranche) is improperly withheld or refused, the amount of principal (or the relevant portion thereof) shall thereafter be an amount equal to the sum of (i) the Reference Price (or the relevant portion thereof) and (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price (or the relevant portion thereof) on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) the Actual Payment Date.

### 7.6. **General**

#### 7.6.1. *Calculation of other amounts*

If the Applicable Pricing Supplement specifies that any other amount, rate, index and/or formula in relation to a Tranche of Notes is to be calculated by the Calculation/Issuer Agent, the Calculation/Issuer Agent will, as soon as practicable after the time or times at which any such amount, rate, index and/or formula is to be determined, calculate the relevant amount, rate, index and/or formula in the manner specified in the Applicable Pricing Supplement.

#### 7.6.2. *Fall-back Rate of Interest*

Unless otherwise specified in the relevant Applicable Pricing Supplement, if the Calculation/Issuer Agent is unable to determine a rate (or, as the case may be, the arithmetic mean of rates) in accordance with the above provisions of this Condition 7, the Interest Rate applicable to the relevant Tranche of Notes during the relevant Interest Period will be the Interest Rate applicable to the relevant Tranche of Notes during the immediately preceding Interest Period (with adjustment for any change in the Margin, Maximum Interest Rate or Minimum Interest Rate).

### 7.6.3. *Notification of the Floating Interest Rate and each Interest Amount*

- 7.6.3.1. The Calculation/Issuer Agent will cause each Floating Interest Rate and each Interest Amount determined by it (and any other amount/s required to be determined by it) to be notified to the Settling Bank as soon as practicable after such determination but in any event not later than 3 (three) Business Days after the Rate Determination Date or the Reset Date, as applicable (in the case of the determination of the Floating Interest Rate) and not later than 3 (three) Business Days before the Interest Payment Date (in the case of the determination of the Interest Amount). The Calculation/Issuer Agent will cause each Floating Interest Rate applicable to a Tranche of Notes which is listed on the Interest Rate Market of the JSE to be published on SENS not later than 3 (three) Business Days before the relevant Interest Payment Date. The Calculation/Issuer Agent will cause each Interest Amount determined by it to be announced on SENS at least 3 (three) Business Days before the relevant Interest Payment Date.
- 7.6.3.2. The Calculation/Issuer 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.

### 7.6.4. *Certificates to be final*

All communications, notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation/Issuer Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and the Noteholders and (subject as aforesaid) no liability to the Issuer or the Noteholders will attach to the Calculation/Issuer Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to the provisions of this Condition 7.

## 7.7. **Debt Instrument System and Issuer Agent**

- 7.7.1. The CSD Procedures (as amended with effect from 26 September 2017) provide for the establishment and implementation of the Central Securities Depository's "Debt Instrument Solution ('DIS')". These amendments also provide, among other things, for the appointment of an 'Issuer Agent' who will be responsible, among other things, for the confirmation of interest/coupon and partial redemption amounts to be disbursed under debt instruments and the confirmation, on a daily basis of the outstanding principal amount of debt instruments in issue. An 'Issuer Agent' may be electronically connected to the Debt Instrument System by a system (the Central Messaging Front-End System ('CMFE')) that caters for an 'Issuer Agent' interface to the Debt Instrument System. The Central Messaging Front-End System will enable an 'Issuer Agent' to interact directly with the Central Securities Depository.
- 7.7.2. The Calculation/Issuer Agent is the 'Issuer Agent' contemplated in the CSD Procedures. In addition to the duties and obligations of the Calculation/Issuer Agent contemplated in this Condition 8 (*Interest*) the Calculation/Issuer Agent will perform all such additional duties and comply with all such additional obligations as are required to be performed and/or complied with under the applicable provisions of the CSD Procedures.

## 8. **REDEMPTION AND PURCHASE**

### 8.1. **Scheduled redemption**

Subject, where applicable, to Physical Settlement, unless previously redeemed, or purchased and cancelled, pursuant to this Condition 8 below, the Issuer shall redeem a Tranche of Notes, at the Final Redemption Amount, on the Maturity Date.

### 8.2. **Redemption at the election of the Issuer**

If the Issuer Early Redemption Election is applicable to a Tranche of Notes, that Tranche of Notes may be redeemed (subject, where applicable, to Physical Settlement), at the election of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part, subject to the Issuer having given not less than the period of notice specified in the Applicable Pricing Supplement to the Noteholders of that Tranche in accordance with Condition 17 (*Notices*) and to the Transfer Agent and the Settling Bank, on the Early Redemption Date (Call) at the Early Redemption Amount (Call).

### 8.3. **Redemption at the election of Noteholders**

- 8.3.1. If the Noteholder Early Redemption Election is applicable to a Tranche of Notes ("**relevant Tranche**"), a Noteholder of any Notes in the relevant Tranche ("**relevant Noteholder**") may, at its election (but subject to

Condition 8.3.2) require the Issuer to redeem (subject, where applicable, to Physical Settlement) all or any of the Notes in the relevant Tranche (as specified in the Noteholder Early Redemption Notice) ("**relevant Notes**"), in whole or in part (as specified in the Noteholder Early Redemption Notice), on the Early Redemption Date (Put), at the Early Redemption Amount (Put).

- 8.3.2. In order to exercise the Noteholder Early Redemption Election, the relevant Noteholder must, not less than 30 (thirty) nor more than 60 (sixty) days before the Early Redemption Date (Put), send the duly completed Noteholder Early Redemption Notice (in the form obtainable from the Issuer or attached to the Applicable Pricing Supplement, as the case may be), together with (where applicable) a copy of the Certificate (if any) representing the relevant Notes, to the Issuer, with a copy of the Noteholder Early Redemption Notice to the Transfer Agent and the Settling Bank.
- 8.3.3. No Certificate representing the relevant Notes which has been surrendered to the Transfer Agent in accordance with Condition 9.5 (*Surrender of Certificates*) may be withdrawn; provided that if, prior to the Early Redemption Date (Put), the relevant Notes become immediately due and payable or payment of the relevant redemption monies is improperly withheld or refused, such Certificate shall, without prejudice to the exercise of the Noteholder Early Redemption Election, be returned to the relevant Noteholder by uninsured mail (airmail if overseas) at the address specified by the relevant Noteholder in the Noteholder Early Redemption Notice.

#### 8.4. **Redemption following a Specified Early Redemption Event**

- 8.4.1. If any Specified Early Redemption Event is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Notes then, if that Specified Early Redemption Event has occurred and is continuing, that Tranche of Notes may be redeemed (subject, where applicable, to Physical Settlement), at the election of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part, subject to the Issuer having given not less than 30 nor more than 60 days' notice to the Noteholders of that Tranche (which notice shall be irrevocable) in accordance with Condition 17 (*Notices*) and to the Transfer Agent and the Settling Bank, on the Early Redemption Date (Specified Early Redemption Event), at the Early Redemption Amount (Specified Early Redemption Event).
- 8.4.2. Prior to the publication of any notice of redemption pursuant to Condition 8.4.1, the Issuer shall deliver to the relevant Noteholders in accordance with Condition 17 (*Notices*) (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 the relevant Specified Early Redemption Event has occurred. Upon the expiry of the notice referred to in Condition 8.4.1, the Issuer shall be bound to redeem the Notes in accordance with this Condition 8.4.

#### 8.5. **Redemption of Credit Linked Notes following a Credit Event**

Following the occurrence of a Credit Event in respect of a Tranche of Credit Linked Notes, subject to satisfaction of the Conditions to Settlement, the Issuer shall redeem that Tranche of Notes, on the Early Redemption Date, in accordance with the applicable Settlement Method, on the basis set out in the Applicable Pricing Supplement.

#### 8.6. **Redemption of Reference Item Linked Notes**

- 8.6.1. A Tranche of Reference Item Linked Notes shall be redeemed by the Issuer, in accordance with the applicable Settlement Method, on the basis set out in the Applicable Pricing Supplement.
- 8.6.2. If Physical Settlement is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Reference Item Linked Notes or if Cash Settlement or Physical Settlement at the option of the Issuer is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Reference Item Linked Notes and the Issuer elects Physical Settlement, as the case may be, that Tranche of Reference Item Linked Notes will be redeemed by the Issuer delivering the relevant Physical Asset/s to the relevant Noteholders on the Physical Delivery Date.
- 8.6.3. Physical Settlement will only be applicable to a Tranche of Reference Item Linked Notes where the relevant Reference Item/s is/are Physical Asset/s and then only if Physical Settlement, or Physical Settlement at the option of the Issuer, is specified in the Applicable Pricing Supplement as being applicable.
- 8.6.4. If Physical Settlement is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Reference Item Linked Notes or if Cash Settlement or Physical Settlement at the option of the Issuer is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Reference Item Linked

Notes and the Issuer elects Physical Settlement, as the case may be, that Tranche of Reference Item Linked Notes will be redeemed by the Issuer delivering to the relevant Noteholders the relevant Physical Asset/s.

8.6.5. The delivery by the Issuer of the relevant Physical Asset/s in the manner set out in the Applicable Pricing Supplement shall constitute the *in specie* redemption in full of the relevant Tranche of Reference Item Linked Notes.

8.6.6. If so specified in the Applicable Pricing Supplement, the relevant Noteholders shall be liable for payment of any applicable Taxes (as defined in the Applicable Pricing Supplement) and Redemption Expenses in respect of the Physical Settlement of the relevant Tranche of Reference Item Linked Notes.

#### 8.7. **Early redemption of Zero Coupon Notes**

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

8.7.2. Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period which is less than a full year shall be made on the basis of the Day Count Fraction specified in the Applicable Pricing Supplement for the purposes of this Condition 8.7 or, if none is so specified, a Day Count Fraction of 30E/360.

#### 8.8. **Redemption of a portion of the Notes and redemption of some, but not all, of the Notes in a Tranche**

8.8.1. If only a portion of a Tranche of Notes (or only a portion of any Notes in that Tranche) are to be redeemed prior to the Maturity Date in terms of this Condition 8, the Redemption Amount of each such Note shall be the Redemption Amount of that Tranche of Notes (calculated as if that Tranche of Notes were to be redeemed in whole) multiplied by that portion (expressed as a percentage) divided by the total number of Notes in that Tranche.

8.8.2. Where only some, but not all, of the Notes in a Tranche of Notes are to be redeemed prior to the Maturity Date in terms of this Condition 8, the Redemption Amount of each such Note shall be the Redemption Amount of that Tranche of Notes divided by the total number of Notes in that Tranche.

#### 8.9. **Purchase**

The Issuer or any of its Subsidiaries may at any time purchase 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 election of the Issuer, cancelled. Notes purchased by any of the Issuer's Subsidiaries may be held or resold.

#### 8.10. **Cancellation**

All Notes which are redeemed or purchased by the Issuer and, at the election of the Issuer, cancelled (as contemplated in Condition 8.9 (*Purchase*)) will forthwith be cancelled and may not be re-issued or resold. Each Certificate (if any) representing any Notes which are cancelled or, following a partial redemption, partially cancelled, shall be forwarded to the Transfer Agent for cancellation. The Transfer Agent shall, in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE, notify the Central Securities Depository and the JSE of any cancellation, partial redemption or redemption of Notes in that Tranche so that such entities can record the reduction in the aggregate Outstanding Principal Amount of the Notes in issue. Where only a portion of Notes represented by a Certificate is redeemed, the Transfer Agent shall deliver a new Certificate representing the balance of such Notes, to the holder of such Notes, as contemplated in Condition 14.2 (*Transfer of Notes represented by Certificates*).

#### 8.11. **Uncertificated Notes**

The redemption of Uncertificated Notes shall take place in accordance with the Financial Markets Act and the Applicable Procedures.

### 9. **PAYMENTS**

#### 9.1. **General**

9.1.1. All references in this Condition 9 to "*Settling Bank*" shall be construed as references to the Issuer (where the Issuer itself acts as the Settling Bank) or the Settling Bank on behalf of the Issuer (where the Issuer has appointed a third party entity to act as Settling Bank), as the case may be.



9.1.2. Payments will be subject in all cases to any Taxation or other laws, directives and regulations applicable to such payment in the place of payment.

## 9.2. Registered Noteholders

9.2.1. Payments of all amounts due and payable in respect of Uncertificated Notes shall be made in accordance with the CSD Procedures and Condition 9.3 (*Method of payment – Uncertificated Notes*).

9.2.2. Payments of all amounts due and payable in respect of Notes represented by Certificates will be made, in accordance with Condition 9.4 (*Method of payment - Notes represented by Certificates*), to the Person named as the registered Noteholder of such Notes in the Register at 17h00 (South African time) on the relevant Last Day to Register.

9.2.3. Subject to Condition 9.4 (*Method of payment – Uncertificated Notes*), only Noteholders named in the Register at 17h00 (South African time) on the relevant Last Day to Register will be entitled to payments of interest and/or principal in respect of the Notes.

## 9.3. Method of payment – Uncertificated Notes

9.3.1. The Issuer has opened the Designated Bank Account with the Settling Bank. The Designated Bank Account will be used solely for purposes of depositing (and funding) the aggregate amount (whether in respect of principal, interest or otherwise) which is due and payable, on the relevant Payment Date, in respect of a Tranche of Uncertificated Notes. The Issuer will, in accordance with the CSD Procedures, furnish the Central Securities Depository with full details of the Settling Bank and the Designated Bank Account.

9.3.2. The Issuer will, in accordance with the CSD Procedures and by no later than the time and day stipulated in the CSD Procedures, make an irrevocable deposit, into the Designated Bank Account, of the full aggregate amount which is due and payable, on the relevant Payment Date, in respect of a Tranche of Uncertificated Notes. Such amount will be deposited into the Designated Bank Account, in immediately available and freely transferable funds, in the Specified Currency.

9.3.3. The funds in the Designated Bank Account will be transferred to the relevant Participants, by means of the South African Multiple Option Settlement ('SAMOS') system operated by the South African Reserve Bank. The Participants will then make payment of the relevant amounts to the registered Noteholders of Uncertificated Notes, in accordance with the CSD Procedures.

9.3.4. Once the funds deposited into the Designated Bank Account have been cleared and credited to the Designated Bank Account, and transferred from the Designated Bank Account to the relevant Participants, neither the Settling Bank nor the Issuer shall be responsible for the loss in transmission of any such funds. Accordingly, the irrevocable deposit of any amount into (and the clearance and crediting of such amount to) the Designated Bank Account, and the transfer of such amount from the Designated Bank Account to the relevant Participants, all in accordance with the CSD Procedures and this Condition 9.3, will be satisfaction *pro tanto*, to the extent of such amount, of the Issuer's obligations to the relevant registered Noteholders under the relevant Uncertificated Notes, the Applicable Terms and Conditions and the Applicable Agency Agreement (if any).

9.3.5. Each of the Persons reflected in the records of the relevant Participant as the registered Noteholder of Uncertificated Notes shall look solely to the relevant Participant for such Person's share of the funds deposited into the Designated Bank Account.

9.3.6. Payments of amounts due and payable in respect of Uncertificated Notes will be recorded by the relevant Participant, distinguishing between interest and principal, and such record of payments by the relevant Participant shall be *prima facie* proof of such payments.

## 9.4. Method of payment - Notes represented by Certificates

9.4.1. The Issuer will, in the case of Note/s which is/are represented by a Certificate, pay all amounts which are due and payable, on a Payment Date, to the registered Noteholder/s of such Note/s, in immediately available and freely transferable funds, in the Specified Currency, by electronic funds transfer, to the bank account of the Person named as the registered Noteholder of such Note/s in the Register or, in the case of joint registered Noteholders, the bank account of the first one of them named in the Register in respect of such Note/s.

9.4.2. If several Persons are entered into the Register as joint registered Noteholders of Note/s which are represented by a Certificate then, without affecting the previous provisions of this Condition 9.4, payment to any one of them shall be an effective and complete discharge by the Issuer of the amount so paid,

notwithstanding any notice (express or otherwise) which the Issuer may have of the right, title, interest or claim of any other Person to or in any such Note/s.

- 9.4.3. The Issuer shall not be responsible for the loss in transmission of any funds referred to in Condition 9.4.1, and payment of any amount into the bank account referred to in Condition 9.4.1 in accordance with Condition 9.4.1, shall be satisfaction *pro tanto*, to the extent of such amount, of the Issuer's obligations to the Noteholders under the relevant Notes, the Applicable Terms and Conditions and the Applicable Agency Agreement (if any).

#### 9.5. Surrender of Certificates

- 9.5.1. Payments of principal and any other redemption amount in respect of any Note/s which is/are represented by Certificate/s shall be made to the Noteholder/s of such Note/s only if, prior to the Redemption Date, such Certificate/s shall have been surrendered to the Transfer Agent (at its Specified Office).
- 9.5.2. If the relevant Certificate is not surrendered to the Transfer Agent (at its Specified Office) in accordance with Condition 9.5.1, the amount of principal payable to the Noteholder of the Notes represented by that Certificate shall be retained by the Issuer for such Noteholder, at the latter's risk, until that Certificate shall have been surrendered to the Transfer Agent (at its Specified Office), and such Noteholder will not be entitled to any interest and/or other payments in respect of any delay in payment occasioned as a result of such failure to surrender such Certificate.

#### 9.6. Payments by cheque

- 9.6.1. If the Issuer is prevented or restricted directly or indirectly from making any payment in respect of any Notes by electronic funds transfer in accordance with the preceding provisions of this Condition 9 (whether by reason of strike, lockout, fire, explosion, flood, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbance, cessation of labour, government interference or control or any other cause or contingency beyond the control of the Issuer) such inability to make payment will not constitute an Event of Default and the Issuer shall be entitled (subject to Applicable Laws and banking practice) to make such payment by cheque (or by such number of cheques as may be required in accordance with applicable banking law and practice).
- 9.6.2. Payments by cheque shall, promptly after the Issuer is so prevented or restricted from making payment by electronic funds transfer (as contemplated in Condition 9.6.1), be sent by post, at the risk of the relevant Noteholder (unless otherwise requested by the relevant Noteholder by notice in writing to the Issuer), to the address of the relevant Noteholder as set forth in the Register or, in the case of joint Noteholders, the address set forth in the Register of that one of them who is first named in the Register in respect of such Notes.
- 9.6.3. Each cheque issued in respect of Notes shall be made payable to or for the order of the Noteholder of such Notes or, in the case of joint Noteholders of Notes, the first one of them named in the Register in respect of such Notes. Cheques may be posted by ordinary post, provided that the Issuer shall not be responsible for any loss, including without limitation any loss due to theft or fraud, in transmission and the postal authorities shall be deemed to be the agent of the relevant Noteholders for the purposes of all cheques posted in terms of this Condition 9.6.
- 9.6.4. Payment by cheque sent in terms of this Condition 9.6 shall be a complete discharge by the Issuer of its obligations in respect of the amount of the cheque. The relevant Noteholders shall not be entitled to any interest or other payment in respect of any delay in payment of any amount in respect of the relevant Notes resulting from a cheque mailed in accordance with this Condition 9.6 arriving after the due date for such payment or being lost in the mail.

#### 9.7. Business Day

Notwithstanding anything to the contrary contained in the Terms and Conditions, if the date for payment of any amount due and payable in respect of any Notes is not a Business Day then:

- 9.7.1. if a Business Day Convention is not specified in the Applicable Pricing Supplement, such date for payment shall be the following Business Day;
- 9.7.2. if a Business Day Convention is specified in the Applicable Pricing Supplement, such date for payment shall be adjusted according to such Business Day Convention,

and the Noteholder of such Notes shall not be entitled to any interest or other payment in respect of any such delay in payment.



## 9.8. Interpretation of principal and interest

- 9.8.1. Any reference in the Terms and Conditions to principal and/or other redemption amount in respect of the Notes shall be deemed to include, as applicable, (i) the Redemption Amount, (ii) any additional amounts which may be payable with respect to principal under Condition 10.1 (*Gross up*) and (iii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes, but excluding for the avoidance of doubt, interest.
- 9.8.2. Any reference in the Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10.1 (*Gross up*).

## 10. TAXATION

### 10.1. Gross up

- 10.1.1. All payments of principal (or other redemption amount) and interest in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for or on account of any Taxes, unless the withholding or deduction is required by Applicable Law.
- 10.1.2. If any such withholding or other deduction is required by Applicable Law, the Issuer shall, subject to the Issuer's rights to redeem that Tranche of Notes following a Tax Event pursuant to Condition 8.4 (*Redemption following a Specified Early Redemption Event*), pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal (or other redemption amount) and interest which would otherwise have been received by them in the absence of such withholding or deduction, provided that no such additional amounts shall be payable in respect of any Note:
- 10.1.2.1. to a Noteholder who is liable for such Taxes in respect of such Note by reason of his having some connection with South Africa other than the mere holding of such Note or the receipt of principal or interest in respect of such Note; or
- 10.1.2.2. held by or on behalf of a Noteholder which would not be liable for or subject to such withholding or deduction by complying with any statutory requirement or by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority; or
- 10.1.2.3. where such withholding or deduction is in respect of Taxes levied or imposed on interest or principal payments (or other redemption amount payments) only by virtue of the inclusion of such payments in the "*taxable income*" (as defined in section 1 of the Income Tax Act) or "*taxable capital gain*" (as defined in paragraph 1 of Schedule 8 to the Income Tax Act) of the relevant Noteholder; or
- 10.1.2.4. where (in the case of any payment of principal (or other redemption amount) and/or interest which is conditional on surrender of the relevant Certificate in accordance with the Terms and Conditions), the relevant Certificate is surrendered more than 30 (thirty) days after the due date for payment of such principal (or other redemption amount) and/or interest, except to the extent that the relevant Noteholder would have been entitled to such additional amounts if it had surrendered the relevant Certificate on such thirtieth day; or
- 10.1.2.5. if such withholding or deduction arises through the exercise by the revenue authorities of special powers in respect of tax defaulters.

### 10.2. Taxing jurisdiction

If the Issuer is no longer a tax resident of South Africa, references in the Terms and Conditions to South Africa shall be construed as references to the jurisdiction in which the Issuer has become a tax resident.

## 11. EVENTS OF DEFAULT

If any of the following events occurs and is continuing:

- 11.1. the Issuer fails to pay any amount due in respect of the Notes and the Applicable Terms and Conditions within 10 days of the due date for payment thereof; or
- 11.2. the Issuer fails to perform or observe any of its other obligations under the Notes and the Applicable Terms and Conditions and such failure continues for a period of 30 days following the delivery by any Noteholder to the Issuer in accordance with Condition 17 (*Notices*) of written notice requiring such failure to be remedied; or
- 11.3. an application to any competent court or authority is made for the granting of an order for the liquidation,

dissolution, winding-up or judicial management of the Issuer or such order is granted, whether provisionally (and such order is not dismissed or withdrawn within 30 days of the grant thereof) or finally, or the placing of the Issuer under voluntary liquidation or curatorship; provided that no such liquidation, curatorship, dissolution, winding-up or judicial management shall constitute an Event of Default if such liquidation, curatorship, dissolution, winding-up or judicial management (i) is in respect of a Solvent Reconstruction or (ii) is for purposes of effecting a merger, amalgamation, demerger, consolidation, reconstruction, reorganisation or other similar arrangement the terms of which were approved by an Extraordinary Resolution of Noteholders before the date of liquidation, curatorship, dissolution, winding-up or judicial management,

then any Noteholder may, by written notice to the Issuer in accordance with Condition 17 (*Notices*), declare all or any of the Notes held by that Noteholder to be immediately due and payable (subject, where applicable, to Physical Settlement), whereupon such Notes shall (subject, where applicable, to Physical Settlement) become immediately due and payable at the Early Termination Amount without further action or formality.

## 12. PRESCRIPTION

Any claim for payment of any amount of principal (or other redemption amount) or interest, as the case may be, in respect of any Notes will prescribe 3 (three) years after the date on which such amount first becomes due and payable under the Applicable Terms and Conditions.

## 13. EXCHANGE OF UNCERTIFICATED NOTES FOR NOTES REPRESENTED BY A CERTIFICATE AND REPLACEMENT OF CERTIFICATES

### 13.1. Exchange of Uncertificated Notes

13.1.1. A registered Noteholder of Uncertificated Note/s may, if permitted by the Financial Markets Act, by written notice to the registered Note holder's nominated Participant (or, if such registered Noteholder is a Participant, the Central Securities Depository), request that such Uncertificated Note/s be exchanged for Note/s in definitive registered form represented by a Certificate ("**Exchange Notice**"). The Exchange Notice shall specify (i) the name, address and bank account details of the registered Noteholder of the Uncertificated Note/s and (ii) the day on which such Uncertificated Note/s is/are to be exchanged for Notes represented by a Certificate; provided that such day shall be a Business Day and shall fall not less than 30 (thirty) days after the day on which such Exchange Notice is given.

13.1.2. The registered Noteholder's nominated Participant will, within 7 (seven) days of receipt of the Exchange Notice, through the Central Securities Depository, notify the Transfer Agent that it is required to exchange such Uncertificated Note/s for Notes represented by a Certificate. The Transfer Agent will, as soon as is practicable but within 14 (fourteen) days after receiving such notice, in accordance with the Applicable Procedures, procure that a Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 day period ("**Exchange Date**"), to the registered Noteholder's nominated Participant (acting on behalf of the registered Noteholder) at the Specified Office of the Transfer Agent; provided that joint registered Noteholders of Uncertificated Note/s shall be entitled to receive only one Certificate in respect of that joint holding, and delivery to one of those joint registered Noteholders shall be delivery to all of them.

13.1.3. In order to effect the exchange of Uncertificated Note/s (a) such Uncertificated Note/s will, prior to the Exchange Date, be surrendered (through the Central Securities Depository) to the Transfer Agent at its Specified Office and (b) the Transfer Agent will obtain the release of such Uncertificated Note/s from the Central Securities Depository in accordance with the CSD Procedures.

13.1.4. An Individual Certificate shall, in relation to any number of Uncertificated Notes of a particular aggregate Outstanding Principal Amount standing to the account of the registered Noteholder thereof, represent that number of Notes of that aggregate Outstanding Principal Amount, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Outstanding Principal Amount is equivalent to a fraction of the Specified Denomination or a fraction of any multiple thereof, such Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

### 13.2. Costs

13.2.1. Where Notes are issued in certificated form, the costs and expenses of the delivery of each Certificate representing such Notes, and all taxes or governmental charges that may be imposed in relation to such Certificate and/or the printing, issue and delivery of such Certificate and all related insurance charges (if any) shall, unless and to the extent otherwise provided in the Applicable Pricing Supplement, be borne by the Issuer.

- 13.2.2. Where Uncertificated Note/ is/are exchanged for Note/s in definitive registered form represented by a Certificate, the costs and expenses of the delivery of such Certificate and all taxes or governmental charges that may be imposed in relation to such Certificate and/or the printing, issue and delivery of such Certificate and all related insurance charges (if any) shall, unless and to the extent otherwise provided by Chapter IV of the Financial Markets Act, be borne by the Noteholder of the Notes represented by that Certificate.
- 13.2.3. Separate costs and expenses relating to the provision of Certificates and/or the transfer of Notes represented by Certificates may be levied by other Persons, such as a Participant, under the Applicable Procedures, and such costs and expenses shall not be borne by the Issuer.

### 13.3. Replacement

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

### 13.4. Death and sequestration or liquidation of Noteholder

Any Person becoming entitled to Notes in consequence of the death, sequestration or liquidation of the holder of such Notes may, upon producing such evidence that he holds the position in respect of which he proposes to act under this Condition 13.4 or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the Applicable Procedures, this Condition 13.4 and Condition 14 (*Transfer of Notes*), may transfer such Notes. The Issuer, the Transfer Agent and (if applicable) the Central Securities Depository and/or the relevant Participant shall be entitled to retain any amount payable upon the Notes to which any Person is so entitled until such Person shall be registered as aforesaid or shall duly transfer the Notes.

## 14. TRANSFER OF NOTES

### 14.1. Transfer of Uncertificated Notes

- 14.1.1. Uncertificated Notes may be transferred only in accordance with the Applicable Procedures through the Central Securities Depository.
- 14.1.2. Transfers of Uncertificated Notes to and from clients of Participants occur by way of electronic book entry in the securities accounts maintained by the Participants for their clients, in accordance with the CSD Procedures.

### 14.2. Transfer of Notes represented by Certificates

- 14.2.1. In order for any transfer of Notes represented by a Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:
- 14.2.1.1. the transfer of such Notes must be embodied in a Transfer Form;
- 14.2.1.2. the Transfer Form must be signed by the registered Noteholder of such Notes and the transferee, or any Representative of that registered Noteholder and/or transferee; and
- 14.2.1.3. the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the Certificate representing such Notes for cancellation.
- 14.2.2. Notes represented by a Certificate may be transferred, in whole or in part, in amounts of not less than the Specified Denomination or any multiple thereof.
- 14.2.3. Subject to this Condition 14.2, the Transfer Agent will, within 3 (three) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any Applicable Laws and/or Applicable Procedures), record the transfer of Notes represented by a Certificate (or the relevant portion of such Notes) in the Register, and authenticate and deliver to the transferee at the Transfer Agent's Specified Office or, at the risk of the transferee, send by mail to such address as the transferee may request, a new Certificate representing the Notes transferred reflecting the Outstanding Principal Amount of the Notes transferred.
- 14.2.4. Where a Noteholder has transferred a portion only of Notes represented by a Certificate, the Transfer Agent will authenticate and deliver to such Noteholder at the Transfer Agent's Specified Office or, at the risk of such Noteholder, send by mail to such address as such Noteholder may request, at the risk of such Noteholder, a new Certificate representing the balance of the Notes held by such Noteholder.

- 14.2.5. The transferor of any Notes represented by a Certificate will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 14.2.6. Before any transfer of Notes represented by a Certificate is registered in the Register, all relevant transfer taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Issuer and the Transfer Agent may require as to the identity and title of the transferor and the transferee.
- 14.2.7. No transfer of any Notes in a Tranche represented by a Certificate will be registered during the Register Closed Period.
- 14.2.8. If a transfer of any Notes represented by a Certificate is registered in the Register, the Transfer Form and cancelled Certificate will be retained by the Transfer Agent.

## 15. REGISTER

- 15.1. The Register will be maintained by the Transfer Agent and will be kept at the Specified Office of the Transfer Agent. The Register will reflect the number of Notes issued and outstanding and the serial number of Certificate/s (if any) issued in respect of Notes. The registered Noteholder/s of the Uncertificated Note/s in a Tranche of Uncertificated Notes will be determined in accordance with the CSD Procedures, and such registered Noteholder/s will be named in the Register as the registered holder/s of such Uncertificated Note/s. The Register will contain the name, address and bank account details of the registered Noteholders of Notes represented by Certificates. The Register will set out the aggregate Principal Amount of Notes issued to a Noteholder or the aggregate Outstanding Principal Amount of Notes transferred to a Noteholder, as the case may be, the Issue Date or the date of transfer, as the case may be, and the date upon which the Noteholder became registered as such.
- 15.2. The Register will be open for inspection during the normal business hours of the Transfer Agent by any Noteholder of Notes (or any Representative of such Noteholder). The Register will, in relation to a Tranche of Notes, be closed during the Register Closed Period.
- 15.3. Neither the Issuer nor the Transfer Agent will be bound to enter any trust into the Register or to take any notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject.
- 15.4. The Transfer Agent will alter the Register in respect of any change of name, address or bank account number of any of the Noteholders of Notes of which it is notified; provided that the Register will only be amended to reflect a transfer of Notes which are represented by Certificates if such transfer is carried out in accordance with Condition 14.2 (*Transfer of Notes represented by Certificates*).

## 16. TRANSFER AGENT, CALCULATION/ISSUER AGENT AND SETTLING BANK

- 16.1. The Issuer is entitled to vary or terminate the appointment of any third party appointed by the Issuer as Calculation/Issuer Agent and/or Settling Bank and/or Transfer Agent in accordance with the terms and conditions of the Applicable Agency Agreement governing that appointment and/or to appoint additional or other agents.
- 16.2. If the Issuer elects to appoint another entity (not being the Issuer) as Calculation/Issuer Agent and/or Settling Bank and/or Transfer Agent, that other entity, on execution of an appropriate Applicable Agency Agreement or an appropriate accession letter to the Applicable Agency Agreement, as the case may be, shall serve in that capacity in respect of the Notes. The Issuer shall notify the Noteholders (in the manner set out in Condition 17 (*Notices*)) of any such appointment and, if any Notes are listed on the Interest Rate Market of the JSE, the Issuer shall notify the JSE of any such appointment.
- 16.3. There will at all times be a Calculation/Issuer Agent, a Settling Bank and a Transfer Agent with a Specified Office in such place as may be required by the Applicable Procedures.
- 16.4. The Calculation/Issuer Agent, the Settling Bank and the Transfer Agent act solely as the agents of the Issuer and do not assume any obligation towards or relationship of agency or trust for or with any Noteholders.
- 16.5. If and to the extent that the Issuer acts as the Transfer Agent and/or the Calculation/Issuer Agent and/or the Settling Bank:
  - 16.5.1. all references in the Terms and Conditions to any action, conduct or function in such role shall be understood to mean that the Issuer shall perform such action, conduct or function itself; and
  - 16.5.2. any requirements in the Terms and Conditions for consultation, indemnification by or of, payment by or to,

delivery by or to, notice by or to, consent by or to or agreement between the Issuer and the Transfer Agent and/or the Calculation/Issuer Agent and/or the Settling Bank (as applicable) shall be disregarded to the extent that the Issuer performs such role.

## 17. NOTICES

### 17.1. Notice to Noteholders

- 17.1.1. All notices to Noteholders of Notes represented by Certificates shall be in writing and shall be sent by registered mail to the respective postal addresses of those Noteholders appearing in the Register or delivered by hand to the respective addresses of those Noteholders appearing in the Register. Each such notice shall be deemed to have been received by the relevant Noteholder on the date of delivery (if such notice is delivered by hand) or the tenth day after the date on which such notice is sent by registered mail (if such notice is sent by registered mail).
- 17.1.2. For so long as any Notes represented by Certificates are listed on the Interest Rate Market of the JSE, there may be substituted for the notice contemplated in Condition 17.1.1, the publication of the relevant notice on SENS or on any other electronic news service of general distribution.
- 17.1.3. All notices to the registered Noteholders of Uncertificated Notes shall be in writing and shall be delivered by hand or transmitted by e-mail to the Central Securities Depository, the JSE and the Participants, for communication by the Central Securities Depository and the Participants to the registered Noteholders of Uncertificated Notes subject to, and in accordance with, the CSD Procedures. Each such notice will be deemed to have been received by the registered Noteholders of Uncertificated Notes on the date of delivery (if such notice is delivered by hand) or the date on which such notice is transmitted by e-mail (if such notice is sent by e-mail).
- 17.1.4. Where any provision of the Terms and Conditions requires notice to be given to the Noteholders of any matter other than a meeting of Noteholders, such notice will be given *mutatis mutandis* as set out in this Condition 17.1, subject to compliance with any other time periods prescribed in the provision concerned.
- 17.1.5. In addition to the applicable notice requirements set out in this Condition 17.1 above, all notices of meetings of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) shall be published on SENS.

### 17.2. Notice by Noteholders

- 17.2.1. All notices to be given by any Noteholder of Note/s represented by a Certificate to the Issuer or the Transfer Agent, as the case may be, shall be in writing and given by delivering the notice, by hand or by registered post, together with a certified copy of that Certificate, to the Specified Office of the Issuer or the Specified Office of the Transfer Agent, as the case may be. Each such notice shall be deemed to have been received by the Issuer or the Transfer Agent, as the case may be, on the date of delivery (if such notice is delivered by hand) or the tenth day after the date on which such notice is sent by registered mail (if such notice is sent by registered mail).
- 17.2.2. All notices to be given by any registered Noteholder of Uncertificated Notes to the Issuer shall be in writing and given by such registered Noteholder through such registered Noteholder's Participant subject to, and in accordance with, the CSD Procedures, and in such manner as the Issuer and the relevant Participant may approve for this purpose.

## 18. AMENDMENTS

- 18.1. The Issuer may effect, without the consent of any Noteholder or the approval of the JSE, any amendment to the Applicable Terms and Conditions (including any of the Terms and Conditions) which is of a technical nature or is made to correct a manifest error or is made to comply with mandatory provisions of any Applicable Laws. Such amendments shall be provided for in a new Programme Memorandum or a supplement to the Programme Memorandum ("**Supplement**"), as the case may be. The Issuer shall, immediately after such amendments have been made and provided for in a new Programme Memorandum or a Supplement, as the case may be, provide such new Programme Memorandum or Supplement, as the case may be, to the JSE. The Issuer shall procure that a SENS announcement is released which provides a summary of such amendments and sets out where such new Programme Memorandum or Supplement, as the case may be, will be available for inspection. Any amendments effected in terms of this Condition 18.1 will be binding on all of the Noteholders.
- 18.2. If any amendments to any of the Applicable Terms and Conditions (including any of the Terms and Conditions) do not fall within the provisions of Condition 18.1 (such amendments being "**substantive amendments**") the following provisions of Conditions 18.2.1 to 18.2.14 inclusive below shall apply:



- 18.2.1. Where the proposed substantive amendments are amendments to any of the Applicable Terms and Conditions (including any of the Terms and Conditions) of a Tranche of Notes that has been Rated by a Rating Agency, the Issuer shall notify the Rating Agency of the proposed substantive amendments.
- 18.2.2. The substantive amendments shall be provided for in a draft new Programme Memorandum or a draft supplement to the Programme Memorandum ("**draft Supplement**"), as the case may be, and the Issuer shall first use its best endeavours to obtain the conditional formal approval of the JSE to such draft new Programme Memorandum or draft Supplement, as the case may be, in accordance with the applicable provisions of the JSE Debt Listings Requirements.
- 18.2.3. After having obtained the approval of the JSE pursuant to Condition 18.2.2, the Issuer shall send a notice to (i) all of the Noteholders (where the proposed substantive amendments are amendments to any of the Applicable Terms and Conditions (including any of the Terms and Conditions) which are applicable to all of the Notes) or (ii) the relevant Group/s of Noteholders (where the proposed substantive amendments are amendments to any of the Applicable Terms and Conditions (including any of the Terms and Conditions) which are applicable only to *certain* Tranche/s of Notes), as applicable ("**relevant Noteholders**", the Notes held by the relevant Noteholders being the "**relevant Notes**") together with the draft new Programme Memorandum or draft Supplement, as the case may be, providing for the substantive amendments, requesting the approval of the substantive amendments from the relevant Noteholders by way of an Extraordinary Resolution or an Extraordinary Written Resolution.
- 18.2.4. If approval of the proposed substantive amendments is requested to be given by way of an Extraordinary Resolution, a proxy form shall be sent, together with the notice convening the meeting at which the Extraordinary Resolution is proposed to be passed, to each Person who is entitled to vote at such meeting and who has elected to receive such proxy form and notice of meeting.
- 18.2.5. If approval of the proposed substantive amendments is requested to be given by way of an Extraordinary Written Resolution, the notice to the relevant Noteholders must include the proposed Extraordinary Written Resolution, any restrictions on voting under the Terms and Conditions, the last date on which a relevant Noteholder may submit its vote (in writing) on the proposed Extraordinary Written Resolution (provided that such date shall be no later than the 20th (twentieth) Business Day after the date on which the notice was sent to the relevant Noteholders) and the address to which the vote must be submitted.
- 18.2.6. For the purpose of the Extraordinary Resolution or the Extraordinary Written Resolution, as the case may be, where any votes are to be excluded from the passing of that Extraordinary Resolution or Extraordinary Written Resolution, as the case may be, any proxy appointed by a relevant Noteholder in respect of such an excluded vote shall be excluded from voting for the purposes of that Extraordinary Resolution or Extraordinary Written Resolution, as the case may be.
- 18.2.7. If approval of the proposed substantive amendments is requested to be given by way of an Extraordinary Resolution, the Issuer shall, subject to Condition 18.3.9, procure that an announcement on SENS is released containing details of the date, time and venue of the meeting of the relevant Noteholders, within 24 (twenty four) hours after the notice of such meeting has been given to the relevant Noteholders.
- 18.2.8. If approval of the proposed substantive amendments is requested to be given by way of an Extraordinary Written Resolution, the Issuer shall, subject to Condition 18.2.9, procure that an announcement on SENS is released containing details of the proposed Extraordinary Written Resolution within 24 (twenty four) hours after notice of the proposed Extraordinary Written Resolution has been given to the relevant Noteholders.
- 18.2.9. If the required notice to the relevant Noteholders was given via a SENS announcement, the separate SENS announcement contemplated in Condition 18.2.7 or Condition 18.2.8, as applicable, shall not be required.
- 18.2.10. If approval of the proposed substantive amendments has been obtained from the relevant Noteholders, the Issuer shall procure that confirmation of such approval, as well as the executed final new Programme Memorandum or final Supplement, as the case may be, providing for the substantive amendments, is sent to the JSE.
- 18.2.11. The Issuer shall also provide a letter to the JSE which confirms that the executed final new Programme Memorandum or final Supplement, as the case may be, providing for the substantive amendments is identical, other than in minor respects, to the draft new Programme Memorandum or draft Supplement, as the case may be, conditionally formally approved by the JSE in terms of Condition 18.2.2.
- 18.2.12. Within 48 (forty eight) hours after the meeting to consider the proposed Extraordinary Resolution has been held or after the responses on the proposed Extraordinary Written Resolution have been obtained from the relevant Noteholders, as the case may be, the Issuer shall procure that a SENS announcement is released



containing details of the voting results in respect of the proposed Extraordinary Resolution or the proposed Extraordinary Written Resolution, as applicable. The announcement shall include the following:

- 18.2.12.1. the proposed Extraordinary Resolution or the proposed Extraordinary Written Resolution, as applicable;
- 18.2.12.2. the total number of votes exercised, in person or by proxy, by the relevant Noteholders who have elected to vote in respect of the proposed Extraordinary Resolution or the proposed Extraordinary Written Resolution, as applicable, and the proportion (expressed as a percentage) which the aggregate Outstanding Principal Amount of the Notes held by such relevant Noteholders bears to the aggregate Outstanding Principal Amount of all of the relevant Notes;
- 18.2.12.3. where any of the relevant Noteholders have elected not to vote in respect of the proposed Extraordinary Resolution or the proposed Extraordinary Written Resolution, as applicable, the total number of abstained votes, and the proportion (expressed as a percentage) which the aggregate Outstanding Principal Amount of the Notes held by such relevant Noteholders bears to the aggregate Outstanding Principal Amount of all of the relevant Notes;
- 18.2.12.4. where any of the relevant Noteholders have elected to vote in favour of the proposed Extraordinary Resolution or the proposed Extraordinary Written Resolution, as applicable, the total number of such votes, and the proportion (expressed as a percentage) which the aggregate Outstanding Principal Amount of the Notes held by such relevant Noteholders bears to the aggregate Outstanding Principal Amount of all of the relevant Notes;
- 18.2.12.5. where any of the relevant Noteholders have elected to vote against the proposed Extraordinary Resolution or the proposed Extraordinary Written Resolution, as applicable, the total number of such votes, and the proportion (expressed as a percentage) which the aggregate Outstanding Principal Amount of the Notes held by such relevant Noteholders bears to the aggregate Outstanding Principal Amount of all of the relevant Notes.
- 18.2.13. The Issuer shall procure that the final new Programme Memorandum or final Supplement, as the case may be, providing for the substantive amendments is available for inspection for at least 2 (two) Business Day before the next listing of any Tranche of Notes on the Interest Rate Market of the JSE.
- 18.2.14. All substantive amendments to the Applicable Terms and Conditions (including any of the Terms and Conditions) effected in terms of this Condition 18.2 will be binding on all of the relevant Noteholders.

## 19. MEETINGS OF NOTEHOLDERS

### 19.1. Directions of Noteholders

- 19.1.1. The provisions with regard to meetings of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) are set out in this Condition 19. The provisions of this Condition 19 will apply, *mutatis mutandis*, to each separate meeting of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) (each, a "**meeting**").
- 19.1.2. Subject to the CSD Procedures in the case of the Noteholders of Uncertificated Notes, only Noteholders or the relevant Group/s of Noteholders (as applicable) named in the Register at 17h00 (South African time) on the Record Date will be entitled to receive notice of a meeting and to participate in and vote at a meeting.
- 19.1.3. "**Record Date**" means, in relation to a meeting, the date being 10 (ten) Business Days before the date scheduled for the holding of that meeting.
- 19.1.4. Every director or duly appointed representative of the Issuer and every other Person authorised in writing by the Issuer, may attend and speak at a meeting, but will not be entitled to vote, other than (subject to Condition 19.4.5) as a Noteholder or proxy or duly authorised representative of a Noteholder.
- 19.1.5. A meeting will have power, in addition to any powers specifically conferred elsewhere in the Terms and Conditions:
  - 19.1.5.1. by Ordinary Resolution of all of the Noteholders, to give instructions to the Issuer in respect of any matter not covered by the Applicable Terms and Conditions (including any of the Terms and Conditions) (but without derogating from the powers or discretions expressly conferred upon the Issuer by the Applicable Terms and Conditions (including any of the Terms and Conditions) or imposing obligations on the Issuer not imposed or contemplated by the Applicable Terms and Conditions (including any of the Terms and Conditions) or otherwise conflicting with or inconsistent with the provisions of the Applicable Terms and Conditions (including any of the Terms and Conditions));

- 19.1.5.2. by Extraordinary Resolution of all of the Noteholders, to bind all of the Noteholders to any compromise or arrangement;
- 19.1.5.3. by Extraordinary Resolution of all of the Noteholders or the relevant Group/s of Noteholders (as applicable), to agree to any amendment to the Applicable Terms and Conditions (including any of the Terms and Conditions), subject to and in accordance with Condition 18 (*Amendments*);
- 19.1.5.4. by Extraordinary Resolution of all of the Noteholders or the relevant Group/s of Noteholders (as applicable), to waive any breach or authorise any proposed breach by the Issuer of its obligations under the Applicable Terms and Conditions (including any of the Terms and Conditions) or any act or omission which might otherwise constitute an Event of Default under the Notes.
- 19.1.6. Unless otherwise specified in the Terms and Conditions (and subject to Condition 19.1.5), resolutions of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) shall be passed as Ordinary Resolutions.

## 19.2. Convening of meetings

- 19.2.1. The Issuer may at any time convene a meeting.
- 19.2.2. Subject to Condition 19.2.3, the Issuer must convene a meeting if one or more written and signed demands for such a meeting are delivered to the Issuer, and:
  - 19.2.2.1. each such demand describes the specific purpose for which the meeting is proposed; and
  - 19.2.2.2. in aggregate, demands for substantially the same purpose are made and signed by Noteholders, as of the earliest time specified in any of those demands, of at least 10% (ten percent) of the voting rights entitled to be exercised in relation to the matter proposed to be considered at the meeting.
- 19.2.3. At any time before the start of a meeting contemplated in Condition 19.2.2:
  - 19.2.3.1. a Noteholder who submitted a demand for that meeting may withdraw that demand; and
  - 19.2.3.2. the Issuer must cancel the meeting if, as a result of one or more demands being withdrawn, the voting rights of any remaining Noteholder/s continuing to demand the meeting, in aggregate, fall below the minimum percentage of voting rights required to call a meeting.

## 19.3. Notice of meeting

- 19.3.1. Whenever the Issuer wishes (or is required) to convene a meeting, the Issuer must deliver a notice of that meeting, in the manner set out in Condition 17.1 (*Notices*) and in the prescribed form set out in Condition 19.3.3, to all of the Noteholders or the relevant Group/s of Noteholders (as applicable) who are Noteholders as of the Record Date for that meeting, at least 15 (fifteen) Business Days before the date on which the meeting is to be held.
- 19.3.2. The Issuer may call a meeting with less notice than that required by Condition 19.3.1, but such meeting may proceed only if every Person who is entitled to exercise voting rights in respect of any item on the meeting agenda:
  - 19.3.2.1. is present at the meeting; and
  - 19.3.2.2. votes to waive the required minimum notice of the meeting.
- 19.3.3. A notice of a meeting must be in writing, and must include:
  - 19.3.3.1. the date, time and place for the meeting;
  - 19.3.3.2. the Record Date for the meeting;
  - 19.3.3.3. the general purpose of the meeting, and any specific purpose for which the meeting is proposed, as contemplated in Condition 19.2.2.1, if applicable;
  - 19.3.3.4. the general purpose of the meeting, and any specific purpose for which the meeting is proposed, as contemplated in Condition 19.2.2.1, if applicable;
  - 19.3.3.5. a reasonably prominent statement that:
    - 19.3.3.5.1. a Noteholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate in and vote at the meeting in the place of the Noteholder;
    - 19.3.3.5.2. a proxy need not also be a Noteholder; and

- 19.3.3.5.3. a Person participating in the meeting (including a proxy) must present reasonably satisfactory identification, as contemplated in Condition 19.4.1.1.
- 19.3.4 If there was a material defect in the giving of the notice of a meeting, the meeting may proceed, subject to Condition 19.3.5, only if every Person who is entitled to exercise voting rights in respect of any item on the meeting agenda is present at the meeting and votes to approve the ratification of the defective notice.
- 19.3.5 If a material defect in the form or manner of giving notice of a meeting relates only to one or more particular matters on the agenda for the meeting:
- 19.3.5.1 any such matter may be severed from the agenda, and the notice remains valid with respect to any remaining matters on the agenda; and
- 19.3.5.2 the meeting may proceed to consider a severed matter, if the defective notice in respect of that matter has been ratified in terms of Condition 19.3.4.
- 19.3.6 An immaterial defect in the form or manner of giving notice of a meeting, or an accidental or inadvertent failure in the delivery of the notice to any particular Noteholder to whom it was addressed, does not invalidate any action taken at the meeting.
- 19.3.7 A Noteholder who is present at a meeting, either in person or by proxy:
- 19.3.7.1 is regarded as having received or waived notice of the meeting, if at least the required minimum notice was given; and
- 19.3.7.2 has a right to:
- 19.3.7.2.1 allege a material defect in the form of notice for a particular item on the agenda for the meeting; and
- 19.3.7.2.2 participate in the determination whether to waive the requirements for notice if less than the required minimum notice was given, or to ratify a defective notice; and
- 19.3.7.2.3 except to the extent set out in Condition 19.3.7.2, is regarded as having waived any right based on an actual or alleged defect in the notice of the meeting.
- 19.3.8 In addition to the applicable notice requirements set out in Condition 19.3 above, a meeting must be announced on SENS. The announcement must state the Record Date (that is, the date the Issuer has selected to determine which Noteholders recorded in the Register will receive notice of the meeting) and the last date by which proxy forms must be submitted.

#### 19.4. Conduct of meetings

- 19.4.1. Before any Person may attend or participate in a meeting:
- 19.4.1.1. that Person must present reasonably satisfactory identification; and
- 19.4.1.2. the Person presiding at the meeting must be reasonably satisfied that the right of that Person to participate and vote, either as a Noteholder, or as a proxy for a Noteholder, has been reasonably verified.
- 19.4.2. Unless prohibited by the Issuer's Memorandum of Incorporation, the Issuer may provide for:
- 19.4.2.1. a meeting to be conducted entirely by electronic communication; or
- 19.4.2.2. one or more Noteholders, or proxies for Noteholders, to participate by electronic communication in all or part of a meeting that is being held in person,
- as long as the electronic communication employed ordinarily enables all Persons participating in that meeting to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the meeting.
- 19.4.3. If the Issuer provides for participation in a meeting by electronic communication, as contemplated in Condition 19.4.2:
- 19.4.3.1. the notice of that meeting must inform all of the Noteholders or the relevant Group/s of Noteholders (as applicable) of that form of participation, and provide any necessary information to enable all of the Noteholders or the relevant Group/s of Noteholders (as applicable) or their proxies to access the available medium or means of electronic communication; and
- 19.4.3.2. access to the medium or means of electronic communication is at the expense of the relevant

Noteholder or proxy, except to the extent that the Issuer determines otherwise.

- 19.4.4. Registered Noteholders of Uncertificated Notes must vote in accordance with the Applicable Procedures. Subject to the CSD Procedures, the registered Noteholders of Uncertificated Notes must exercise their respective rights to vote through their respective Participants. Subject to the CSD Procedures, the respective Participants will vote in accordance with the respective instructions conveyed to them by the respective registered Noteholders of Uncertificated Notes.
- 19.4.5. Neither the Controlling Company nor the Issuer nor any of the Issuer's Subsidiaries will have any voting rights in respect of any Notes held by them.
- 19.4.6. At a meeting of Noteholders, voting may either be by show of hands, or by polling.
- 19.4.7. If voting is by show of hands, any Person who is present at the meeting, whether as a Noteholder or as proxy for a Noteholder and entitled to exercise voting rights has 1 (one) vote, irrespective of the number of voting rights that Person would otherwise be entitled to exercise.
- 19.4.8. If voting on a particular matter is by polling, any Person who is present at the meeting, whether as a Noteholder or as proxy for a Noteholder, has 1 (one) vote for each ZAR1,000,000 (one million rand) in Principal Amount of the aggregate Outstanding Principal Amount of all of the Notes held by such Noteholder or all of the Notes in the relevant Tranche/s of Notes held by such Noteholder (as applicable).
- 19.4.9. A polled vote must be held on any particular matter to be voted on at a meeting if a demand for such a vote is made by:
  - 19.4.9.1. at least 5 (five) Persons having the right to vote on that matter, either as a Noteholder or a proxy representing a Noteholder; or
  - 19.4.9.2. a Person who is, or Persons who together are, entitled, as a Noteholder or proxy representing a Noteholder, to exercise at least 10% (ten percent) of the voting rights entitled to be voted on that matter.

#### 19.5. Meeting quorum and adjournment

- 19.5.1. Subject to Conditions 19.5.2 to 19.5.6 inclusive below:
  - 19.5.1.1. a meeting may not begin until sufficient Persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of all of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and
  - 19.5.1.2. a matter to be decided at the meeting may not begin to be considered unless sufficient Persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of all of the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda.
- 19.5.2. Despite the percentage figures set out in Condition 19.5.1, if all of the Noteholders or the relevant Group/s of Noteholders (as applicable) comprise more than 2 (two) Noteholders, a meeting may not begin, or a matter begin to be debated, unless:
  - 19.5.2.1. at least 3 (three) Noteholders are present at the meeting; and
  - 19.5.2.2. the requirements of Condition 19.5.1 are satisfied.
- 19.5.3. If, within one hour after the appointed time for a meeting to begin, the requirements of Condition 19.5.1, or Condition 19.5.2 if applicable,
  - 19.5.3.1. for that meeting to begin have not been satisfied, the meeting is postponed without motion, vote or further notice, for one week;
  - 19.5.3.2. for consideration of a particular matter to begin have not been satisfied:
    - 19.5.3.2.1. if there is other business on the agenda of the meeting, consideration of that matter may be postponed to a later time in the meeting without motion or vote; or
    - 19.5.3.2.2. if there is no other business on the agenda of the meeting, the meeting is adjourned for 1 (one) week, without motion or vote.
- 19.5.4. The Person intended to preside at a meeting that cannot begin due to the operation of Condition 19.5.1.1, or Condition 19.5.2 if applicable, may extend the one-hour limit allowed in Condition 19.5.3 for a reasonable period on the grounds that:

- 19.5.4.1. exceptional circumstances affecting weather, transportation or electronic communication have generally impeded or are generally impeding the ability of Noteholders to be present at the meeting; or
- 19.5.4.2. one or more particular Noteholders, having been delayed, have communicated an intention to attend the meeting, and those Noteholders, together with others in attendance, would satisfy the requirements of Condition 19.5.1, or Condition 19.5.2 if applicable.
- 19.5.5. The Issuer is not required to give further notice of a meeting that is postponed or adjourned in terms of Condition 19.5.3, unless the location for the meeting is different from:
  - 19.5.5.1. the location of the postponed or adjourned meeting; or
  - 19.5.5.2. a location announced at the time of adjournment, in the case of an adjourned meeting.
- 19.5.6. If, at the time appointed in terms of this Condition 19.5 for a postponed meeting to begin, or for an adjourned meeting to resume, the requirements of Condition 19.5.1, or Condition 19.5.2 if applicable, have not been satisfied, the Noteholders present in person or by proxy will be deemed to constitute a quorum.
- 19.5.7. After a quorum has been established for a meeting, or for a matter to be considered at a meeting, the meeting may continue, or the matter may be considered, so long as at least 1 (one) Noteholder with voting rights entitled to be exercised at the meeting, or on that matter, is present at the meeting.
- 19.5.8. A meeting, or the consideration of any matter being debated at the meeting, may be adjourned from time to time without further notice, subject to Condition 19.5.9, on a motion supported by Persons entitled to exercise, in aggregate, a majority of the voting rights:
  - 19.5.8.1. held by all of the Persons who are present at the meeting at the time; and
  - 19.5.8.2. that are entitled to be exercised on at least 1 (one) matter remaining on the agenda of the meeting, or on the matter under debate, as the case may be.
- 19.5.9. An adjournment of a meeting, or of consideration of a matter being debated at the meeting, in terms of Condition 19.5.8:
  - 19.5.9.1. may be either:
    - 19.5.9.1.1. to a fixed time and place; or
    - 19.5.9.1.2. until further notice,
      - as agreed at the meeting; and
  - 19.5.9.2. requires that a further notice be given to all of the Noteholders or the relevant Group/s of Noteholders (as applicable) only if the meeting determined that the adjournment was "until further notice", as contemplated in Condition 19.5.9.1.2.
- 19.5.10. A meeting may not be adjourned beyond the earlier of:
  - 19.5.10.1. the date that is 120 (one hundred and twenty) Business Days after the Record Date; or
  - 19.5.10.2. the date that is 60 (sixty) Business Days after the date on which the adjournment occurred.

## 19.6. **Chairman**

The Issuer or its representative will preside as chairman at a meeting. If the aforesaid Person is not present within 15 (fifteen) minutes of the time appointed for the holding of the meeting, the Noteholders then present will choose one of their own number to preside as chairman at the meeting. Subject to this Condition 19, the procedures to be followed at the meeting will be as determined by the chairman. The chairman of an adjourned meeting need not be the same Person as the chairman of the original meeting.

## 19.7. **Noteholder right to be represented by proxy**

- 19.7.1. At any time, a Noteholder may appoint any individual, including an individual who is not a Noteholder, as a proxy to:
  - 19.7.1.1. participate in, and speak and vote at, a meeting on behalf of the Noteholder; or
  - 19.7.1.2. give or withhold written consent on behalf of the Noteholder to a decision contemplated in Condition 19.9.
- 19.7.2. A proxy appointment:

- 19.7.2.1. must be in writing, dated and signed by the Noteholder; and
- 19.7.2.2. remains valid for:
  - 19.7.2.2.1. 1 (one) year after the date on which it was signed; or
  - 19.7.2.2.2. any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in Condition 19.7.6.3, or expires earlier as contemplated in Condition 19.7.10.4.
- 19.7.3. A Noteholder may appoint 2 (two) or more Persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to Notes in different Tranche/s and/or Series of Notes held by the Noteholder.
- 19.7.4. A proxy may delegate the proxy's authority to act on behalf of the Noteholder to another Person, subject to any restriction set out in the instrument appointing the proxy.
- 19.7.5. A copy of the instrument appointing a proxy must be delivered to the Issuer, or to any other Person on behalf of the Issuer, before the proxy exercises any rights of the Noteholder at a meeting.
- 19.7.6. Irrespective of the form of instrument used to appoint a proxy:
  - 19.7.6.1. the appointment is suspended at any time and to the extent that the Noteholder chooses to act directly and in person in the exercise of any rights as a Noteholder;
  - 19.7.6.2. the appointment is revocable unless the proxy appointment expressly states otherwise; and
  - 19.7.6.3. if the appointment is revocable, a Noteholder may revoke the proxy appointment by:
    - 19.7.6.3.1. cancelling it in writing, or making a later inconsistent appointment of a proxy; and
    - 19.7.6.3.2. delivering a copy of the revocation instrument to the proxy, and to the company.
- 19.7.7. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Noteholder as of the later of:
  - 19.7.7.1. the date stated in the revocation instrument, if any; or
  - 19.7.7.2. the date on which the revocation instrument was delivered as required in Condition 19.7.6.3.2.
- 19.7.8. If the instrument appointing a proxy or proxies has been delivered to the Issuer, as long as that appointment remains in effect, any notice that is required by the Terms and Conditions to be delivered by the Issuer to the Noteholder must be delivered by the Issuer to:
  - 19.7.8.1. the Noteholder; or
  - 19.7.8.2. the proxy or proxies, if the Noteholder has:
    - 19.7.8.2.1. directed the Issuer to do so, in writing; and
    - 19.7.8.2.2. paid any reasonable fee charged by the Issuer for doing so.
- 19.7.9. A proxy is entitled to exercise, or abstain from exercising, any voting right of the Noteholder without direction, except to the extent that the instrument appointing the proxy provides otherwise.
- 19.7.10. If the Issuer issues an invitation to Noteholders to appoint one or more Persons named by the Issuer as a proxy, or supplies a form of instrument for appointing a proxy:
  - 19.7.10.1. the invitation must be sent to every Noteholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
  - 19.7.10.2. the invitation, or form of instrument supplied by the Issuer for the purpose of appointing a proxy, must:
    - 19.7.10.2.1. bear a reasonably prominent summary of the rights established by this Condition 19.7;
    - 19.7.10.2.2. contain adequate blank space, immediately preceding the name or names of any Person or Persons named in it, to enable a Noteholder to write in the name and, if so desired, an alternative name of a proxy chosen by the Noteholder; and
    - 19.7.10.2.3. provide adequate space for the Noteholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;



- 19.7.10.3. the Issuer must not require that the proxy appointment be made irrevocable; and
- 19.7.10.4. the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to Condition 19.7.7.
- 19.7.11. Conditions 19.7.10.2 and 19.7.10.4 do not apply if the Issuer merely supplies a generally available standard form of proxy appointment on request by a Noteholder.

#### 19.8. **Binding effect of resolutions**

A resolution passed at a meeting of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) duly convened and held in accordance with the provisions of this Condition 19 is binding on all of the Noteholders or the relevant Group/s of Noteholders (as applicable), whether present or not present at any such meeting, and each of such Noteholders shall be bound to give effect thereto accordingly. The passing of any such resolution shall be conclusive evidence (unless the contrary is proved) that the circumstances of such resolution justify the passing of it.

#### 19.9. **Ordinary Written Resolution and Extraordinary Written Resolution**

- 19.9.1. An Ordinary Resolution or an Extraordinary Resolution, as the case may be, that could be voted on at a meeting may instead be:
  - 19.9.1.1. submitted for consideration as an Ordinary Written Resolution or an Extraordinary Written Resolution, as the case may be, to the Noteholders entitled to exercise voting rights in relation thereto; and
  - 19.9.1.2. voted on in writing by Noteholders entitled to exercise voting rights in relation thereto within 20 (twenty) Business Days after the proposed Ordinary Written Resolution or the proposed Extraordinary Written Resolution, as the case may be, was submitted to them.
- 19.9.2. An Ordinary Written Resolution or an Extraordinary Written Resolution, as the case may be, shall be as valid and effectual as an Ordinary Resolution or an Extraordinary Resolution, as the case may be, passed at a meeting duly convened and held in accordance with the provisions of this Condition 19.

#### 19.10. **Minutes**

The Issuer will cause minutes of all resolutions and proceedings of meetings to be duly taken. Any such minutes, if purporting to be signed by the chairman of the meeting at which such resolutions were passed or proceedings held or by the chairman of the next succeeding meeting, will be receivable in evidence without any further proof, and until the contrary is proved, a meeting of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) in respect of the proceedings of which minutes have been so made will be deemed to have been duly held and convened and all resolutions passed thereat, or proceedings held, to have been duly passed and held.

#### 20. **TAP ISSUES**

The Issuer shall be at liberty from time to time, without the consent of any Noteholder, to create and issue a Tranche of Notes ("**Additional Notes**") having terms and conditions which are identical to any other Tranche of Notes already in issue under the Programme ("**Existing Notes**") (save for their respective Issue Dates, Issue Prices and aggregate Principal Amounts), so that the Additional Notes (i) are consolidated with the Existing Notes and form part of the same Tranche of Existing Notes and (ii) rank *pari passu* in all respects with the Existing Notes.

#### 21. **SEVERABILITY**

Should any of the Applicable Terms and Conditions be, or become, invalid, the validity of the remaining Applicable Terms and Conditions shall not be affected in any way.

#### 22. **GOVERNING LAW**

The Programme Memorandum, the Notes and the Applicable Terms and Conditions are governed by, and will be construed in accordance with, the laws of South Africa.

**USE OF PROCEEDS**

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

## DESCRIPTION OF THE ISSUER

### DOCUMENTS INCORPORATED BY REFERENCE

A description of Nedbank Group, the Issuer and their businesses is set out in the Integrated Report of Nedbank Group and its consolidated subsidiaries for the financial year ended 31 December 2017 ("**2017 Integrated Report**"). The 2017 Integrated Report provides material information relating to the Group strategy and business model, operating context, material risks, stakeholder interests, performance, prospects and governance, covering the year 1 January 2017 to 31 December 2017. The 2017 Integrated Report covers the primary activities of the Group, its business clusters, key support areas and subsidiaries in its African and international operations.

The Annual Report of the Issuer for the financial year ended 31 December 2017 ("**2017 Annual Report**") contains further information on the Issuer and its businesses, as well as the the audited annual consolidated financial statements of the Issuer (pages 22 to 157 inclusive of the 2017 Annual Report).

The 2017 Integrated Report and the 2017 Annual Report are incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*") and are available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer. In addition, the 2017 Integrated Report and the 2017 Annual Report are available on the following website links:

- a) <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/integrated-reporting.html>;
- b) <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/financial-results.html>.

The description of Nedbank Group, the Issuer and their businesses may be updated from time to time in the Integrated Reports of Nedbank Group and its consolidated subsidiaries, and the Annual Reports of the Issuer, for all financial years after the Programme Date. These Integrated Reports and Annual Reports are incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*"). These Integrated Reports and Annual Reports will (as and when such Integrated Reports and Annual Reports are approved and become available) be available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, these Integrated Reports and Annual Reports will (as and when such Integrated Reports and Annual Reports are approved and become available) be available on the website links described in the paragraph above.

The information pertaining to Group compliance with the King IV Code on Corporate Governance, as updated and/or amended from time to time ("**King IV**") which is posted on the Nedbank Website Links (as defined under "*Compliance with King IV*" below) or substantially similar Nedbank website links is incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*").

### REGISTRATION OF THE ISSUER

The Issuer is registered and incorporated as a public company with limited liability in terms of the Companies Act, under registration number 1951/000009/06. The Issuer was incorporated as a public company on 2 January 1951.

### BUSINESS OF THE ISSUER

The Issuer carries on the business of a bank and is registered as a bank in terms of the Banks Act. The Issuer, together with its subsidiaries, provides a wide range of banking and financial services. The Issuer maintains a primary listing of its non-redeemable, non-cumulative, non-participating preference shares under the 'Preference Shares' section of the JSE.

### REGISTERED OFFICE AND COMPANY SECRETARY

The registered office of the Issuer is situated at Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandton, 2196, South Africa.

The company secretary of the Issuer is Mr Thabani Jali. The office of the company secretary of the Issuer is situated at Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandton, 2196, South Africa.

### GROUP STRUCTURE

The holding company of the Issuer is Nedbank Group. Nedbank Group holds 100% of the issued ordinary shares of the

Issuer and is the "*controlling company*" of the Issuer for purposes of the Banks Act. Old Mutual Limited has, through an unbundling of 3.21176 Nedbank Group shares for every 100 Old Mutual Limited shares, reduced its previous, approximately 52% controlling stake in the Issuer to a strategic minority of 19,9%.

## **DIRECTORS**

The directors of Nedbank Group and the Issuer as at the Programme Date ("**Board**") are:

### *Executive directors*

Mike Brown (Chief Executive)

Raisibe Morathi (Chief Financial Officer)

Mfundo Nkuhlu (Chief Operating Officer)

### *Non-executive directors*

Vassi Naidoo (Chairman)

Peter Moyo

### *Independent non-executive directors*

Malcolm Wyman (Lead Independent Director)

Hubert Brody

Brian Dames

Neo Dongwana

Errol Kruger

Mpho Makwana

Linda Manzini

Mantsika Matooane

Joel Netshitenzhe

Stanley Subramoney

## **THE BOARD AND BOARD COMMITTEES**

Further information on the Board and Board Committees is set out in the section of the 2017 Integrated Report (see "*Documents Incorporated by Reference*" above) headed "*OUR BOARD AND BOARD COMMITTEES*" on pages 84 and 85 and "*BOARD COMMITTEE FEEDBACK*" on pages 92 to 99 inclusive.

Board committees are tasked with providing oversight and guidance to the Board. Details of Board committees are set out in the Issuer's 2017 Governance and Ethics Review, available as a supplementary report at [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za).

## **COMPLIANCE WITH KING IV**

The Group's corporate governance philosophy, approach, standards, policies and practices support achievement of each of the King IV Code on Corporate Governance ("**King IV**") principles and enable the Board and management to conclude that the Group is currently achieving the King IV governance outcomes.

The Board believes that the Group's adherence to the King IV principles is fully integrated into the Group's governing practices. The diagram on page 86 of the 2017 Integrated Report (see "*Documents Incorporated by Reference*" above) demonstrates how this leads to the achievement of the King IV outcomes.

### **Implementation of King IV**

To determine the impact of King IV on current governance practices within the Group a diagnostic assessment was undertaken, categorising the foundational concepts of King IV into primary areas of accountability and residency, as set out under the section of the 2017 Integrated Report (see "*Documents Incorporated by Reference*" above) headed "*IMPLEMENTATION OF KING IV*" on pages 88 and 89.

The Issuer endorses and endeavours to adhere to the guidelines and principles of King IV. The Issuer has applied the King IV principles as disclosed in the 2017 Integrated Report (see "*Documents Incorporated by Reference*" above) which can be accessed at the following website link: <https://www.nedbank.co.za/content/dam/nedbank/site->

assets/AboutUs/Information%20Hub/Integrated%20Report/2017/2017%20Nedbank%20Group%20King%20IV%20Principles.pdf and which will be disclosed in the Governance and Ethics Review for all financial years of the Issuer after the Programme Date. In accordance with Section 94(2)(b) of the Companies Act, the audit committee of Nedbank Group performs the functions under Section 94(2)(b) on behalf of the Issuer.

**Further information on Group compliance with King IV**

Further detailed information on Group compliance with the King IV Code on Corporate Governance, as updated and/or amended from time to time ("**King IV**") is available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, this information is available on the website links described below (together, the "**Nedbank Website Links**") (or will be available, where any of such information is updated after the Programme Date, on the Nedbank Website Links or substantially similar Nedbank website links):

- a) <https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2017/2017%20Nedbank%20Group%20King%20IV%20Principles.pdf>;
- b) <https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2017/2017%20Governance%20and%20Ethics%20Review.pdf>.

## FINANCIAL INFORMATION

### FINANCIAL STATEMENTS

(i) The respective audited annual financial statements of the Issuer for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017, which include the independent auditor's reports in respect of such financial statements, (ii) the audited interim financial statements of the Issuer for the 6-month period ended 30 June 2018, (iii) the respective Annual Reports of the Issuer for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 and (iv) the respective Integrated Reports of Nedbank Group and its consolidated subsidiaries for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017, are incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*"). These annual financial statements, interim financial statements, Annual Reports and Integrated Reports are available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, these annual financial statements, interim financial statements, Annual Reports and Integrated Reports are available on the following website links:

- a) <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/integrated-reporting.html>;
- b) <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/financial-results.html>;
- c) <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/other-group-companies/nedbank-limited.html> (certain historic Nedbank Limited information).

(i) The respective audited annual financial statements of the Issuer for all financial years after the Programme Date, which will include the independent auditor's reports in respect of such financial statements, (ii) where prepared, the respective audited interim financial statements of the Issuer for each six-month period falling in all financial years after the Programme Date, (iii) the respective Annual Reports of Nedbank Limited for all financial years after the Programme Date and (iv) the respective Integrated Reports of Nedbank Group and its consolidated subsidiaries for all financial years after the Programme Date, are incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*"). These annual financial statements, interim financial statements, Annual Reports and Integrated Reports will (as and when such annual financial statements, interim financial statements, Annual Reports and Integrated Reports are approved and become available) be available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, these annual financial statements, interim financial statements, Annual Reports and Integrated Reports will (as and when such annual financial statements, interim financial statements, Annual Reports and Integrated Reports are approved and become available) be available on the website links described in the paragraph above.

### REPORT OF THE INDEPENDENT AUDITORS

The reports of the independent auditors of the Issuer are (or will be) included with the respective audited annual financial statements of the Issuer (see "*Financial Statements*" above).

### AUDITORS

Deloitte & Touche and KPMG Inc. are the auditors of the Issuer as at the Programme Date.



## SETTLEMENT, CLEARING AND TRANSFERS OF NOTES

### UNCERTIFICATED NOTES HELD IN THE CENTRAL SECURITIES DEPOSITORY

#### Clearing systems

Each Tranche of Uncertificated Notes will be held in the Central Securities Depository. The Central Securities Depository is the operator of an electronic clearing system which matches, clears and facilitates the settlement of all transactions carried out on the Interest Rate Market of the JSE or the Main Board of the JSE, as the case may be.

Each Tranche of Uncertificated Notes will be issued, cleared and transferred in accordance with the Applicable Procedures through the electronic settlement system of the Central Securities Depository. Each Tranche of Uncertificated Notes will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the Central Securities Depository. The Issuer will adhere to the recognised and standardised electronic clearing and settlement procedures of the JSE and the Central Securities Depository. Uncertificated Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Dealer/s.

#### Participants

The Central Securities Depository maintains accounts only for Participants. As at the Programme Date, the Participants are the South African Reserve Bank, Standard Chartered Bank Johannesburg Branch, Société Generale, Citibank N.A., South Africa Branch, FirstRand Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. Euroclear and Clearstream, among others, may settle offshore transfers of Uncertificated Notes through their nominated Participant.

Participants are responsible for the settlement of scrip and payment transfers through the Central Securities Depository, the Interest Rate Market of the JSE and the South African Reserve Bank.

#### Payments

Payments of all amounts due and payable in respect of Uncertificated Notes will be made in accordance with the CSD Procedures and Condition 9.2 (*Method of payment - Uncertificated Notes*).

The Issuer will, in accordance with the CSD Procedures, make an irrevocable deposit, into the Designated Bank Account, of the full aggregate amount which is due and payable, on the relevant Payment Date, in respect of a Tranche of Uncertificated Notes.

The funds in the Designated Bank Account will be transferred to the relevant Participants, by means of the South African Multiple Option Settlement ('SAMOS') system operated by the South African Reserve Bank. The Participants will then make payment of the relevant amounts to the registered Noteholders of Uncertificated Notes, in accordance with the CSD Procedures, as contemplated in Condition 9.2 (*Method of payment – Uncertificated Notes*).

Once the funds deposited into the Designated Bank Account have been cleared and credited to the Designated Bank Account, and transferred from the Designated Bank Account to the relevant Participants, neither the Settling Bank nor the Issuer will be responsible for the loss in transmission of any such funds.

Each of the persons reflected in the records of the relevant Participant as the registered Noteholder of Uncertificated Notes shall look solely to the relevant Participant for such person's share of the funds deposited into the Designated Bank Account.

#### Transfers and exchanges of Uncertificated Notes

The Participants will maintain records of Uncertificated Notes held by their clients.

Title to Uncertificated Registered Notes will pass on transfer thereof by electronic book entry in the securities accounts maintained by the relevant Participants for the registered Noteholders of such Uncertificated Notes.

Uncertificated Notes may be transferred only in accordance with the CSD Procedures.

Subject to the Financial Markets Act, the registered Noteholder of Uncertificated Notes will only be entitled to exchange such Uncertificated Notes for Notes represented by Certificates in accordance with Condition 13.1 (*Exchange of Uncertificated Notes*).

### **NOTES LISTED ON ANY OTHER FINANCIAL EXCHANGE**

A Tranche of Warrants will be, and any other Tranche of Notes may be, listed on the Main Board of the JSE. Where a Tranche of Notes is to be listed on the Main Board of the JSE, the provisions of the JSE Main Board Listings Requirements relating to the listing of that Tranche of Notes on the Main Board of the JSE, will be set out in an annexure to the Applicable Pricing Supplement relating to that Tranche of Notes and/or in a supplement to this Programme Memorandum prior to the Issue Date of the first Tranche of such Notes to be issued under the Programme.

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

If a Tranche of Notes which is listed on any Financial Exchange (other than the Interest Rate Market of the JSE) may, in terms of the rules of that Financial Exchange and Applicable Laws, be lodged in a central securities depository and/or issued in uncertificated form, the relevant procedures (including those relating to beneficial ownership interests in that Tranche of Notes) will be set out in the Applicable Pricing Supplement.

### **NOTES ISSUED IN CERTIFICATED FORM**

A Tranche of unlisted Notes will, if so specified in the Applicable Pricing Supplement, be issued in registered certificated form and will be represented by one or more Certificates

Where a Tranche of unlisted Notes is to be issued in registered certificated form:

- the Transfer Agent will, prior to the Issue Date, cause the Certificate/s representing the Notes in that Tranche to be executed, issued, authenticated and delivered to the Issuer;
- the Transfer Agent will cause a copy of the relevant signed Applicable Pricing Supplement to be attached to the Certificate/s representing the Notes in that Tranche;
- prior to the Issue Date, the relevant Dealer/s will provide the Issuer with delivery and receipt instructions for the subscription for the Notes in that Tranche and payment therefor;
- on the Issue Date, delivery of the Notes in that Tranche subscribed for by an investor will be effected by the Issuer, delivering the Certificate representing such Notes to that investor against payment of the Issue Price to the Issuer;
- against payment of the Issue Price to the Issuer, the Issuer will ensure that, on the Issue Date, the Notes in that Tranche subscribed for by an investor are registered in the Register in the name of that investor.

## TAXATION

*The summary in this section headed "Taxation" below is intended to deal with the more important fiscal provisions that could be relevant to the treatment of the Notes from a fiscal perspective as at the Programme Date. The contents of this section headed "Taxation" are not intended to and do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or holder of or purchaser of any Notes.*

*The treatment of particular types of Notes from a specific fiscal perspective may depend on the precise nature of the Applicable Terms and Conditions of the relevant Tranche of Notes and such treatment is not covered by this section headed "Taxation" below.*

*Prospective Noteholders should consult their own professional advisers in this regard.*

### SECURITIES TRANSFER TAX

The issue, transfer and redemption of the Notes will not attract securities transfer tax under the Securities Transfer Tax Act, 2007 ("**Securities Transfer Tax Act**") as the Notes do not constitute "*securities*" as envisaged by the Securities Transfer Tax Act. Any future transfer duties and/or taxes that may be introduced in respect of (or be applicable to) the transfer of the Notes will be for the account of the Noteholders.

### INCOME TAX - TREATMENT OF PREMIUM AND/OR DISCOUNT AS WELL AS INTEREST ON THE NOTES

The taxation of "interest" is regulated by section 24J of the 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.

However, to the extent that a Noteholder is a "covered person" as defined in section 24JB of the Income Tax Act (see below) (see below), and it accounts for the Notes on a fair value basis in its income statement, the Noteholder should consider the application of section 24JB of the Income Tax Act instead.

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 Applicable Terms and Conditions of a Tranche of Notes or any related documentation.

#### 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.

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.

Appropriate adjustments are made to the extent that the Notes are disposed of by the Noteholder prior to the Maturity Date.

#### 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 Issuer 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 the 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 or accrues by or to that Non-Resident Noteholder; or
- b) at any time during the relevant year of assessment had a permanent establishment in South Africa and debt from which the Interest arises is effectively connected to such permanent establishment.

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, certain entities may be exempt from income tax.

Prospective Non-Resident Noteholders must consult their own professional advisers as to whether the interest income earned on Notes to be held by them will be exempt under section 10(1)(h) of the Income Tax Act or under an applicable DTA.

As regards the Withholding Tax on Interest paid to Non-resident Noteholders, see "*Withholding Tax*" below.

### **Re-characterisation of Interest**

Certain anti-avoidance provisions have been inserted into the Income Tax Act which have the result that interest is re-characterised as dividends. In such event, the interest is deemed to be a dividend *in specie* declared and paid by the Issuer on the last day of the year of assessment of the Issuer and not deductible in terms of the Income Tax Act. The interest is also re-characterised in the hands of the Noteholder and is deemed to have accrued to the Noteholder in the form of a dividend *in specie* that is declared and paid to the Noteholder on the last of the year of assessment of the Issuer. These deeming provisions do not apply to Subordinated Notes.

Interest is re-characterised to the extent that one is dealing with a hybrid debt instrument or hybrid interest. A hybrid debt instrument is, amongst others, an instrument in terms of which an Issuer owes an amount if –

- the Issuer is entitled or obliged to –
  - convert the instrument (or any part thereof) in any year of assessment to; or
  - exchange the instrument (or any part thereof) in any year of assessment for, shares unless the market value of the shares is equal to the amount owed in terms of the instrument at the time of conversion or exchange;
- the obligation to pay any amount so owed on a date or dates falling within that year of assessment has been deferred by reason of that obligation being conditional upon the market value of the assets of the Issuer not being less than the amount of the liabilities of the Issuer; or
- the Issuer owes the amount to a connected person in relation to the Issuer and is not obliged to redeem the instrument, excluding any instrument payable on demand, within 30 years from the date of the issue of the instrument.

Interest is also re-characterised as a dividend *in specie* if one is dealing with hybrid interest. The concept of hybrid interest is, amongst others, defined in relation to a debt owed by the Issuer as –

- any interest where the amount of the interest is not determined with reference to a specified rate of interest or not determined with reference to the time value of money; or
- if the rate of interest has in terms of the instrument been raised by reason of an increase in the profits of the Issuer, so much of the amount of interest as has been determined with reference to the raised rate of interest as exceeds the amount of interest that would have been determined with reference to the lowest rate of interest in terms of that instrument during the current year of assessment and the previous five years of assessment.

The deeming provisions with reference to a hybrid debt instrument or hybrid Interest are not applicable to the extent that the instrument constitutes a third party backed instrument. A third party backed instrument is an instrument in respect of which an enforcement right is exercisable as a result of any amount relating to that instrument not being received by or accruing to any person entitled thereto. An enforcement right is defined as any right, whether fixed or contingent, to require any person other than the Issuer of the instrument to –

- acquire the instrument from the holder thereof;

- make any payment in respect of the instrument in terms of a guarantee, indemnity or similar arrangement; or
- procure, facilitate or assist with any acquisition or the making of any payment as contemplated above.

### **Withholding Tax**

A withholding tax on Interest paid to Non-Residents (at a rate of 15% 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 Issuer is a South African tax resident.

The Issuer is entitled to request a Noteholder to confirm its tax residency and whether any withholding or deduction 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 Issuer is a South African bank. The JSE 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:

- a) 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
- b) 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.

### **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 the Notes 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 Value-Added Tax Act, 1991 ("**VAT 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 VAT 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%, depending on the circumstances and the identity of the relevant service provider.

### **TAX TREATMENT OF THE ISSUER**

A different regime applies to the tax treatment of the Issuer compared to other taxpayers. Given the fact that the Issuer is a bank that is registered in terms of the Banks Act, it is specifically provided for 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 Issuer that are recognised at fair value in profit or loss in terms of accounting principles must be included in or deducted from its income, excluding certain exemptions.

#### **US TAXATION – FOREIGN ACCOUNT TAX COMPLIANCE ACT**

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% on any US sourced income or US sourced gross proceeds 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% on US sourced income in terms of FATCA. In certain circumstances an FFI or direct reporting NFFE must deduct and withhold a 30% 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 Issuer 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 could 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 Issuer 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 able to be treated as "deemed compliant" 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 Issuer and to any other financial institutions through which payments on the Notes are made in order for the Issuer and such other financial institutions to comply with their FATCA obligations.

The Issuer expects that any branch through which it issues Notes will be treated as a Reporting FI due to the fact that that 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 of the relevant FFI.

Whilst the Notes are held in the Central Securities Depository, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the Settling Bank and the Central Securities Depository or Participants, as the case may be, given that each of the entities in the payment chain between the



Issuer and the Participants is a financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under the South African IGA will be unlikely to affect the Notes.

However, subject to the Financial Markets Act, the registered Noteholder of Uncertificated Notes may exchange such Uncertificated Notes for Notes represented by a Certificate in accordance with Condition 13.1 (*Exchange of Uncertificated Notes*). 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 Issuer.

## SUBSCRIPTION AND SALE

### ARRANGER, DEBT SPONSOR, DEALER AND PLACING ARRANGEMENTS

#### Arranger

Nedbank Limited, acting through its Corporate and Investment Banking division, is the Arranger of the Programme.

#### Debt Sponsor

Nedbank Limited, acting through its Corporate and Investment Banking division, is the ongoing Debt Sponsor of the Programme, and is the Debt Sponsor for purposes of procuring the approval of the Programme Memorandum by the JSE and the listing of Tranche/s on Notes on the Interest Rate Market of the JSE, subject to the applicable provisions of Section 2 of the JSE Debt Listings Requirements.

Section 2 of the JSE Debt Listings Requirements sets out certain requirements in relation to the appointment, and termination of appointment, of a Debt Sponsor. Among other things, if the appointment of the Debt Sponsor is terminated by the Issuer for whatever reason, such termination must be approved by the board of directors of the Issuer. Once the termination of the Debt Sponsor has been approved by the board of directors of the Issuer, the Issuer and the Debt Sponsor must submit a report to the JSE stipulating the reasons for the termination, within 48 hours of such termination.

#### Dealer and placing arrangements

A Tranche of Notes may be offered by way of public auction or private placement or any other means permitted by Applicable Law, as determined by the Issuer and the relevant Dealer/s.

Nedbank Limited, acting through its Corporate and Investment Banking division, is a Dealer on an ongoing basis for the duration of the Programme.

If the Issuer does not itself place a Tranche of Notes, the Issuer may agree with any third-party Dealer/s to issue, and the relevant Dealer/s may agree to place, that Tranche of Notes by entering into an appropriate agreement for the issue and placing of that Tranche of Notes ("**Subscription Agreement**").

If a Subscription Agreement is entered into between the Issuer and the relevant Dealer/s, the Subscription Agreement will, among other things, provide for the relevant Dealer/s, subject to certain conditions set out in the Subscription Agreement, to place the Notes in the relevant Tranche/s of Notes, and may also provide for the relevant Dealer/s to underwrite the subscription and payment for such Notes.

On the Issue Date, delivery of the Uncertificated Notes in a Tranche of Uncertificated Notes to the subscribers of such Uncertificated Notes will, in accordance with the Subscription Agreement (if any), be effected by the Issuer's Participant, against payment of the Issue Price, in accordance with the Applicable Procedures.

The relevant Dealer/s may procure sale and purchase transactions in respect of the relevant Tranche/s of Notes before the Issue Date. Such transactions will be for settlement on the Issue Date and will be subject to the condition that the Subscription Agreement (if any) is not terminated before the time on which such transactions are to be settled on the Issue Date.

If a Subscription Agreement is entered into between the Issuer and the relevant Dealer/s:

- the relevant Dealer/s may, under certain circumstances (before the issue of or payment for the relevant Tranche/s of Notes) terminate their obligations to place the relevant Tranche/s of Notes under the Subscription Agreement;
- the Subscription Agreement may, under certain circumstances (before the issue of or payment for the relevant Tranche/s of Notes), automatically terminate;
- if the Subscription Agreement is terminated before the Issue Date, the transactions in the relevant Tranche/s of Notes will also terminate and no party thereto will have any claim against any other party as a result of such termination;
- the Issuer will have no right to cancel the Subscription Agreement before the issue of or payment for the relevant Tranche/s of Notes.

## SELLING RESTRICTIONS

### South Africa

Each Dealer will be required to represent and agree that it will not solicit any offers for subscription for or sale of any Notes and will not itself sell any Notes, in South Africa, in contravention of the Companies Act, the Banks Act, the Exchange Control Regulations and/or any other Applicable Laws and regulations of South Africa in force from time to time.

In particular, the Programme Memorandum does not, nor is it intended to, constitute a "*prospectus*" (as contemplated in the Companies Act) and each Dealer will be required to represent and agree that it will not make an "*offer to the public*" (as such expression is defined in the Companies Act) of any Notes (whether for subscription, purchase or sale).

Notes will not be offered for subscription or sale to any single addressee for an amount of less than ZAR1,000,000 (or such other amount as is prescribed from time to time in terms of section 96(2)(a) of the Companies Act).

### United States of America

#### Regulation S Category 2

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

Each Dealer will be required to represent and agree that it has not offered, sold, resold or delivered any Notes and will not offer, sell, resell or deliver any Notes:

- a) as part of its distribution at any time; and
- b) otherwise until 40 (forty) days after completion of the distribution of all of the Notes in the relevant Tranche/s of Notes, as determined and certified by the Dealer or, in the case of an issue of the relevant Tranche/s of Notes on a syndicated basis, the relevant Lead Manager/s, of all Notes of the Series of which the relevant Tranche/s of Notes is/are a part,

within the United States of America or to, or for the account or benefit of, U.S. persons only in accordance with Regulation S and it will send to each distributor to which it sells any Notes a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States of America or to, or for the account or benefit of, U.S. persons.

In addition, an offer or sale of the Notes within the United States of America by any Dealer or other distributor (whether or not participating in the offering of such Notes during the distribution compliance period described in the preceding paragraph) may violate the registration requirements of the U.S. Securities Act.

Each Dealer (and in the case of the issue of the relevant Tranche/s of Notes on a syndicated basis, the relevant Lead Manager/s) shall determine and certify to the Issuer when it has completed the distribution of the Notes in the relevant Tranche/s of Notes.

Each Dealer will be required to further represent and agree that neither it, its affiliates nor any person acting on its or their behalf has engaged or will engage in any "*directed selling efforts*" (as that term is defined in Regulation S under the U.S. Securities Act) with respect to any Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S.

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer will be required to represent and agree that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State ("**Relevant Implementation Date**") it has not made and will not make an offer of any Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- a) if the Applicable Pricing Supplement relating to a Tranche of Notes specifies that an offer of such Notes may be made other than pursuant to Article 3.2 of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in

another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Applicable Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Applicable Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

- b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Dealer or Dealers nominated by the Issuer for any such offer; or
- d) at any time in any other circumstances falling within Article 3.2 of the Prospectus Directive,

provided that no such offer of Notes referred to in paragraphs (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and including any relevant implementing measure in the Relevant Member State.

#### **United Kingdom**

Each Dealer will be required to represent and agree that:

- a) in relation to any of Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of Notes would otherwise constitute a contravention of Section 19 of the United Kingdom Financial Services and Markets Act, 2000 ("**FSMA**") by the Issuer;
- b) 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 would not, if the Issuer was not an authorised person, apply to the Issuer;
- c) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **Changes to the above selling restrictions**

The selling restrictions set out above may in relation to any Tranche of Notes, be changed by the Issuer and the relevant Dealer/s, including following a change in, or clarification of, a relevant law, regulation, directive, request or guideline having the force of law or compliance with which is in accordance with the practice of responsible financial institutions in the country or jurisdiction concerned or any change in or introduction of any of them or in their interpretation or administration. Any such change will be set out in the Applicable Pricing Supplement relating to the relevant Tranche of Notes.

#### **Other selling restrictions**

Each Dealer will be required to represent and agree that:

- a) it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures subscriptions for, offers or sells any Notes or has in its possession or distributes the Programme Memorandum and/or the Applicable Pricing Supplement and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of any Notes under the laws and regulations in force in each jurisdiction to which it is subject or in which it makes such purchases, subscriptions, offers or sales; and

- b) it will comply with such other or additional restrictions as the Issuer and the Dealer agree and as are set out in the Applicable Pricing Supplement relating to the relevant Tranche of Notes.

Neither the Issuer nor the Debt Sponsor nor the Arranger nor the Dealer/s represent that this Programme Memorandum and/or any Applicable Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, subscribed for or sold, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution, offering, subscription or sale.

Persons into whose possession this Programme Memorandum and/or any Applicable Pricing Supplement comes are required by the Issuer, the Debt Sponsor, the Arranger and the Dealers to comply with all Applicable Laws and regulations in each country or jurisdiction in which they subscribe for, purchase, offer, sell, transfer or deliver Notes or have in their possession or distribute this Programme Memorandum and/or any Applicable Pricing Supplement and to obtain any consent, approval or permission required by them for the subscription, purchase, offer, sale, transfer or delivery by them of any Notes under the law and regulations in force in any country or jurisdiction to which they are subject or in which they make such subscriptions, purchases, offers, sales, transfers or deliveries, in all cases at their own expense, and none of the Issuer, the Debt Sponsor, the Arranger or the Dealers shall have responsibility therefor.

In accordance with the above, any Notes purchased or subscribed for by any person which it wishes to offer for sale or resale may not be offered in any country or jurisdiction in circumstances which would result in the Issuer being obliged to register this Programme Memorandum or any further prospectus or corresponding document relating to the Notes in such country or jurisdiction.

## EXCHANGE CONTROL

*The comments below are intended as a general guide to the position under the Exchange Control Regulations as at the Programme Date. The contents of this section headed "Exchange Control" do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.*

### PROGRAMME MEMORANDUM

This Programme Memorandum does not require the prior approval of the Exchange Control Authorities in terms of the Exchange Control Regulations.

### ISSUE OF NOTES

In general, the issue of a Tranche of Notes will not require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations.

However, under certain circumstances and if so indicated in the Applicable Pricing Supplement, the issue of a particular Tranche of Notes will require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations.

For example, a Tranche of Reference Item Linked Notes which references one or more foreign Reference Item/s may be "*based on foreign reference assets*" for purposes of Exchange Control Directive H entitled "*Inward Listings by Foreign Entities on South African Exchanges*" (31/2011) (as amended and/or updated from time to time) issued by the Exchange Control Authorities in terms of the Exchange Control Regulations.

Dealings in such Notes and the performance by the Issuer of its obligations under the Notes and the Applicable Terms and Conditions will be subject to the Exchange Control Regulations.

### BLOCKED RAND

Blocked Rand may be used for the subscription for or purchase of Notes. Any principal and/or other redemption amount which is payable by the Issuer in respect of such Notes subscribed for or purchased with Blocked Rand may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into a bank account which is outside South Africa.

### EMIGRANTS FROM THE COMMON MONETARY AREA

Any Certificate issued to a Noteholder who is an emigrant from the Common Monetary Area ("**Emigrant Noteholder**") will be restrictively endorsed "emigrant" and must be deposited with the nominated authorised dealer in foreign exchange controlling such Emigrant Noteholder's blocked assets.

Where an Uncertificated Note is held by an Emigrant Noteholder through the Central Securities Depository, the securities account maintained for such Emigrant Noteholder by the relevant Participant will be designated as an "emigrant" account.

All payments of principal and/or other redemption amount payable to an Emigrant Noteholder will be deposited into such Emigrant Noteholder's Blocked Rand account, as maintained by the nominated authorised dealer in foreign exchange controlling such Emigrant Noteholder's blocked assets. Such amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations. Payments of interest due and payable in respect of such Notes to such Emigrant Noteholder need not be deposited into such Emigrant Noteholder's Blocked Rand account, and such amounts of interest are freely transferable from the Common Monetary Area.

### NON-RESIDENTS OF THE COMMON MONETARY AREA

Any Certificate issued to a Noteholder who is not resident in the Common Monetary Area ("**Non-Resident Noteholder**") will be restrictively endorsed "non-resident".

Where an Uncertificated Note is held by a Non-Resident Noteholder through the Central Securities Depository, the securities account maintained for such Non-Resident Noteholder by the relevant Participant will be designated as a "non-resident" account.

It will be incumbent on a Non-Resident Noteholder to instruct its nominated authorised dealer in foreign exchange as



to how payments of amounts (whether in respect of principal, interest or otherwise) payable in respect of the Notes held by such Non-Resident Noteholder are to be dealt with. Such amounts may, in terms of the Exchange Control Regulations, be remitted abroad only if such Notes were acquired with foreign currency introduced into South Africa and provided that the relevant Certificate has been restrictively endorsed "non-resident" or the relevant securities account has been designated as a "non-resident" securities account, as the case may be.

## GENERAL INFORMATION

### AUTHORISATION

All corporate authorities, and all consents, approvals, authorisations or other orders of all regulatory authorities, required by the Issuer under the laws of South Africa as at the Programme Date, have been given for the establishment of the Programme and the execution of the Programme Memorandum and the Applicable Agency Agreement (if any).

All corporate authorities, and all consents, approvals, authorisations or other orders of all regulatory authorities, required by the Issuer under the laws of South Africa as at the Programme Date, will be given, prior to the Issue Date of a Tranche of Notes, for (among other things) the Issuer to issue that Tranche of Notes, to execute the Applicable Pricing Supplement relating to that Tranche of Notes, to enter into and perform its obligations under the Applicable Terms and Conditions of that Tranche of Notes, and to enter into and perform its obligations under the Subscription Agreement (if any) relating to the issue and placing of that Tranche of Notes.

### LISTING

This Programme Memorandum, dated 8 February 2019, was registered and approved by the JSE on 4 February 2019. Notes issued under the Programme may be listed on the Interest Rate Market of the JSE or on such other or further Financial Exchange/s (including, subject to the applicable provisions of the JSE Main Board Listings Requirements and Section 19 thereof, the Main Board of the JSE) as may be determined by the Issuer and the relevant Dealer/s subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange.

A Tranche of Warrants will be, and any other Tranche of Notes may be, listed on the Main Board of the JSE. Where a Tranche of Notes is to be listed on the Main Board of the JSE, the provisions of the JSE Main Board Listings Requirements relating to the listing of that Tranche of Notes on the Main Board of the JSE, will be set out in an annexure to the Applicable Pricing Supplement relating to that Tranche of Notes and/or in a supplement to this Programme Memorandum prior to the Issue Date of the first Tranche of such Notes to be issued under the Programme.

Unlisted Notes are not regulated by the JSE. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE. The holders of Notes (including Warrants) that are not listed on the Main Board of the JSE will have no recourse against the JSE.

### LITIGATION

The Issuer is not aware of any legal or arbitration proceedings in which the Issuer is involved, including any proceedings that are pending or threatened, that may have or have had in the 12 (twelve) months preceding the Programme Date, a material effect on the Issuer's financial position.

### MATERIAL CHANGE

The Issuer confirms that, as at the Programme Date, no material change in the financial or trading condition of the Issuer or any "subsidiary" (as defined in the Companies Act) of the Issuer has occurred since 30 June 2018 (being the end of the last financial period for which audited interim financial statements of the Issuer have been published). This statement has not been confirmed or verified or reviewed and reported on by the auditors of the Issuer.

### AUDITORS

Deloitte & Touche and KPMG Inc. are the auditors of the Issuer as at the Programme Date.

**SIGNED at Sandton**

**For: NEDBANK LIMITED**

By: \_\_\_\_\_



*duly authorised*

Name of signatory: Mike Brown

Capacity: Director

Date: 8 February 2019

By: \_\_\_\_\_



*duly authorised*

Name of signatory: Raisibe Morathi

Capacity: Director

Date: 8 February 2019

**ISSUER****Nedbank Limited**

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