

## 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)

## ZAR75,000,000,000 DOMESTIC MEDIUM TERM NOTE PROGRAMME

Nedbank Limited ("**Issuer**" and "**Nedbank**") has established a Domestic Medium Term Note Programme ("**Programme**") under which the Issuer may, from time to time, issue secured or unsecured, subordinated or unsubordinated notes of any kind ("**Notes**") pursuant to the consolidated Programme Memorandum, dated 26 February 2016, as amended and/or supplemented from time to time ("**Previous Programme Memorandum**").

The Previous Programme Memorandum was approved by the JSE Limited ("**JSE**") on 22 February 2016.

The Issuer has 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 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 Registered 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 ZAR75,000,000,000. The aggregate Outstanding Principal Amount of Notes (including Existing Notes) in issue under the Programme may not exceed ZAR75,000,000,000 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 (i) the section of this Programme Memorandum headed "*Pro Forma Applicable Pricing Supplement – Unsubordinated Notes*" (in the case of a Tranche of Unsubordinated Notes) or (ii) the section of this Programme Memorandum headed "*Pro Forma Applicable Pricing Supplement – Subordinated Notes*" (in the case of a Tranche of Subordinated Notes), as the case may be.

A Tranche of Notes will comprise Unsubordinated Notes or Subordinated Notes, as indicated in the Applicable Pricing Supplement. A Tranche of Notes, whether Unsubordinated Notes or Subordinated Notes (but subject, in the case of Subordinated Notes, to the Capital Regulations), may comprise Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Mixed Rate Notes or such combination of any of the foregoing 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.

Subordinated Notes will, subject to the Banks Act and the Capital Regulations, comprise Additional Tier 1 Notes and Tier 2 Notes. Subject to the Capital Regulations, (i) the proceeds of the issue of Additional Tier 1 Notes will rank as Additional Tier 1 Capital and (ii) the proceeds of the issue of Tier 2 Notes will rank as Tier 2 Capital.

A Tranche of Registered Notes may be listed on the Interest Rate Market of the JSE and/or on such other Financial Exchange/s as may be determined by the Issuer and the relevant Dealer/s, subject to all Applicable Laws. Unlisted Registered Notes may also be issued under the Programme. Unlisted Registered Notes are not regulated by the JSE. The holders of Registered Notes that are not

listed on the Interest Rate Market of the JSE will have no recourse against the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Registered Notes will be listed and, if so, on which Financial Exchange.

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.

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

Subject to the prior consent of the Prudential Authority (to the extent required by the Capital Regulations), 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.

A Tranche of Notes will comprise Unsubordinated Notes or Subordinated Notes, as indicated in the Applicable Pricing Supplement. A Tranche of Notes, whether Unsubordinated Notes or Subordinated Notes (but subject, in the case of Subordinated Notes, to the Capital Regulations), may comprise Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Mixed Rate Notes or such combination of any of the foregoing 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.

Subordinated Notes will, subject to the Banks Act and the Capital Regulations, comprise Additional Tier 1 Notes and Tier 2 Notes. Subject to the Capital Regulations, (i) the proceeds of the issue of Additional Tier 1 Notes will rank as Additional Tier 1 Capital and (ii) the proceeds of the issue of Tier 2 Notes will rank as Tier 2 Capital.

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 (i) the section of this Programme Memorandum headed "*Pro Forma Applicable Pricing Supplement – Unsubordinated Notes*" (in the case of a Tranche of Unsubordinated Notes) or (ii) the section of this Programme Memorandum headed "*Pro Forma Applicable Pricing Supplement – Subordinated Notes*" (in the case of a Tranche of Subordinated Notes), as the case may be.

### LISTING

A Tranche of Registered Notes may be listed on the Interest Rate Market of the JSE and/or on such other Financial Exchange/s as may be determined by the Issuer and the relevant Dealer/s, subject to all Applicable Laws. Unlisted Registered Notes may also be issued under the Programme. Unlisted Registered Notes are not regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Registered Notes will be listed and, if so, on which Financial Exchange.

The holders of Registered Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE.

A copy of the signed Applicable Pricing Supplement relating to a Tranche of Registered Notes which is to be listed on the Interest Rate Market of the JSE will be delivered to the JSE and the Central Securities Depository, before the Issue Date, and the Registered 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 Registered Notes on the Interest Rate Market of the JSE 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 Registered 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 Registered 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.

### PROGRAMME AMOUNT

As at the Programme Date, the Programme Amount is ZAR75,000,000,000. The aggregate Outstanding Principal

Amount of Notes (including Existing Notes) in issue under the Programme may not exceed ZAR75,000,000,000, 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 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 of 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 19 (*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.*

### 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 principle 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.

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 "*Uncertainties*", "*Circular C6/2014 and Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks*" and "*Guidance Note 06/2017*" 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, must have a provision that requires such 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 unless, among other things, duly enforceable legislation is in place:

- that requires such instruments to be Written Off upon the occurrence of the Trigger Event; or
- that otherwise requires such instruments to fully absorb loss before taxpayers or ordinary depositors are exposed to loss.

As a minimum, the Trigger Event must be the earlier of:

- a decision that a Write Off, without which the issuing bank would become non-viable, is necessary, as determined by the Prudential Authority; and
- the decision to make a public sector injection of capital, or equivalent support, without which the issuing bank would have become non-viable, as determined by the Prudential Authority.

On the basis of the implementation of the Loss Absorption PONV Requirements, Subordinated Notes will be subject to Write-Off or Conversion upon the occurrence of the Trigger Event, which may result in the Subordinated Noteholders losing some or all of their investment. The occurrence of the Trigger Event or any suggestion of any such occurrence could materially adversely affect the market price of the Subordinated Notes.

#### **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).

##### ***Capital Regulations***

The Capital Regulations include (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 (including, without limitation, Circular C6/2014), Guidance Notes (including, without limitation, Guidance Note 06/2017) and Directives then in effect in South Africa 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 Guidance Note 06/2017 (see "*Guidance Note 06/2017*" below).

However, it is expected that duly enforceable legislation will be enacted in South Africa that will provide for, among other things, the Loss Absorption PONV Requirements (see "*Guidance Note 06/2017*" and "*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. Some of these uncertainties are summarised below:

There is uncertainty regarding which entities may acquire Subordinated Notes. Circular C6/2014 headed "*Interpretation of specified conditions for the issuing of instruments or shares which rank as additional tier 1 capital and tier 2 capital*", dated 2 June 2014 ("**Circular C6/2014**") clarifies some (but not all) of this uncertainty (see "*Circular C6/2014 and Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks*" below).

There is uncertainty regarding the purely "discretionary" nature of the Trigger Event provided for in Regulations 38(11)(b) and 38(12) of the Regulations Relating to Banks and the criteria that will be taken into account by the Prudential Authority in determining the Trigger Event.

Regulations 38(11)(b) and 38(12) of the Regulations Relating to Banks provide that the Write-Off or Conversion must occur "*upon the occurrence of the trigger event specified in writing by the [Prudential Authority]*". Currently, there is nothing in Regulations 38(11)(b) and 38(12) of the Regulations Relating to Banks that requires the Prudential Authority to notify the Issuer or the relevant Subordinated Noteholders that the Trigger Event has occurred.

It is not clear from Regulations 38(11)(b) and 38(12) of the Regulations Relating to Banks whether the Issuer may select the Conversion or the Write-Off option upfront or whether the option will be determined by the Prudential Authority at the occurrence of the Trigger Event.

There are a number of uncertainties relating to the Conversion option, such as the nature of the ordinary shares into which Subordinated Notes must be Converted and the valuation of these ordinary shares.

Guidance Note 06/2017 headed "*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital*", dated 14 August 2017 ("**Guidance Note 06/2017**") (which replaces Guidance Note 07/2013 headed "*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*" dated 18 October 2013") clarifies some (but not all) of the uncertainties described above (see "*Guidance Note 07/2017*" below).

### **Circular C6/2014 and Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks**

In terms of the previous Regulations Relating to Banks, no Subordinated Notes could be held or acquired by "*the bank or any person related to or associated with the bank, or over which the bank exercises or may exercise control or significant influence*". There was uncertainty regarding the interpretation of this provision, particularly in light of the fact that, where Conversion applies to a Tranche of Subordinated Notes issued by Nedbank (which is "*related to or associated with*" the Issuer) then, upon the occurrence of the Trigger Event, Nedbank Group (as the "*controlling company*" of the Issuer) is obliged to acquire that Tranche of Subordinated Notes. Circular C6/2014 clarified some (but not all) of this uncertainty.

Circular C6/2014 provides that "*associated*" "*relates to the relevant bank or controlling company or a related party over which the bank and/or controlling company exercises or may exercise control or significant influence. The term therefore excludes a shareholder of the bank or controlling company itself; as the bank or controlling company has no control or significant influence over such a shareholder*".

Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks have further clarified the uncertainty regarding which entities may acquire Subordinated Notes. In terms of Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F), no Subordinated Notes may be held or acquired by the "*bank or any person related to or associated with the bank over which the bank exercises or may exercise control or significant influence*".

However, whereas Circular C6/2014 expressly refers to the "*controlling company*" of the relevant bank, Regulations

38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks do not refer to the "controlling company".

Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks (as read with Circular C6/2014) allow Nedbank Group to purchase or acquire or hold Subordinated Notes issued by the Issuer.

No proscribed entity referred to in Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks (as read with Circular C6/2014), may purchase or acquire or hold any Subordinated Notes.

**Guidance Note 06/2017**

The Issuer understands the interpretation of Guidance Note 06/2017 (as read with the relevant provisions of Regulations 38(11)(b) and 38(12) of the Regulations Relating to Banks) as at the Programme Date to be as follows:

- The Applicable Terms and Conditions of a Tranche of Subordinated Notes must contain a provision that requires that Tranche of Subordinated Notes, at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), to either (i) be Written Off or (ii) be Converted to the most subordinated form of equity.
- The Issuer must clearly indicate in the Applicable Pricing Supplement relating to a Tranche of Subordinated Notes whether that Tranche of Subordinated Notes will, at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), be Written Off or Converted. Accordingly, the Issuer must select and provide for the Conversion or the Write-Off option, in the Applicable Pricing Supplement, prior to the Issue Date.
- The Trigger Event for Additional Tier 1 Notes which are accounted as equity (if any) and Tier 2 Notes, respectively, will be the occurrence of the "trigger event" specified in writing by the Prudential Authority (as contemplated in Regulation 38(11)(b)(i) and Regulation 38(12)(a)(i), respectively, of the Regulations Relating to Banks); provided that, as a minimum, the aforesaid "trigger event" shall be the earlier of:
  - a decision that a write-off, without which the Issuer would become non-viable, is necessary, as determined by the Prudential Authority; or
  - the decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by the Prudential Authority,
 as contemplated in sub-paragraph (iii) of the proviso to Regulation 38(11)(b)(i) and sub-paragraph (iii) of the proviso to Regulation 38(12)(a)(i), respectively, of the Regulations Relating to Banks (see "*Determination and notification of Trigger Event*" below).
- The purely "discretionary" nature of the Trigger Event will therefore remain applicable to Additional Tier 1 Notes which are "accounted as equity" (if any) and Tier 2 Notes.
- The Trigger Event for Additional Tier 1 Notes which are accounted as liabilities will be the first to occur of the following events:
  - the occurrence of the "trigger event" specified in writing by the Prudential Authority (as contemplated in Regulation 38(11)(b)(i) of the Regulations Relating to Banks); provided that, as a minimum, the aforesaid "trigger event" shall be the earlier of:
    - a decision that a write-off, without which the Issuer would become non-viable, is necessary, as determined by the Prudential Authority; or
    - the decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by the Prudential Authority,
 as contemplated in sub-paragraph (iii) of the proviso to Regulation 38(11)(b)(i) of the Regulations Relating to Banks (see "*Determination and notification of Trigger Event*" below); or
  - the CET1 Ratio of the Issuer is equal to or falls below 5.875% of risk-weighted exposures;
- The CET1 Ratio criterion for determining the occurrence of the Trigger Event is accordingly only relevant in determining the occurrence of the Trigger Event which will be applicable to Additional Tier 1 Notes which are "accounted as liabilities".
- The Prudential Authority will notify the Issuer in writing once the Prudential Authority determines that the Trigger Event has occurred (see "*Determination and notification of Trigger Event*" below).
- Notwithstanding the occurrence of the Trigger Event, the Prudential Authority has a Discretion to (i) take action and allow the Write-Off or Conversion to occur in order to effect an increase the CET1 Ratio such that the

Issuer will be deemed by the Prudential Authority to be viable again or (ii) take no action and not require the Write-Off or Conversion to occur.

- Write-Off or Conversion of Subordinated Notes need only occur up until the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority.
- In terms of statutory ranking, Additional Tier 1 Notes are likely to be Written Off or Converted prior to any Write-Off or Conversion of Tier 2 Notes. The Subordinated Notes to be Written Off or Converted at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority) will be determined by the Prudential Authority.
- The Prudential Authority will also determine whether, at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), the Total Principal Amount or the Relevant Portion of the Principal Amount will be Written Off or Converted, such determination to be based on the book value of the relevant Subordinated Notes as reflected in the Issuer's financial statements or management accounts at the relevant time (with reference to the amount required to increase the CET1 Ratio such that the Issuer will be deemed by the Prudential Authority to be viable again).
- Where, at the occurrence of the Trigger Event, the Prudential Authority determines that the Relevant Portion of the Principal Amount will be Written Off or Converted, then if, after the Write-Off or Conversion, the Subordinated Notes are to be redeemed pursuant to the Terms and Conditions, the amount of principal and accrued but unpaid interest to be paid to the Subordinated Noteholders pursuant to such redemption must be irrevocably reduced by the Relevant Portion of the Principal Amount (plus accrued but unpaid interest on the Relevant Portion of the Principal Amount as at the occurrence of the Trigger Event).
- If the Issuer has both Tier 2 Notes and Other Tier 2 Capital Instruments in issue which are subject to Write-Off or Conversion, as applicable, the Tier 2 Notes and the Other Tier 2 Capital Instruments will be treated *pari passu*, and a partial Write-Off or Conversion may occur at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), up to the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority.
- If the Issuer has both Additional Tier 1 Notes and Other Additional Tier 1 Capital Instruments in issue which are subject to Write-Off or Conversion, as applicable, the Additional Tier 1 Notes and the Other Additional Tier 1 Capital Instruments will be treated *pari passu*, and a partial Write-Off or Conversion may occur at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), up to the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority.

*Conversion:*

Where Conversion applies to a Tranche of Subordinated Notes:

- If the Issuer Ordinary Shares are listed on an exchange, the ordinary shares into which the Subordinated Notes must be Converted must be Issuer Ordinary Shares.
- If the Issuer Ordinary Shares are not listed on an exchange and the Issuer is a wholly owned subsidiary of the Controlling Company, the ordinary shares into which the Subordinated Notes must be Converted must (the relevant provision would appear to be mandatory) be Controlling Company Ordinary Shares.
- If the Issuer Ordinary Shares or the Controlling Company Ordinary Shares, as the case may be, are listed on an exchange, the conversion price of the Issuer Ordinary Shares or the Controlling Company Ordinary Shares, as the case may be, will be the greater of:
  - the arithmetic mean (that is, the volume weighted average price) of the Issuer Ordinary Shares or the Controlling Company Ordinary Shares, as the case may be, for the 5 (five) consecutive dealing days immediately prior to the occurrence of the Trigger Event, as published by that exchange; or
  - 20% of the closing value of the Issuer Ordinary Shares or the Controlling Company Ordinary Shares, as the case may be, as at the Issue Date, as published by that exchange.
- If neither the Issuer Ordinary Shares nor the Controlling Company Ordinary Shares are listed on an exchange, the ordinary shares into which the Subordinated Notes must be Converted must be Issuer Ordinary Shares and the conversion price of the Issuer Ordinary Shares will be 20% of the book value of the Issuer Ordinary Shares as at the Issue Date.
- The Applicable Terms and Conditions of a Tranche of Subordinated Notes to which Conversion is applicable



must include the number (or a formula to determine the number) of Issuer Ordinary Shares or Controlling Company Ordinary Shares, as the case may be, to be issued to the Noteholders of that Tranche of Subordinated Notes at the occurrence of the Trigger Event.

- Where, at the occurrence of the Trigger Event, the Conversion of a Tranche of Subordinated Notes (i) cannot be undertaken for any reason or (ii) is not irrevocable or (iii) will not result in an immediate increase in the CET 1 Ratio, then that Tranche of Subordinated Notes must, instead of being Converted, be Written Off in order to effect an increase the CET1 Ratio such that the Issuer will be deemed by the Prudential Authority to be viable again.

*Write-Off:*

Where Write-Off applies to a Tranche of Subordinated Notes:

- The Unpaid Amount must be Written Off permanently with no provision for a write-up once the Issuer becomes viable again.
- If compensation is to be paid to the relevant Subordinated Noteholders as a result of the Write-Off, such compensation must be paid to the relevant Subordinated Noteholders in the form of Issuer Ordinary Shares or Controlling Company Ordinary Shares, as the case may be.

*Recovery and Resolution Legislation:*

- SARB and the National Treasury are in the process of implementing a statutory bail-in option under South African law (see "*Recovery and Resolution Legislation*" below). This legislation will also cover trigger events at the point of non-viability for purpose of the legislation and it is foreseen that the capital ratio related triggers will be similar.
- Once this legislation becomes enforceable, the Applicable Terms and Conditions regarding Conversion or Write-Off of a Tranche of Subordinated Notes already in issue (and the proceeds of which rank as Tier 2 Capital or Additional Tier 1 Capital, as the case may be) are likely to take precedence over the relevant statutory legislation requirements, once the Trigger Event occurs. Therefore these Applicable Terms and Conditions will remain in force for Subordinated Notes issued prior to the introduction of the legislation.
- The Issuer has the option to provide in the Applicable Terms and Conditions that, once the legislation becomes enforceable, the relevant statutory legislation requirements will replace the Applicable Terms and Conditions regarding Conversion or Write-Off, and the proceeds of the issue of the relevant Tranche of Subordinated Notes will continue to rank as Tier 2 Capital or Additional Tier 1 Capital, as the case may be.

Condition 10 (*Occurrence of the Trigger Event*) is based on (or extracted from) Regulations 38(11)(b) and 38(12) of the Regulations Relating to Banks as read with Guidance Note 06/2017.

***Determination and notification of Trigger Event***

The Prudential Authority has considerable discretion as to whether or not a Trigger Event has occurred. In relation to the Loss Absorption PONV Requirements which are applicable to Subordinated Notes, the Prudential Authority has discretion to determine whether or not (i) a Write-Off or Conversion (as applicable) or (ii) a public sector injection of capital, is required in order to avoid the Issuer ceasing to be viable.

The Regulations Relating to Banks (as read with Guidance Note 06/2017) which implement the Loss Absorption PONV Requirements also provide that the Trigger Event must "*as a minimum*" be the earlier of (a) a decision that a Write-Off, without which the Issuer would become non-viable, is necessary, as determined by the Prudential Authority or (b) the decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by the Prudential Authority. This wording appears to grant the Prudential Authority discretion to determine a Trigger Event that may occur earlier than the events specified in (a) and (b). Subordinated Noteholders are therefore exposed to the risk that their Subordinated Notes may be Written-Off or Converted (as applicable) (whether in whole or in part), before either (a) or (b) applies.

Whilst Guidance Note 06/2017 contemplates that further legislative guidance will be provided in due course, as at the Programme Date the Issuer cannot give any further assurances as to what any such Trigger Event will be, or the implications for Subordinated Noteholders.

Moreover, in relation to Additional Tier 1 Notes which are "accounted as liabilities", neither the Regulations Relating to Banks nor Guidance Note 06/2017 prescribe whether it is the Prudential Authority or the Issuer who is ultimately responsible for determining the CET 1 Ratio of the Issuer. Whilst the Issuer regularly publishes its CET 1 Ratio in both

its annual and half yearly financial statements, it is not certain that the Prudential Authority will necessarily agree with the Issuer's determination of its CET 1 Ratio from time to time, and the Prudential Authority may carry out its own assessment of the Issuer's CET 1 Ratio before determining that a Trigger Event has occurred.

It is also uncertain as to the time period that may elapse between the Prudential Authority's determination that a Trigger Event has occurred and its communication of that decision to the Issuer. Whilst the Issuer expects that any such notification would be made swiftly in order to ensure market stability, the Prudential Authority is not required to act within any particular time period. Because the Write Off or Conversion (as applicable) is specified to occur as at the date of the Trigger Event (and not the date on which the Prudential Authority notifies the Issuer of the occurrence of the Trigger Event), there is a risk that there will be a delay between the Prudential Authority's decision to require a Write-Off or Conversion (as applicable) and the Issuer being able to notify Subordinated Noteholders of the occurrence of the Trigger Event.

## **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 DFI, 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 "*Circular C6/2014 and Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks*" and "*Guidance Note 06/2017*" 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)	$4,5\% + A_1$	$6,0\% + A_2$	$8,0\% + P2A$ ICR	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		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)	$C_1 = \min(1\%$ or $50\%$ of DSIB) $D_1 = 100\%$ of CB $E_1 = 100\%$ of CCB	$C_2 = \min(1,5\%$ or $75\%$ of DSIB) $D_2 = 100\%$ of CB $E_2 = 100\%$ of CCB	DSIB (max of 2,5%) CB ( $\leq 2.5\%$ ) CCB	Phased in from 1 January 2016
Conservation buffer range (0% to 2.5%)	Reg 38(8)(e)(iv) & Reg 38(8)(f)				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)				Phased in from 1 January 2016
SA minima including countercyclical buffer, conservation buffer and D-SIB requirements <sup>3</sup>		$7,0\% + B_1 + E_1 + \min(2,0\%$ or $(A_1 + C_1))$	$8,5\% + B_2 + E_2 + \min(2,5\%$ or $(A_2 + C_2))$	$10,5\% + ICR + CCB + \min(3,5\%$ or $(P2A + DSIB))$	

<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>14</sup>					25%	50%	75%	100%			
Capital Conservation buffer <sup>25</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**

### **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, 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 (if any) 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 (if any).

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 Registered Notes and limited liquidity**

The Issuer may issue listed or unlisted Registered Notes. The continued listing of any Tranche of Registered Notes listed on the Interest Rate Market 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 Registered Notes will continue until the Maturity Date (if any).

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 (if any). 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 (if any).

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.

Subordinated Notes are, as at the Programme Date, relatively new securities.

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 Registered Notes**

Each Tranche of Uncertificated Registered Notes will be issued in registered 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 Registered Notes" include Beneficial Interests in Uncertificated Registered Notes, and *vice versa*, and references to "registered Noteholders of Uncertificated Registered Notes" include the holders of Beneficial Interests in Uncertificated Registered Notes, and *vice versa*.

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

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

Subject to the CSD Procedures, the registered Noteholders of Uncertificated Registered Notes will be able to trade their Uncertificated Registered Notes only through the Central Securities Depository. Subject to the CSD Procedures, the registered Noteholders of Uncertificated Registered Notes may only exercise their rights in respect of such Uncertificated Registered 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 Registered 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 Registered 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 Registered Notes, in accordance with the CSD Procedures, as contemplated in Condition 11.2.2 (*Method of payment – Uncertificated Registered 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 registered Noteholder of Uncertificated Registered Notes must therefore rely on the CSD Procedures to receive payments under such Uncertificated Registered Notes.

Registered Noteholders of Uncertificated Registered Notes must vote in accordance with the Applicable Procedures. Subject to the CSD Procedures, the registered Noteholders of Uncertificated Registered 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 Registered Notes.

Subject to the Financial Markets Act, the registered Noteholder of Uncertificated Registered Notes will only be entitled to exchange such Uncertificated Registered Notes for Registered Notes represented by a Certificate in accordance with Condition 15.1 (*Exchange of Uncertificated Registered Notes*).

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

If the aggregate Principal Amount of Registered 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 Registered Notes will be issued in accordance with, and be governed by, the Applicable Procedures.

A Noteholder which holds Registered 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 Registered Notes such that its total holding of such Registered Notes amounts to the minimum Specified Denomination.

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

#### **Recourse against the JSE**

Registered Notes that are not listed on the Interest Rate Market of the JSE are not regulated by the JSE. The holders of Registered Notes that are not listed on the Interest Rate Market 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, the Controlling Company or any other person.

#### **Tax considerations**

The Issuer has carried out (or will have carried out) all material steps reasonably necessary to ensure its general 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.

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

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors in the Notes. 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 in the Notes 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.

In addition, certain issues of Notes may not be an appropriate investment for investors in the Notes who are inexperienced with respect to:

- the applicable interest rate indices, currencies, other indices or formulas, or redemption or other rights or options; or
- investments where the amount of principal and/or interest payable (if any) is based on the price, value, performance or some other factor and/or the creditworthiness of one or more entities.

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

The Issuer may, in terms of and subject to the applicable provisions of Condition 9 (*Redemption and Purchase*), at its

election, redeem a Tranche of Notes prior to the Maturity Date (if any) (see, in regard to Subordinated Notes, "*Risks relating to the Subordinated Notes*" – "*Redemption risk*" below), as more fully described in Condition 9 (*Redemption and Purchase*). These elective redemption features may limit the market value of the Notes. During any period when the Issuer may elect to redeem the 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 Notes when its cost of borrowing is lower than the Interest Rate applicable to the Notes. In such circumstances an investor in the Notes 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 Notes. Potential investors in the Notes should consider reinvestment risk in light of other investments available at that time.

Any redemption of Subordinated Notes prior to the Maturity Date (if any) requires the prior written approval of the Prudential Authority (see "*Risks relating to the Subordinated Notes*" below).

#### **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.

See, in regard to Additional Tier 1 Notes, "*Risks relating to Additional Tier 1 Notes*" – "*Election not to pay interest on Additional Tier 1 Notes*" below.

#### **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.

#### **ADDITIONAL RISKS RELATING TO SUBORDINATED NOTES**

See "*The Basel III Accord and Capital Adequacy*" - "*South African implementation of Basel III*" above.

#### **Capital Regulations**

In order for the proceeds of the issue of a Tranche of Subordinated Notes to rank as Additional Tier 1 Capital or Tier 2 Capital, as the case may be, the Subordinated Notes must comply with the applicable Capital Regulations and such Additional Conditions (if any) as are prescribed by the Prudential Authority in respect of that Tranche of Subordinated Notes (see "*South African implementation of Basel III*" above).

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

The payment obligations of the Issuer under Subordinated Notes will rank behind Unsubordinated Notes. In particular, (a) the payment obligations of the Issuer under Additional Tier 1 Notes will rank behind Unsubordinated Notes and Tier 2 Notes and (b) the payment obligations of the Issuer under Tier 2 Notes will rank behind Unsubordinated Notes. See Condition 5.2 (*Status of the Tier 2 Notes*) and Condition 5.3 (*Status of the Additional Tier 1 Notes*) for a full description of the subordination of the payment obligations of the Issuer under Subordinated Notes.

As at the Programme Date, the relative subordinations of the various Capital Instruments issued by a bank or a controlling company are not entirely clear, although the importance of investor certainty in this regard has been recognized by the relevant authorities.

The above applies, in particular, to the specific relative subordinations between Common Equity Tier 1 Capital Instruments, Additional Tier 1 Capital Instruments and Tier 2 Capital Instruments (all "new-style" Capital Instruments,



some of which are provided for under this Programme Memorandum) (see, in addition, "South African implementation of Basel III" under "Recovery and Resolution Legislation" above).

#### **No limitation on issuing securities**

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

#### **Winding-up and liquidation of the Issuer**

If the Issuer is wound-up or placed under liquidation, whether voluntarily or involuntarily, Tier 2 Noteholders will not be entitled to any payments in respect of the Tier 2 Notes until the claims of Depositors and Senior Creditors which are admissible in any such winding-up or liquidation have been paid or discharged in full (see Condition 5.2.3 (*Subordination*)). If the Issuer does not have sufficient assets at the time of winding-up or liquidation to satisfy those claims, Tier 2 Noteholders will not receive any payment on the Tier 2 Notes.

If the Issuer is wound-up or placed under liquidation, whether voluntarily or involuntarily, Additional Tier 1 Noteholders will not be entitled to any payments in respect of the Additional Tier 1 Notes until the claims of Depositors, Senior Creditors and the holders of Subordinated Debt which are admissible in any such winding-up or liquidation have been paid or discharged in full (see Condition 5.3.3 (*Subordination*)). If the Issuer does not have sufficient assets at the time of winding-up or liquidation to satisfy those claims, Additional Tier 1 Noteholders will not receive any payment on the Additional Tier 1 Notes.

#### **Redemption risk**

If a Tax Event has occurred and is continuing, a Tranche of Subordinated Notes may (subject to the prior written approval of the Prudential Authority) be redeemed, at the election of the Issuer, in whole, but not in part, on the Early Redemption Date (Tax), at the Early Redemption Amount (Tax), as described in Condition 9.2 (*Redemption for tax reasons*).

If a Regulatory Event has occurred and is continuing, a Tranche of Subordinated Notes may (subject to the prior written approval of the Prudential Authority), be redeemed, at the election of the Issuer, in whole, but not in part, on the Early Redemption Date (Regulatory), at the Early Redemption Amount (Regulatory), as described in Condition 9.3 (*Redemption for regulatory reasons*).

In addition, If the Issuer Early Redemption Election is applicable to a Tranche of Subordinated Notes, the Issuer may (subject to the Issuer complying with the conditions to redemption set out in Condition 9.4.2 (*Subordinated Notes*)), at its election, redeem that Tranche of Subordinated Notes (in whole or in part), on the Early Redemption Date (Call), at the Early Redemption Amount (Call), as described in Condition 9.4 (*Redemption at the election of the Issuer*).

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

#### **Events of Default**

If default is made in the payment of any principal or interest due on the Tier 2 Notes for a period of 5 (five) days or more after the date on which payment of such principal is due or 10 (ten) days or more after the date on which payment of such interest is due (as the case may be), any Tier 2 Noteholder may, subject to Condition 13.2 (*Events of Default relating to Tier 2 Notes*), at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but take no other action in respect of that default.

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

If any step (including an application, a proposal or a convening of a meeting) is taken by any Person with a view to having the Issuer liquidated and an order is thereafter passed for the liquidation of the Issuer, all of the Tier 2 Notes shall be deemed, on the date on which such step is taken, to have been declared forthwith due and payable (whether or not due for payment and without further action or formality), at the Early Termination Amount (subject to Condition 5.2.3 (*Subordination*)), on and with effect from the day preceding the date on which such order for the liquidation of the Issuer is passed (see Condition 13.2 (*Events of Default relating to Tier 2 Notes*)).

If default is made in the payment of any principal or interest due on the Additional Tier 1 Notes for a period of 7 (seven) days or more after any date on which payment of such principal or such interest is due, each Additional Tier 1 Noteholder may, subject to Condition 13.3 (*Events of Default relating to Additional Tier 1 Notes*), at its discretion and



without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but may take no other action in respect of such default.

### **Loss Absorption PONV Requirements - occurrence of the Trigger Event**

#### **General**

See "*The Basel III Accord and Capital Adequacy*" - "*South African implementation of Basel III*" – "*Guidance Note 06/2017*" above.

In terms of the relevant provisions of Regulations 38(11)(b) and 38(12) of the Regulations Relating to Banks as read with Guidance Note 06/2017, Subordinated Notes will (at the Discretion of the Prudential Authority) be subject to Write-Off or Conversion upon the occurrence of the Trigger Event, which may result in Subordinated Noteholders losing some or all of their investment. The occurrence of the Trigger Event or any suggestion of any such occurrence could materially adversely affect the market price of Subordinated Notes.

#### **Write-Off**

Unless otherwise specified in the Applicable Pricing Supplement, Condition 10.18 (*Write-Off*) will apply to a Tranche of Subordinated Notes where Write-Off is specified in the Applicable Pricing Supplement as being applicable.

At the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), the Unpaid Amount will be Written Off and all of the Subordinated Notes or the Relevant Portion of the Subordinated Notes, as applicable, will be cancelled in the manner set out in Condition 10.18 (*Write-Off*).

If the Applicable Pricing Supplement specifies that compensation is to be paid to the relevant Subordinated Noteholders as a result of the Write-Off, such compensation will (unless otherwise specified in the Applicable Pricing Supplement) be paid to the relevant Subordinated Noteholders in the form of Controlling Company Ordinary Shares and (unless otherwise specified in the Applicable Pricing Supplement) the provisions of Condition 10.19 (*Conversion*) will apply *mutatis mutandis*

If the Applicable Pricing Supplement does not specify that compensation is to be paid to the relevant Subordinated Noteholders as a result of the Write-Off, no compensation will be paid to the relevant Subordinated Noteholders as a result of the Write-Off.

#### **Conversion**

Unless otherwise specified in the Applicable Pricing Supplement, Condition 10.19 (*Conversion*) will apply to a Tranche of Subordinated Notes where Conversion is specified in the Applicable Pricing Supplement as being applicable.

As at the Programme Date, (i) the Issuer Ordinary Shares are not listed on the JSE or on any other Financial Exchange, (ii) the Issuer is a wholly owned subsidiary of the Controlling Company and (iii) the Controlling Company Ordinary Shares are listed on the JSE (see "*South African implementation of Basel III*" - "*Interpretation of Guidance Note 06/2017*" above). The ordinary shares into which the Subordinated Notes must be Converted must therefore be Controlling Company Ordinary Shares.

At the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), all of the Subordinated Notes or the Relevant Portion of the Subordinated Notes, as applicable, will be Converted into Controlling Company Ordinary Shares in the manner set out in Condition 10.19 (*Conversion*).

Where, at the occurrence of the Trigger Event, the Conversion of the relevant Tranche of Subordinated Notes (i) cannot be undertaken for any reason or (ii) is not irrevocable or (iii) will not result in an immediate increase in the CET 1 Ratio, then the relevant Tranche of Subordinated Notes will, instead of being Converted, be Written Off, at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), *mutatis mutandis* in accordance with the provisions of Condition 10.18.2 (*Write-Off*).

#### **Tax consequences**

***It should be noted that the tax consequences to the Subordinated Noteholder of the compulsory Conversion of Subordinated Notes into Controlling Company Ordinary Shares or the compulsory Write-Off of Subordinated Notes, upon the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), are complicated, and a ruling in this regard may need to be obtained from the South African Revenue Service. A summary of some of the possible tax consequences is set out in the section of this Programme Memorandum headed "Taxation". Prospective subscribers for or purchasers of any Subordinated Notes must consult their professional advisers in this regard.***

## **ADDITIONAL RISKS RELATING TO ADDITIONAL TIER 1 NOTES**

### **Election not to pay interest on Additional Tier 1 Notes**

In terms of Regulation 38(11)(b) of the Regulations Relating to Banks, the Issuer must at all times have full discretion regarding any payment of interest on the Additional Tier 1 Notes. Interest payments on the Additional Tier 1 Notes will not be cumulative.

Subject to Condition 7.2.4 (*Non-payment of interest*) (see the paragraph below), the Issuer may at any time elect not to pay the relevant Interest Amount (or any portion thereof) on the Additional Tier 1 Notes, on the relevant Interest Payment Date, as more particularly described in Condition 7.2 (*Non-payment of interest*).

In terms of Condition 7.2.4 (*Non-payment of interest*), the Issuer is obliged to elect not to pay the relevant Interest Amount, on the relevant Interest Payment Date, if the Issuer is in breach of the Capital Regulations on the Business Day prior to the relevant Interest Payment Date or would be in breach of the Capital Regulations if the relevant Interest Amount (or any portion thereof) were paid on the relevant Interest Payment Date.

Any interest not so paid on any such Interest Payment Date will be cancelled and will no longer be due and payable by the Issuer. A cancellation of interest pursuant to Condition 7.2 (*Non-payment of interest*) does not constitute an Event of Default under the Additional Tier 1 Notes for any purpose.

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

### **Restrictions following non-payment of interest on Additional Tier 1 Notes**

For purposes of Condition 7.3 (*Restrictions following non-payment of interest on Additional Tier 1 Notes*), the Applicable Terms and Conditions of a Tranche of Additional Tier 1 Notes "shall not contain any feature that may hinder any potential future recapitalisation" (Regulation 38(11)(b)(iv)(G) of the Regulations Relating to Banks) and any election not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date in accordance with Condition 7.2 (*Non-payment of interest*) shall not impose any restriction on the Issuer or the Controlling Company "except in relation to a distribution to holders of more deeply subordinated shares or instruments" (Regulation 38(11)(b)(vi)(C) of the Regulations Relating to Banks).

In terms of Condition 7.3 (*Restrictions following non-payment of interest on Additional Tier 1 Notes*), if the relevant Interest Amount (or any portion thereof) in respect of any Additional Tier 1 Notes has not been paid in full on the relevant Interest Payment Date pursuant to Condition 7.2 (*Non-payment of interest*), then from the relevant Interest Payment Date until the next Interest Payment Date of any Tranche of Additional Tier 1 Notes then in issue on which the Issuer has paid in full the Interest Amount due and payable on all Tranches of Additional Tier 1 Notes then in issue, neither the Issuer nor the Controlling Company will (and the Controlling Company will procure that no other Group Company will):

- declare or pay a distribution or dividend or pay any interest on any Junior Securities other than:
  - Mandatory Preference Shares; or
  - any dividend which has been declared on any Junior Securities before the date of the notice to Noteholders referred to in Condition 7.2 (*Non-payment of interest*); or
  - intra-group dividends on any Junior Securities between Group Companies which are wholly-owned subsidiaries and to Group Companies which are holding companies, which can be paid at any time; PROVIDED THAT intra-group dividends may not be declared or paid on Issuer Ordinary Shares and/or Controlling Company Ordinary Shares the proceeds of which, in each instance, qualify (or are deemed under the Capital Regulations to qualify) as Common Equity Tier 1 Capital, except to the extent that such intra-group dividends are required to re-capitalise the Issuer; or
- redeem, purchase, reduce or otherwise acquire any Junior Securities or any securities of any of its Subsidiary undertakings benefiting from a guarantee from any other Group Company ranking (or deemed under the Capital Regulations to rank) as to the right of repayment of principal (in the case of such securities) or as to the payment of sums under any such guarantee (in the case of any such guarantee), as the case may be, junior to the Additional Tier 1 Notes.

The obligations of the Controlling Company under Condition 7.3 (*Restrictions following non-payment of interest on Additional Tier 1 Notes*) are enforceable by the Additional Tier 1 Noteholders pursuant to the Dividend Restriction Agreement and Condition 22 (*Benefits*).

#### **Perpetual securities**

The Additional Tier 1 Notes have no Maturity Date and will only be redeemed, at the aggregate Outstanding Principal Amount of the Additional Tier 1 Notes plus accrued interest (if any), on a winding-up or liquidation of the Issuer subject to and in accordance with the provisions of Condition 5.3.3 (*Subordination*).

The Additional Tier 1 Notes may only be redeemed, substituted, varied or purchased, prior to a winding-up or liquidation of the Issuer in accordance with and subject to the provisions of Condition 9.2 (*Redemption for tax reasons*), Condition 9.3 (*Redemption for regulatory reasons*), Condition 9.4 (*Redemption at the election of the Issuer*) or Condition 9.5 (*Substitution or variation of Additional Tier 1 Notes*), as applicable. Noteholders may therefore be required to bear the risks of an investment in the Additional Tier 1 Notes for an indefinite period of time.

#### **Substitution or variation**

If a Tax Event or a Regulatory Event, as the case may be, has occurred and is continuing, then the Issuer may, at its election, instead of giving notice to redeem a Tranche of Additional Tier 1 Notes pursuant to the Condition 9.2 (*Redemption for tax reasons*) or Condition 9.3 (*Redemption for regulatory reasons*), as the case may be, subject to the Issuer satisfying the conditions set out in Condition 9.6 (*Conditions to substitution or variation of Additional Tier 1 Notes*), substitute at any time all (but not some only) of the Additional Tier 1 Notes in that Tranche for, or vary the Applicable Terms and Conditions of that Tranche of Additional Tier 1 Notes so that they remain, Qualifying Additional Tier 1 Capital Securities or become Qualifying Tier 2 Capital Securities, as more fully described in Condition 9.5 (*Substitution or variation of Additional Tier 1 Notes*).

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

The risks (if any) of investing in particular types of Notes 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.*

<b>Approval and listing</b>	<p>This Programme Memorandum, dated 8 February 2019, was registered and approved by the JSE on 4 February 2019.</p> <p>A Tranche of Registered Notes may be listed on the Interest Rate Market of the JSE and/or on such other Financial Exchange/s 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. Unlisted Notes are not regulated by the JSE. The holders of Registered Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE.</p> <p>The Applicable Pricing Supplement relating to a Tranche of Registered Notes will specify whether or not the Registered Notes in that Tranche will be listed and, if so, on which Financial Exchange.</p>
<b>Arranger</b>	Nedbank Limited, acting through its Corporate and Investment Banking division.
<b>Blocked Rand</b>	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 " <i>Exchange Control</i> ").
<b>Calculation/Issuer Agent</b>	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 18 ( <i>Transfer Agent, Calculation/Issuer Agent and Settling Bank</i> ).
<b>Central Securities Depository</b>	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.
<b>Clearing and settlement</b>	<p>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.</p> <p>Each Tranche of Uncertificated Registered Notes will be issued in registered uncertificated form and will be held in the Central Securities Depository.</p> <p>Each Tranche of Uncertificated Registered 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 "<i>Settlement, Clearing and Transfers of Registered Notes</i>").</p> <p>Each Tranche of Registered 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 (see the section of this Programme Memorandum headed "<i>Settlement, Clearing and Transfers of Registered Notes</i>").</p>
<b>Cross default</b>	Unsubordinated Notes will have the benefit of a cross default as described in Condition 13.1 ( <i>Events of Default relating to Unsubordinated Notes</i> ).
<b>CSD Procedures</b>	In relation to a Tranche of Uncertificated Registered Notes, the rules and operating procedures for the time being of the Central Securities Depository and Participants.
<b>Dealers</b>	<p>Nedbank Limited, acting through its Corporate and Investment Banking division.</p> <p>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</p>

Tranche of Notes (see the section of this Programme Memorandum headed "*Subscription and Sale*" under "*Arranger, Debt Sponsor, Dealer and Placing Arrangements*").

<b>Debt Sponsor</b>	Nedbank Limited, acting through its Corporate and Investment Banking division.
<b>Description of the Programme</b>	Nedbank Limited ZAR75,000,000,000 Domestic Medium Term Note Programme.
<b>Distribution</b>	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.
<b>Exchange control</b>	<p>This Programme Memorandum does not require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations.</p> <p>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.</p> <p>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 (see the section of this Programme Memorandum headed "<i>Exchange Control</i>").</p>
<b>Form of Notes</b>	Subject, in the case of Subordinated Notes, to the applicable Capital Regulations, Notes will be issued in the form of Registered Notes, Order Notes or Bearer Notes as described in the section of this Programme Memorandum headed " <i>Form of the Notes</i> ".
<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. Subordinated Notes must be 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 8 (<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>Zero Coupon Notes will not bear interest.</p>
<b>Interest payments:</b>	
<i>General</i>	Subject to the " <i>Non-payment of interest on Additional Tier 1 Notes</i> " below, interest on a Tranche of interest-bearing Notes will be payable in arrear, in respect of the Interest Period/s specified in the Applicable Pricing Supplement, on the Interest Payment Date/s specified in the Applicable Pricing Supplement.
<i>Non-payment of interest on Additional Tier 1 Notes</i>	<p>The Issuer may elect not to pay, and in certain circumstances is obliged to elect not to pay, interest on Additional Tier 1 Notes as more fully set out in Condition 7.2 (<i>Non-payment of interest</i>).</p> <p>If the relevant Interest Amount (or any portion thereof) in respect of any Additional Tier 1 Notes has not been paid in full on the relevant Interest Payment Date pursuant to Condition 7.2 (<i>Non-payment of interest</i>), the "dividend stopper" restrictions set out in Condition 7.3 (<i>Restrictions following non-payment of interest on Additional Tier 1 Notes</i>) will apply.</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 the 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 and Maturity Period</b>	The Maturity Date of a Tranche of Unsubordinated Notes and a Tranche of Tier 2 Notes will be specified in the Applicable Pricing Supplement.  A Tranche of Additional Tier 1 Notes will be issued without a Maturity Date.  Subject to the applicable Capital Regulations, Tier 2 Notes will have a minimum Maturity Period of 5 (five) years and 1 (one) day.
<b>Negative pledge</b>	Unsubordinated Notes will have the benefit of a negative pledge as described in Condition 6 ( <i>Negative Pledge</i> ).
<b>Noteholders</b>	The Noteholders are (i) the holders of Registered Notes which are recorded as the registered Noteholder of such Registered Notes in the Register (see " <i>Register</i> " below), (ii) the Bearers of Bearer Notes, and (iii) the Payees of Order Notes.
<b>Participants</b>	The persons accepted by the Central Securities Depository as participants in terms of the Financial Markets Act.  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.  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.
<b>Programme Amount</b>	As at the Programme Date, the Programme Amount is ZAR75,000,000,000.  The aggregate Outstanding Principal Amount of Notes (including Existing Notes) in issue under the Programme may not exceed ZAR75,000,000,000, 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 " <i>General Description of the Programme</i> ".
<b>Rating</b>	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.
<b>Redemption:</b>	
<i>Redemption at maturity</i>	Unless previously redeemed, or purchased and cancelled, pursuant to Condition 9



(*Redemption and purchase*), the Issuer will redeem a Tranche of Notes (other than Additional Tier 1 Notes), on the Maturity Date, at the Final Redemption Amount, as described in Condition 9.1.1 (*Scheduled redemption*).

A Tranche of Instalment Notes may be redeemed in two or more instalments on such dates and in such manner as is specified in the Applicable Pricing Supplement.

The Additional Tier 1 Notes have no Maturity Date and will only be redeemed on a winding-up or liquidation of the Issuer, subject to and in accordance with Condition 5.3.3 (*Subordination*), as more fully described in Condition 9.1.2 (*Scheduled redemption*).

The Additional Tier 1 Notes may only be redeemed, substituted, varied or purchased, prior to a winding-up or liquidation of the Issuer in accordance with and subject to the provisions of Condition 9.2 (*Redemption for tax reasons*), Condition 9.3 (*Redemption for regulatory reasons*), Condition 9.4 (*Redemption at the election of the Issuer*) or Condition 9.5 (*Substitution or variation of Additional Tier 1 Notes*), as applicable.

*Redemption at the election of the Issuer* If the Issuer Early Redemption Election is applicable to a Tranche of Notes, the Issuer may (subject, in the case of a Tranche of Subordinated Notes, to the Issuer complying with the conditions to redemption set out in Condition 9.4.2 (*Subordinated Notes*)) at its election, redeem that Tranche of Notes (in whole or in part), on the Early Redemption Date (Call), at the Early Redemption Amount (Call), as described in Condition 9.4 (*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 Unsubordinated Notes, the Noteholder of any Note/s in that Tranche may, at its election (but subject to Condition 9.7.2 (*Redemption at the election of Noteholders*)) require the Issuer to redeem all or any of such Note/s (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 9.7 (*Redemption at the election of Noteholders*).

*Redemption following a Regulatory Event* a If a Regulatory Event has occurred and is continuing, a Tranche of Subordinated Notes may (subject to the prior written approval of the Prudential Authority), be redeemed, at the election of the Issuer, in whole, but not in part, on the Early Redemption Date (Regulatory), at the Early Redemption Amount (Regulatory), as described in Condition 9.3 (*Redemption for regulatory reasons*).

*Redemption following a Tax Event* a If a Tax Event has occurred and is continuing, a Tranche of Notes may (subject, in the case of a Tranche of Subordinated Notes, to the prior written approval of the Prudential Authority) be redeemed, at the election of the Issuer, in whole, but not in part, on the Early Redemption Date (Tax), at the Early Redemption Amount (Tax), as described in Condition 9.2 (*Redemption for tax reasons*).

*Substitution or variation of Additional Tier 1 Notes* – If a Tax Event or a Regulatory Event, as the case may be, has occurred and is continuing, then the Issuer may, at its election, instead of giving notice to redeem a Tranche of Additional Tier 1 Notes pursuant to Condition 9.2 (*Redemption for tax reasons*) or Condition 9.3 (*Redemption for regulatory reasons*), as the case may be, subject to the Issuer satisfying the conditions set out in Condition 9.6 (*Conditions to substitution or variation of Additional Tier 1 Notes*), substitute at any time all (but not some only) the Additional Tier 1 Notes in that Tranche for, or vary the Applicable Terms and Conditions of that Tranche of Additional Tier 1 Notes so that they remain, Qualifying Additional Tier 1 Capital Securities or become Qualifying Tier 2 Capital Securities, as more fully described in Condition 9.5 (*Substitution or variation of Additional Tier 1 Notes*).

**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 Registered 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 Registered Notes.

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

Subject to Condition 11.2.2 (*Method of payment – Uncertificated Registered 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 Registered Notes.

**Register Closed Period**

The Register will, in respect of a Tranche of Registered 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.

**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 18 (*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 Registered 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:**

A Tranche of Notes may comprise Subordinated Notes or Unsubordinated Notes, as specified in the Applicable Pricing Supplement.

Subordinated Notes will, subject to the Banks Act and the Capital Regulations, comprise Additional Tier 1 Notes and/or Tier 2 Notes.

*Status of the Unsubordinated*

The Unsubordinated Notes will constitute direct, unconditional, unsubordinated and

<i>Notes</i>	(subject to the provisions of Condition 6 ( <i>Negative Pledge</i> )) unsecured obligations of the Issuer, and will rank <i>pari passu</i> without any preference or priority among themselves and <i>pari passu</i> with Existing Notes which are "Unsubordinated Notes" (as defined in the section of the Previous Programme Memorandum headed " <i>Terms and Conditions</i> "), and (save for those that have been accorded by law preferential rights) at least <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Issuer, as described in Condition 5.1 ( <i>Status of the Unsubordinated Notes</i> ).
<i>Status of the Tier 2 Notes</i>	The Tier 2 Notes will constitute direct, unsecured and, in accordance with Condition 5.2.3 ( <i>Subordination</i> ), subordinated obligations of the Issuer and will rank <i>pari passu</i> without any preference or priority among themselves and <i>pari passu</i> with all securities issued by the Issuer the proceeds of which qualify (or are deemed under the Capital Regulations to qualify) as Tier 2 Capital and/or which rank or are expressed to rank (or are deemed under the Capital Regulations to rank) <i>pari passu</i> with the Tier 2 Notes, and (save for those that have been accorded by law preferential rights) at least <i>pari passu</i> with all other claims of creditors of the Issuer which rank or are expressed to rank (or are deemed under the Capital Regulations to rank) <i>pari passu</i> with the Tier 2 Notes, as described in Condition 5.2 ( <i>Status of the Tier 2 Notes</i> ).
<i>Status of the Additional Tier 1 Notes</i>	The Additional Tier 1 Notes will constitute direct, unsecured and, in accordance with Condition 5.3.3 ( <i>Subordination</i> ), subordinated obligations of the Issuer and will rank <i>pari passu</i> without any preference or priority among themselves and <i>pari passu</i> with all securities issued by the Issuer the proceeds of which qualify (or are deemed under the Capital Regulations to qualify) as Additional Tier 1 Capital and/or which rank or are expressed to rank (or are deemed under the Capital Regulations to rank) <i>pari passu</i> with the Additional Tier 1 Notes, and (save for those that have been accorded by law preferential rights) at least <i>pari passu</i> with all other claims of creditors of the Issuer which rank or are expressed to rank (or are deemed under the Capital Regulations to rank) <i>pari passu</i> with the Additional Tier 1 Notes, as described in Condition 5.3 ( <i>Status of the Additional Tier 1 Notes</i> ).
<b>Subordinated Notes - Capital Regulations</b>	<p>In order for the proceeds of the issue of a Tranche of Subordinated Notes to rank as Additional Tier 1 Capital or Tier 2 Capital, as the case may be, that Tranche of Subordinated Notes must comply with the applicable Capital Regulations (including such Additional Conditions (if any) as are prescribed by the Prudential Authority in respect of that Tranche of Subordinated Notes).</p> <p>The Issuer will specify in the Applicable Pricing Supplement whether an issue of a Tranche of Subordinated Notes is an issue of Additional Tier 1 Notes the proceeds of which are intended to rank as Additional Tier 1 Capital or an issue of Tier 2 Notes the proceeds of which are intended to rank as Tier 2 Capital. The Additional Conditions (if any) prescribed by the Prudential Authority in respect of any such Tranche of Subordinated Notes will be specified in the Applicable Pricing Supplement.</p>
<b>Subordinated Notes – Occurrence of the Trigger Event:</b>	
<i>Trigger Event</i>	<p>The Trigger Event for Additional Tier 1 Notes which are accounted as equity (if any) and Tier 2 Notes is set out in Condition 10.5 (<i>Occurrence of the Trigger Event</i>).</p> <p>The Trigger Event for Additional Tier 1 Notes which are accounted as liabilities is set out in Condition 10.6 (<i>Occurrence of the Trigger Event</i>).</p>
<i>Conversion or Write-Off at the occurrence of the Trigger Event</i>	The Applicable Pricing Supplement relating to a Tranche of Subordinated Notes will specify whether that Tranche of Subordinated Notes will, at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), be Written Off or Converted into Controlling Company Ordinary Shares.

<i>Conversion</i>	Unless otherwise specified in the Applicable Pricing Supplement, Condition 10.19 ( <i>Conversion</i> ) will apply to a Tranche of Subordinated Notes where Conversion is specified in the Applicable Pricing Supplement as being applicable. At the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), all of the Subordinated Notes or the Relevant Portion of the Subordinated Notes, as applicable, will be Converted into Controlling Company Ordinary Shares in the manner set out in Condition 10.19 ( <i>Conversion</i> ).
<i>Conversion not possible</i>	Where, at the occurrence of the Trigger Event, the Conversion of the relevant Tranche of Subordinated Notes (i) cannot be undertaken for any reason or (ii) is not irrevocable or (iii) will not result in an immediate increase in the CET 1 Ratio, then the relevant Tranche of Subordinated Notes will, instead of being Converted, be Written Off, at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), <i>mutatis mutandis</i> in accordance with the provisions of Condition 10.18.2 ( <i>Write-Off</i> ).
<i>Write-Off</i>	Unless otherwise specified in the Applicable Pricing Supplement, Condition 10.18 ( <i>Write-Off</i> ) will apply to a Tranche of Subordinated Notes where Write-Off is specified in the Applicable Pricing Supplement as being applicable. At the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), the Unpaid Amount will be Written Off and all of the Subordinated Notes or the Relevant Portion of the Subordinated Notes, as applicable, will be cancelled in the manner set out in Condition 10.18 ( <i>Write-Off</i> ).
<b>Taxation</b>	<p>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 "<i>Taxation</i>". The summary is not intended to be and 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 fiscal consequences of, and their tax positions in respect of the acquisition, holding and/or disposal of the Notes.</p> <p><b><i>It should be noted that the tax consequences to the Subordinated Noteholder of the compulsory Conversion of Subordinated Notes into Controlling Company Ordinary Shares or the compulsory Write-Off of Subordinated Notes, upon the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), are complicated, and a ruling in this regard may need to be obtained from the South African Revenue Service.</i></b></p> <p><b><i>A summary of some of the possible tax consequences is set out in the section of this Programme Memorandum headed "Taxation". Prospective subscribers for or purchasers of any Subordinated Notes must consult their professional advisers in this regard.</i></b></p>
<b>Terms and Conditions</b>	<p>The terms and conditions of the Notes are set out in the section of this Programme Memorandum headed "<i>Terms and Conditions</i>" ("<b>Terms and Conditions</b>").</p> <p>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.</p>
<b>Transfer Agent</b>	Nedbank Investor Services, a division of Nedbank Limited, unless the Issuer elects to appoint another entity as Transfer Agent, as contemplated in Condition 18 ( <i>Transfer Agent, Calculation/Issuer Agent and Settling Bank</i> ).
<b>Type of Notes</b>	A Tranche of Notes, whether Unsubordinated Notes or Subordinated Notes (but subject, in the case of Subordinated Notes, to the Capital Regulations), may comprise Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Mixed Rate Notes or such combination of any of the foregoing 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.

**Use of proceeds**

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

Subject to the applicable Capital Regulation, the proceeds of the issue of a Tranche of Additional Tier 1 Notes will rank as Additional Tier 1 Capital and the proceeds of the issue of a Tranche of Tier 2 Notes will rank as Tier 2 Capital, as specified 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 9.2 (*Redemption for tax reasons*) (and subject to certain exceptions as provided in Condition 12.1 (*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

Subject, in the case of Subordinated Notes, to the applicable Capital Regulations, a Tranche of Notes may be issued in the form of Registered Notes (see "*Registered Notes*" below), Bearer Notes (see "*Bearer Notes*" below) or Order Notes (see "*Order Notes*" below), as specified in the Applicable Pricing Supplement.

### REGISTERED NOTES

#### Uncertificated Registered Notes

Each Tranche of Uncertificated Registered 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 Registered 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 Registered Notes" include Beneficial Interests in Uncertificated Registered Notes, and *vice versa*, and references to "registered Noteholders of Uncertificated Registered Notes" include the holders of Beneficial Interests in Uncertificated Registered Notes, and *vice versa*.

The registered Noteholders of Uncertificated Registered 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 Registered Notes.

Each Tranche of Uncertificated Registered Notes will be held by the registered Noteholder/s of such Uncertificated Registered 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 Registered Notes or their custodians.

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

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

Title to Uncertificated Registered Notes will be reflected in the securities accounts maintained by the relevant Participants for the registered Noteholders of such Uncertificated Registered 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 Registered 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 Registered Notes standing to the account of such person shall be *prima facie* proof of such aggregate Outstanding Principal Amount of such Uncertificated Registered Notes.

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 Registered Notes. Uncertificated Registered Notes may be transferred only in accordance with the CSD Procedures.

Registered Noteholders of Uncertificated Registered Notes must vote in accordance with the Applicable Procedures. Subject to the CSD Procedures, the registered Noteholders of Uncertificated Registered 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 Registered Notes.

#### Registered Notes represented by Certificates

Subject to the Financial Markets Act, the registered Noteholder of Uncertificated Registered Notes will only be



entitled to exchange such Uncertificated Registered Notes for Registered Notes represented by a Certificate in accordance with Condition 15.1 (*Exchange of Uncertificated Registered Notes*).

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

Title to Registered Notes represented by Certificates will pass upon registration of transfer in accordance with Condition 16.1.2 (*Transfer of Registered Notes represented by Certificates*).

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

### **Payments**

Payments of all amounts due and payable in respect of Uncertificated Registered Notes will be made in accordance with the CSD Procedures and Condition 11.2.2 (*Method of payment - Uncertificated Registered Notes*).

Payments of all amounts due and payable in respect of Registered Notes represented by Certificates will be made, in accordance with Condition 11.2.3 (*Method of payment - Registered Notes represented by Certificates*), to the person named as the registered Noteholder of such Registered Notes in the Register at 17h00 (South African time) on the Last Day to Register.

### **Endorsements on Certificates representing Subordinated Notes**

If so required by the Capital Regulations, each Certificate (if any) representing Subordinated Notes will bear the legend prescribed by the applicable Capital Regulations.

### **Transferability of Registered Notes**

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

### **BEARER NOTES**

A Tranche of Bearer Notes will be embodied in, and represented by, Bearer Certificate/s. Subordinated Notes may not, in terms of the applicable Capital Regulations, be issued in the form of Bearer Notes.

Bearer Certificates which represent and embody interest bearing Bearer Notes shall, if indicated in the Applicable Pricing Supplement, have interest Coupons attached to the relevant Bearer Certificates on issue. Bearer Certificates which represent and embody Bearer Notes which are repayable in instalments shall have Receipts for the payment of the instalments of principal (other than the final instalment) attached to the relevant Bearer Certificates on issue.

The disposal or acquisition of or dealing in Bearer Notes is subject to the prior written approval of the Minister of Finance (or a person authorised by the Minister of Finance) in accordance with Regulation 15 of the Exchange Control Regulations.

Title to Bearer Notes will pass by delivery of the relevant Bearer Certificate in accordance with Condition 16.2 (*Transfer of Bearer Notes*).

### **ORDER NOTES**

A Tranche of Order Notes will be embodied in, and represented by, Order Certificate/s. Subordinated Notes will not be issued in the form of Order Notes.

Order Certificates which represent and embody interest-bearing Order Notes shall, if indicated in the Applicable Pricing Supplement, have interest Coupons attached to the relevant Order Certificates on issue. Order Certificates which represent and embody Order Notes which are repayable in instalments shall have Receipts for the payment of the instalments of principal (other than the final instalment) attached to the relevant Order Certificates on issue.

Title to Order Notes will pass by way of Endorsement and delivery of the relevant Order Certificate in accordance with Condition 16.3 (*Transfer of Order Notes*).

**PRO FORMA APPLICABLE PRICING SUPPLEMENT – UNSUBORDINATED NOTES**

Set out below is the form of Applicable Pricing Supplement which will be completed for each Tranche of Registered Unsubordinated 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 Registered Unsubordinated Notes which is to be listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE will, subject to the Rules of that Financial Exchange 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 Registered Unsubordinated Notes, each Tranche of Bearer Notes and each Tranche of Order 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)*

**ZAR75,000,000,000 DOMESTIC MEDIUM TERM NOTE PROGRAMME**

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

This document constitutes the Applicable Pricing Supplement relating to the issue of the Tranche of Unsubordinated 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 ZAR75,000,000,000 Domestic Medium Term Note Programme ("**Programme**").

The 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	3
4.	Status of the Notes	Unsubordinated Notes (see Condition 5.1 ( <i>Status of the Unsubordinated Notes</i> ))
5.	Security	[Secured] [Unsecured]

6. Form of the Notes Registered Notes.  
The Notes are issued in registered uncertificated form and will be held in the Central Securities Depository.
7. Type of Notes *(\*delete whichever of the below is not applicable)*  
[Fixed Rate Notes]  
[Floating Rate Notes]  
[Mixed Rate Notes]  
[Zero Coupon Notes]  
*[specify other]*
8. Issue Date/First Settlement Date [ ]
9. Issue Price [100]%
10. Interest *(\*delete whichever of the below is not applicable)*  
[Fixed Rate Note Provisions (see Condition 8.1 (*Fixed Rate Note Provisions*))]  
[Floating Rate Note Provisions (see Condition 8.2 (*Floating Rate Note Provisions*))]  
[Mixed Rate Notes (see Condition 8.4 (*Mixed Rate Notes*))]  
*[specify other]*
11. Redemption/Payment Basis [Redemption at par] *[specify other]*
12. 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]*
13. Aggregate Principal Amount of this Tranche ZAR[ ]
14. Specified Currency [ZAR] *[specify other (subject to the Exchange Control Regulations and the approval of the JSE)]*
15. 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]*
16. Minimum Specified Denomination of each Note [ZAR1,000,000] *[specify other]*
17. Calculation Amount [ZAR1,000,000] *[specify other]*
18. Business Day Convention [Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention] *[specify other]*
19. 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 [ZAR75,000,000,000] *[specify other]*
2. Aggregate outstanding Principal Amount of all of the Notes (including Existing Notes) in issue under the Programme as at the ZAR[ ], excluding the aggregate Principal Amount of this Tranche and any other Tranches of Notes issued on the Issue Date specified in Item A(8) above.

Issue Date

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(18) 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 8.5.1 (*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)(a) below) plus the Margin (see Item D(11) below), determined by the Calculation/Issuer Agent in accordance with Condition 8.2.6 (*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(18) 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 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 Determination applicable:** (\*delete if not applicable)  
[Applicable] [Not Applicable]
- (a) Reference Rate [3-month JIBAR (being, subject to Condition 8.2.3 (*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 8.2.6 (*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 8.5.1 (*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. MIXED RATE NOTES** (\*delete if not applicable)
1. Interest Period/s during which the Interest Rate for the Mixed Rate Notes will be a Fixed 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

Interest Rate, and for which Interest Period/s the Mixed Rate Notes will, pursuant to Condition 8.3 (*Mixed Rate Notes*), be construed as Fixed Rate Notes and have the terms set out in Item C above headed "*Fixed Rate Note Provisions*" (and include) [the Interest Commencement Date ([ ])] [*specify other*] and end on (but exclude) [the First Interest Payment Date ([ ])] [*specify other*] and the final Interest Period shall end on (but exclude) [the Redemption Date] [*specify other*], 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)

2. Interest Period/s during which the Interest Rate for the Mixed Rate Notes will be a Floating Interest Rate, and for which Interest Period/s the Mixed Rate Notes will, pursuant to Condition 8.3 (*Mixed Rate Notes*), be construed as Floating Rate Notes and have the terms set out in Item D above headed "*Floating Rate Note Provisions*" 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 ([ ])] [*specify other*] and end on (but exclude) [the First Interest Payment Date ([ ])] [*specify other*] and the final Interest Period shall end on (but exclude) [the Redemption Date] [*specify other*], 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)
3. Other terms relating to the method of calculating interest for Mixed Rate Notes [Not Applicable] [*specify other terms*]

**F. ZERO COUPON NOTES** (*\*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 8.5.2 (*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*]

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

1. If the Notes are not Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes or Zero Coupon Notes set out the relevant description and the additional terms and conditions applicable to such Notes [*Give details*]

**H. REDEMPTION**

1. Maturity Date [ ]
2. Final Redemption Amount [The aggregate outstanding Principal Amount of this Tranche (plus accrued interest, if any) to the Maturity Date] [*specify other*]
3. Prior approval of the Prudential Authority required for redemption prior to the Maturity Date No



4.	<b>Issuer Early Redemption Election:</b>	[Applicable] (see Condition 9.4 ( <i>Redemption at the election of the Issuer</i> )) [Not Applicable]
(a)	Redemption in whole	[Applicable] [Not Applicable]
	<ul style="list-style-type: none"> <li>• Early Redemption Date (Call)</li> </ul>	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 9.4 ( <i>Redemption at the election of the Issuer</i> ).
	<ul style="list-style-type: none"> <li>• Early Redemption Amount (Call)</li> </ul>	[The aggregate outstanding Principal Amount of this Tranche (plus accrued interest, if any) to the Early Redemption Date (Call)] [The aggregate amount of principal (or the relevant portion thereof) of this Tranche calculated in accordance with Condition 9.9 ( <i>Early redemption of Zero Coupon Notes</i> )] [ <i>specify other</i> ]
	<ul style="list-style-type: none"> <li>• Notice period</li> </ul>	30 days
(b)	Redemption in part	[Applicable] [Not Applicable]
	<ul style="list-style-type: none"> <li>• Early Redemption Date/s (Call)</li> </ul>	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 9.4 ( <i>Redemption at the election of the Issuer</i> ).
	<ul style="list-style-type: none"> <li>• Early Redemption Amount/s (Call)</li> </ul>	[The percentage of the aggregate Outstanding Principal Amount of this Tranche which will be redeemed on each Early Redemption Date (Call) will be the percentage specified in the relevant notice of partial redemption given by the Issuer in terms of Condition 9.4 ( <i>Redemption at the election of the Issuer</i> ), and the provisions of "Early Redemption Amount (Call)" under Item 4(a) above will apply <i>mutatis mutandis</i> to the calculation of the Early Redemption Amount (Call).] [ <i>specify other</i> ]
	<ul style="list-style-type: none"> <li>• Notice period</li> </ul>	30 days
5.	<b>Noteholder Early Redemption Election:</b>	[Applicable] (see Condition 9.7 ( <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 9.7.2 ( <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 9.7 ( <i>Redemption at the election of Noteholders</i> ).
(a)	Redemption in whole	[Applicable] [Not Applicable]
	<ul style="list-style-type: none"> <li>• Early Redemption Date (Put)</li> </ul>	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.
	<ul style="list-style-type: none"> <li>• Early Redemption Amount (Put)</li> </ul>	[The aggregate outstanding Principal Amount of the relevant Notes (plus accrued interest, if any) to the Early Redemption Date (Put)] [The aggregate amount of principal of the relevant Notes calculated in accordance with Condition 9.9 ( <i>Early redemption of Zero Coupon Notes</i> )] [ <i>specify other</i> ]
(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) [The percentage of the aggregate Outstanding Principal Amount of the relevant Notes which (subject to Condition 9.7 (*Redemption at the election of Noteholders*)) the Issuer will be required to redeem on each Early Redemption Date (Put) will be the percentage specified in the relevant Noteholder Early Redemption Notice, and the provisions of "Early Redemption Amount (Put)" under Item 6(a) above will apply *mutatis mutandis* to the calculation of the Early Redemption Amount (Put).] [*specify other*]
- (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 9.7 (*Redemption at the election of Noteholders*).
- (d) *pro forma* Noteholder Early Redemption Notice attached [Yes] [No]
- 7. Early redemption following a Tax Event:** Applicable (see Condition 9.2 (*Redemption for tax reasons*))
- (a) Redemption in whole
- Early Redemption Date (Tax) 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 (Tax) in the notice of redemption given by the Issuer in terms of Condition 9.2 (*Redemption for tax reasons*).
  - Early Redemption Amount (Tax) [The aggregate outstanding Principal Amount of this Tranche (plus accrued interest, if any) to the Early Redemption Date (Tax)] [The aggregate amount of principal of this Tranche calculated in accordance with Condition 9.9 (*Early redemption of Zero Coupon Notes*)] [*specify other*]
- 8. Early redemption following a Regulatory Event:** Not Applicable
9. 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).
10. Other terms applicable on redemption [Not Applicable] [*give details*]
- I. AGENTS AND SPECIFIED OFFICES**
1. Calculation/Issuer Agent [Nedbank Limited, acting through its Corporate and Investment Banking division] [*specify other*]
  2. Specified Office of the Calculation/Issuer Agent [Nedbank 135 Rivonia Campus, Third Floor Block F, 135 Rivonia Road, Sandton, 2196, South Africa] [*specify other*]
  3. Settling Bank [Nedbank Investor Services, a division of Nedbank Limited] [*specify other*]
  4. Specified Office of the Settling [Lakeview Campus, 16 Constantia Boulevard, Constantia Kloof,

	Bank	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> ]
<b>J. REGISTER CLOSED</b>		
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 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.
<b>K. GENERAL</b>		
1.	Exchange control approval	[Not Applicable] [Applicable] ( <i>Note: see the section of the Programme Memorandum headed "Exchange Control"</i> )
2.	Additional selling restrictions	[Not Applicable] [ <i>give details</i> ]
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] [ <i>specify other</i> ]
8.	Stabilisation Manager	[Not Applicable] [ <i>give details</i> ]
9.	Method of Distribution	[Dutch Auction] [Dutch Auction (sealed bid without feedback)] [Private Placement] [ <i>specify other</i> ]
10.	Bookbuild and Allocation Policy	[Not Applicable] [As set out under " <i>Auction and Allocation Policy</i> " in the Term Sheet, dated [ ], prepared by the Dealer and sent to potential investors for purposes of placing the Notes] [ <i>specify other</i> ]
11.	Pricing Methodology	[Not Applicable] [ <i>give details</i> ]
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.	Additional Financial Centre	[Not Applicable] [ <i>give details</i> ]

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 3 of the Unsubordinated Notes on the Interest Rate Market of the JSE, as from [ ], pursuant to the Nedbank Limited ZAR75,000,000,000 Domestic Medium Term Note Programme.

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

*duly authorised*

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

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

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

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

*duly authorised*

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

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

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

**PRO FORMA APPLICABLE PRICING SUPPLEMENT – SUBORDINATED NOTES**

Set out below is the form of Applicable Pricing Supplement which will be completed for each Tranche of Subordinated 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 Subordinated Notes which is to be listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE will, subject to the Rules of that Financial Exchange 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 Subordinated 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)*

**ZAR75,000,000,000 DOMESTIC MEDIUM TERM NOTE PROGRAMME**

**issue of ZAR[ ] Subordinated [Fixed Rate Notes] [Floating Rate Notes] due [ ]**

This document constitutes the Applicable Pricing Supplement relating to the issue of the Tranche of Subordinated 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 ZAR75,000,000,000 Domestic Medium Term Note Programme ("**Programme**").

The 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       | 2                   |
| 4. | Status of the Notes | Subordinated Notes: |

*(\*delete whichever of the below is not applicable)*

[Tier 2 Notes (see Condition 5.2 (*Status of the Tier 2 Notes*))]



		[Additional Tier 1 Notes (see Condition 5.3 ( <i>Status of the Additional Tier 1 Notes</i> )))]
5.	Security	Unsecured
6.	Form of the Notes	Registered Notes.  The Notes are issued in registered uncertificated form and will be held in the Central Securities Depository.
7.	Type of Notes	<i>(*delete whichever of the below is not applicable)</i>  [Fixed Rate Notes]  [Floating Rate Notes]
8.	Issue Date/First Settlement Date	[ ]
9.	Issue Price	[100]%
10.	Interest	<i>(*delete whichever of the below is not applicable)</i>  [Fixed Rate Note Provisions (see Condition 8.1 ( <i>Fixed Rate Note Provisions</i> ))]  [Fixed Rate Note Provisions (see Condition 8.1 ( <i>Fixed Rate Note Provisions</i> )) - Conversion to Floating Interest Rate if no redemption on or before the Reference Reset Date (see Condition 8.2 ( <i>Floating Rate Note Provisions</i> ))]  [Floating Rate Note Provisions (see Condition 8.2 ( <i>Floating Rate Note Provisions</i> ))]
11.	Redemption/Payment Basis	Redemption at par
12.	Change of interest or redemption payment basis	[see Item C(15) below, if applicable] [Not Applicable]
13.	Aggregate Principal Amount of this Tranche	ZAR[ ]
14.	Specified Currency	[ZAR] [ <i>specify other (subject to the Exchange Control Regulations and the approval of the JSE)</i> ]
15.	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)] [ <i>specify other if the Specified Currency is not ZAR</i> ]
16.	Minimum Specified Denomination of each Note	[ZAR1,000,000] [ <i>specify other</i> ]
17.	Calculation Amount	[ZAR1,000,000] [ <i>specify other</i> ]
18.	Business Day Convention	[Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention] [ <i>specify other</i> ]
19.	Day Count Fraction	[Not Applicable]  [1/1] [Actual/365] [Actual/365 Fixed)] [Actual/360] [30/360] [30E/360] [ <i>specify other</i> ]
<b>B. PROGRAMME AMOUNT</b>		
1.	Programme Amount as at the Issue Date	[ZAR75,000,000,000] [ <i>specify other</i> ]
2.	Aggregate outstanding Principal Amount of all of the Notes (including Existing Notes) in issue under the Programme as at the	ZAR[ ], excluding the aggregate Principal Amount of this Tranche and any other Tranches of Notes issued on the Issue Date specified in Item A(8) above.

Issue Date

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. Issuer election not to pay interest In the case of a Tranche of Additional Tier 1 Notes, this Item C is subject in all respects to Condition 7 (*Interest Payments on Additional Tier 1 Notes*). (*Note: only applicable to Additional Tier 1 Notes*)
2. Fixed Interest Rate [The Notes will bear interest at the Fixed Interest Rate per annum (nominal annual compounded semi-annually) equal to [[ ]%] [the sum of the Initial Reference Rate (see Item C(4) below) plus the Margin (see Item C(5) below), being [ ]%,] for the period from and including the Interest Commencement Date to but excluding the [Redemption Date] [Reference Reset Date (or the Redemption Date if the Redemption Date falls before the Reference Reset Date)]]  
[specify other]
3. Reference Bond [The South African government bond designated as the ["R210"]] [specify other].
4. Initial Reference Rate [ ]%, being the average mid-market gross redemption yield rate per annum for the Reference Bond as published by the JSE in its mark to market report on the [Business Day immediately preceding the Issue Date] [specify other], determined by the Calculation/Issuer Agent *mutatis mutandis* in accordance with Condition 8.2.3 (*Screen Rate Determination*).
5. Margin [ ]%
6. Interest Commencement Date [Issue Date] [specify other]
7. Interest Payment Dates [Subject to Item C(15) below, if applicable] Semi-annually in arrear on [ ] and [ ] of each year until the [Reference Reset Date] [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(18) above).
8. First Interest Payment Date [ ]
9. 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(7) above).
10. Reference Reset Date (*\*delete if not applicable*)  
[Applicable: the Reference Reset Date is the First Early Redemption Date (Call) (see Item E(5)(a) below)]  
[Not Applicable]
11. **Reset Reference Rate if no redemption on or before the Reference Reset Date:** (*\*delete if not applicable*)  
[Applicable] [Not Applicable]  
[If the Notes are not redeemed in full on or before the Reference Reset Date, the Notes will bear interest at the Fixed Interest Rate per annum (nominal annual compounded semi-annually) equal to the sum of the

- Reset Reference Rate (see Item C(11)(a) below) plus the Margin (see Item C(5) above), for the period from and including the Reference Reset Date to but excluding the Redemption Date]
- (a) Reset Reference Rate [The Reset Reference Rate is the average mid-market gross redemption yield rate per annum for the Reference Bond as published by the JSE in its mark to market report on the Reference Reset Date (see Item C(10) above), determined by the Calculation/Issuer Agent *mutatis mutandis* in accordance with Condition 8.2.3 (*Screen Rate Determination*)]  
[specify other]
12. Fixed Coupon Amount ZAR[ ] per Calculation Amount.
13. Broken Amount/s [Not Applicable] [give details]
14. Other terms relating to the method of calculating the Fixed Interest Rate [Not Applicable] [give details]
15. **Conversion to Floating Interest Rate if no redemption on or before the Reference Reset Date:** (\*delete if not applicable)  
[Applicable] [Not Applicable]  
[If the Notes are not redeemed in full on or before the Reference Reset Date, 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(10)(a) below) plus the Margin (see Item D(12) below), determined by the Calculation/Issuer Agent in accordance with Condition 8.2.6 (*Calculation of Interest Amount*), for the period from and including the Reference Reset Date to but excluding the Redemption Date]
- (a) Floating Interest Rate and other terms relating to the method of calculating the Floating Interest Rate See Item D below
16. Default Rate [[ ]% per annum] (see Condition 8.5.1 (*Default interest*))
- D. FLOATING RATE NOTE PROVISIONS** (\*delete if not applicable)
1. Issuer election not to pay interest In the case of a Tranche of Additional Tier 1 Notes, this Item D is subject in all respects to Condition 7 (*Interest Payments on Additional Tier 1 Notes*). (*Note: only applicable to Additional Tier 1 Notes*).
2. 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(10)(a) below) plus the Margin (see Item D(12) below), determined by the Calculation/Issuer Agent in accordance with Condition 8.2.6 (*Calculation of Interest Amount*), for the period from and including the [Issue Date] [Reference Reset Date] to but excluding the Redemption Date]  
[specify other]
3. Interest Commencement Date [Issue Date] [specify other]
4. 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(18) above).
5. First Interest Payment Date [ ]
6. 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(4) above).
7. Rate Determination Dates The first day of each Interest Period; provided that the Rate Determination Date for the first Interest Period shall be [ ].
8. Manner in which the Floating Interest Rate is to be determined [Screen Rate Determination] [ISDA Determination] [Other Determination - *specify*]
9. **If ISDA Determination applicable:** (\*delete if not applicable)  
[Applicable] [Not Applicable]
- (a) Floating Rate Option [ ]
- (b) Designated Maturity [ ]
- (c) Reset Date [ ]
10. **If Screen Rate Determination applicable:** (\*delete if not applicable)  
[Applicable] [Not Applicable]
- (a) Reference Rate [3-month JIBAR (being, subject to Condition 8.2.3 (*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 8.2.6 (*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]
11. **If Other Determination applicable:** (\*delete if not applicable)  
[Applicable (*Note: if the Floating Interest Rate is to be calculated otherwise than by reference to Item D(9) above or Item D(10) above, insert basis for determining the Floating Interest Rate*)] [Not Applicable]
12. Margin [ ]%
13. Minimum Floating Interest Rate [Not Applicable] [give details]
14. Maximum Floating Interest Rate [Not Applicable] [give details]
15. Default Rate [[ ]% per annum] (see Condition 8.5.1 (*Default interest*))
16. Fall back provisions, rounding provisions and any other terms relating to the method of calculating the Floating Interest Rate [Not Applicable] [give details]
- E. REDEMPTION**
1. Maturity Date [Subject to Item (E)(5), Item (E)(7) and Item (E)(8) below, this Tranche shall only be redeemed, at the aggregate Outstanding Principal Amount

of this Tranche plus accrued interest (if any), on a winding-up (other than pursuant to a Solvent Reconstruction) or liquidation of the Issuer subject to Condition 5.3 (*Status of the Additional Tier 1 Notes*) (*Note: only applicable to a Tranche of Additional Tier 1 Notes which must be issued without a Maturity Date*)

[ [ ] ] (*Note: A Tranche of Tier 2 Notes must have a minimum Maturity Period of five years and one day*)

2. Final Redemption Amount [see Item E(1) above] (*Note: only applicable to a Tranche of Additional Tier 1 Notes*)

[The aggregate outstanding Principal Amount of this Tranche (plus accrued interest, if any) to the Maturity Date.] (*Note: only applicable to a Tranche of Tier 2 Notes*)

3. Prior approval of the Prudential Authority required for redemption prior to the Maturity Date Yes

4. Make Whole Amount (*\*delete if not applicable*) (*Note: the Make Whole Amount, if applicable, applies only to Subordinated Notes which are Fixed Rate Notes*)

[Applicable] [Not Applicable]

[The Make Whole Amount is the higher of (a) the outstanding Principal Amount of this Tranche and (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the gross redemption yield on this Tranche on the Reference Date (assuming for this purpose that this Tranche is to be redeemed at its outstanding Principal Amount on the First Early Redemption Date (Call)) is equal to the average mid-market gross redemption yield rate per annum for the Reference Bond as published by the JSE in its mark to market report on the Reference Date plus [ ]% , determined by the Calculation/Issuer Agent *mutatis mutandis* in accordance with Condition 8.2.3 (*Screen Rate Determination*)] [*specify other*].

For purposes of the Make Whole Amount, the following terms shall bear the following meanings:

"**Reference Bond**" means the South African government bond designated as the ["R210"] [*specify other*] (see Item C(3) above);

"**Reference Date**" means the date which is 3 (three) Business Days prior to (a) the Early Redemption Date (Tax) where this Tranche is redeemed pursuant to Item E(7) below or (b) the Early Redemption Date (Regulatory) where this Tranche is redeemed pursuant to Item E(8) below, as the case may be.

5. **Issuer Early Redemption Election:** [Applicable] (see Condition 9.4 (*Redemption at the election of the Issuer*))

[Not Applicable]

(*Note: where the Issuer Early Redemption Election is applicable, redemption of this Tranche is subject to the Issuer complying with the conditions to redemption set out in Condition 9.4.2 (Subordinated Notes)*)

- (a) Redemption in whole [Applicable] [Not Applicable]

- Early Redemption Date (Call) [ ] ("**First Early Redemption Date (Call)**") [or any Interest Payment Date falling after the First Early Redemption Date (Call)] (*Note: the First Early Redemption Date (Call) may not fall earlier than the date being 5 (five) years and one day after the Issue Date*)

- Early Redemption Amount The aggregate outstanding Principal Amount of this Tranche (plus

	(Call)	accrued interest, if any) to the Early Redemption Date (Call).
	• Notice period	30 days
(b)	Redemption in part	[Applicable] [Not Applicable]
	• Early Redemption Date/s (Call)	Each Interest Payment Date stipulated as the Early Redemption Date (Call) in the relevant notice of partial redemption given by the Issuer in terms of Condition 9.4 ( <i>Redemption at the election of the Issuer</i> ).
		<i>(Note: no Early Redemption Date (Call) may fall earlier than the date being 5 (five) years and one day after the Issue Date)</i>
	• Early Redemption Amount/s (Call)	The percentage of the aggregate Outstanding Principal Amount of this Tranche which will be partially redeemed on each Early Redemption Date (Call) will be the percentage specified in the relevant notice of redemption given by the Issuer in terms of Condition 9.4 ( <i>Redemption at the election of the Issuer</i> ), and the provisions of "Early Redemption Amount (Call)" under Item 5(a) above will apply <i>mutatis mutandis</i> to the calculation of the Early Redemption Amount (Call).
	• Notice period	30 days
6.	<b>Noteholder Early Redemption Election:</b>	Not Applicable
7.	<b>Early redemption following a Tax Event:</b>	Applicable (see Condition 9.2 ( <i>Redemption for tax reasons</i> ))
		<i>(Note: redemption of this Tranche pursuant to Condition 9.2 (Redemption for tax reasons) is subject to the prior written approval of the Prudential Authority)</i>
(a)	Redemption in whole	
	• Early Redemption Date (Tax)	The Interest Payment Date stipulated as the Early Redemption Date (Tax) in the notice of redemption given by the Issuer in terms of Condition 9.2 ( <i>Redemption for tax reasons</i> ).
	• Early Redemption Amount (Tax) - Fixed Rate Notes	(*delete if not applicable) [Applicable] [Not Applicable]
		The aggregate outstanding Principal Amount of this Tranche (in the circumstance envisaged in paragraph (a)(i) of the definition of "Tax Event" in Condition 1 and, if the Early Redemption Date (Tax) falls on or after the First Early Redemption Date (Call), in the circumstance envisaged in paragraph (a)(ii) [and/or paragraph (b)] of that definition) or at the aggregate Make Whole Amount (in the circumstance envisaged in paragraph (a)(ii) [and/or paragraph (b)] of that definition if the Early Redemption Date (Tax) falls before the First Early Redemption Date (Call)), as the case may be, plus accrued interest (if any) to the Early Redemption Date (Tax).
		<i>(Note: paragraph (b) of the definition of "Tax Event" in Condition 1 is only applicable to a Tranche of Additional Tier 1 Notes)</i>
	• Early Redemption Amount (Tax) - Floating Rate Notes	(*delete if not applicable) [Applicable] [Not Applicable]
		The aggregate outstanding Principal Amount of this Tranche plus accrued interest (if any) to the Early Redemption Date (Tax).
8.	<b>Early redemption following a Regulatory Event:</b>	Applicable (see Condition 9.3 ( <i>Redemption for regulatory reasons</i> ))
		<i>(Note: redemption of this Tranche pursuant to Condition 9.3 (Redemption</i>



*for regulatory reasons) is subject to the prior written approval of the Prudential Authority)*

- (a) Redemption in whole
- **Early Redemption Date (Regulatory)** The Interest Payment Date stipulated as the Early Redemption Date (Regulatory) in the notice of redemption given by the Issuer in terms of Condition 9.3 (*Redemption for regulatory reasons*).
  - **Early Redemption Amount (Regulatory) - Fixed Rate Notes** (*\*delete if not applicable*)  
[Applicable] [Not Applicable]  
The aggregate outstanding Principal Amount of this Tranche (if the Early Redemption Date (Regulatory) falls on or after the First Early Redemption Date (Call)) or at the aggregate Make Whole Amount (if the Early Redemption Date (Regulatory) falls before the First Early Redemption Date (Call)), as the case may be, plus accrued interest (if any) to the Early Redemption Date (Regulatory).
  - **Early Redemption Amount (Regulatory) - Floating Rate Notes** (*\*delete if not applicable*)  
[Applicable] [Not Applicable]  
The aggregate outstanding Principal Amount of this Tranche plus accrued interest (if any) to the Early Redemption Date (Regulatory).
9. Independent Investment Bank [Not Applicable] *[give details]*
10. Other terms applicable on redemption [Not Applicable] *[give details]*

#### F. OCCURRENCE OF THE TRIGGER EVENT

1. **Trigger Event:** (*\*delete whichever of the below is not applicable*)  
[Condition 10.5 (*Occurrence of the Trigger Event*) applicable] (*Note 1: applicable to a Tranche of Additional Tier 1 Notes which are accounted as equity (if any) and a Tranche of Tier 2 Notes*)  
[Condition 10.6 (*Occurrence of the Trigger Event*) applicable] (*Note 2: applicable to a Tranche of Additional Tier 1 Notes which are accounted as liabilities*)  
[specify other]
2. **Write-Off:** (*\*delete if not applicable*)  
[Applicable] [Not Applicable]  
[At the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), the Unpaid Amount shall be Written Off and all of the Notes or the Relevant Portion of the Notes, as applicable, shall be cancelled in accordance with the provisions of Condition 10.18 (*Write-Off*)]  
[specify other]
- (a) Other terms applicable on Write-Off [Not Applicable] *[give details]*
3. **Conversion:** (*\*delete if not applicable*)  
[Applicable] [Not Applicable]  
[At the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), all of the Notes or the Relevant Portion of the Notes, as applicable, shall be Converted in accordance with the provisions of Condition 10.19 (*Conversion*)]

- [specify other]*
- (a) Controlling Company shareholders' approval [As required by Condition 10.19.18 (*Conversion*), the shareholders of the Controlling Company have approved the issue and listing of this Tranche of Subordinated Notes in accordance with the JSE Listings Requirements applicable to the Main Board of the JSE.]
- (b) Other terms applicable on Conversion [Not Applicable] *[give details]*
4. 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).
- G. BANKS ACT PROVISIONS**
1. Additional Conditions [Not Applicable] *[specify Additional Conditions]*
2. Proceeds of issue As at the Issue Date, the proceeds of the issue of this Tranche rank as [Additional Tier 1 Capital] [Tier 2 Capital].
- H. AGENTS AND SPECIFIED OFFICES**
1. Calculation/Issuer Agent [Nedbank Limited, acting through its Corporate and Investment Banking division] *[specify other]*
2. Specified Office of the Calculation/Issuer Agent [Nedbank 135 Rivonia Campus, Third Floor Block F, 135 Rivonia Road, Sandton, 2196, South Africa] *[specify other]*
3. Settling Bank [Nedbank Investor Services, a division of Nedbank Limited] *[specify other]*
4. Specified Office of the Settling Bank [Lakeview Campus, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709, South Africa] *[specify other]*
5. Transfer Agent [Nedbank Investor Services, a division of Nedbank Limited] *[specify other]*
6. Specified Office of the Transfer Agent [Lakeview Campus, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709, South Africa] *[specify other]*
7. Issuer's Participant/Settlement Agent [Nedbank Investor Services, a division of Nedbank Limited] *[specify other]*
8. Specified Office of the Issuer's Participant/Settlement Agent [Lakeview Campus, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709, South Africa] *[specify other]*
- I. 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 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.

**J. GENERAL**

1. Exchange control approval [Not Applicable] [Applicable] (*Note: see the section of the Programme Memorandum headed "Exchange Control"*)
2. Additional selling restrictions See Condition 9.11 (*Purchase*) – Condition 9.11.1 (*Subordinated Notes*)
3. International Security ZAG[ ]  
Identification Number (ISIN)
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. 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 As at the Issue Date, the proceeds of the issue of this Tranche rank as [Additional Tier 1 Capital] [Tier 2 Capital].
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 2 of the Subordinated Notes on the Interest Rate Market of the JSE, as from [ ], pursuant to the Nedbank Limited ZAR75,000,000,000 Domestic Medium Term 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 8.5 (*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 19 (*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 8.5 (*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 19 (*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 Conditions"** means, in relation to a Tranche of Subordinated Notes, such conditions, in addition to the conditions specified in the applicable Capital Regulations, as may be prescribed by the Prudential Authority for the proceeds of the issue of that Tranche of Subordinated Notes to qualify as Regulatory Capital pursuant to the approval granted by the Prudential Authority for the issue of that Tranche of Subordinated Notes, as specified 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;

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

**"Additional Tier 1 Capital Regulations"** means Regulation 38(11)(b) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which the instruments and/or shares contemplated in that Regulation 38(11)(b) (including the Additional Tier 1 Notes) must comply in order for the proceeds of the issue of such instruments and/or shares to rank as Additional Tier 1 Capital;

**"Additional Tier 1 Noteholder"** means a Noteholder of Additional Tier 1 Note/s;

**"Additional Tier 1 Notes"** means Notes specified as such in the Applicable Pricing Supplement and complying with the Additional Tier 1 Capital Regulations;

**"all of the Subordinated Notes"**, in relation to a Tranche of Subordinated Notes, has the meaning given to it in Condition 10.14 (*Occurrence of the Trigger Event*) and **"Relevant Portion of the Subordinated Notes"**, in relation to a Tranche of Subordinated Notes, has the meaning given to it in Condition 10.15 (*Occurrence of the Trigger Event*);

**"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 Banks Act, the Capital Regulations, the Regulations Relating to Banks, the JSE Debt 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 (i) the section of the Programme Memorandum headed "*Pro Forma Applicable Pricing Supplement – Unsubordinated Notes*" (in the case of a Tranche of Unsubordinated Notes) or (ii) the section of the Programme Memorandum headed "*Pro Forma Applicable Pricing Supplement – Subordinated Notes*" (in the case of a Tranche of Subordinated Notes), as the case may be;

**"Applicable Procedures"** means, in relation to a Tranche of Uncertificated Registered Notes, the CSD Procedures, the JSE Rules, the JSE Debt 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 Registered 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;

**"Basel III Accord"** means the documents entitled "*Basel Committee on Banking Supervision – Basel III: A global regulatory framework for more resilient banks and banking systems – December 2010 (rev June 2011)*" and "*Basel Committee on Banking Supervision – Basel III: International Framework for liquidity risk measurements, standards and monitoring – December 2010 [(rev June 2011)]*" published by the Basel Committee on Banking Supervision on 16 December 2010, as supplemented and/or amended from time to time;

**"Bearer"** means the Person who is the bearer of a Bearer Certificate, as contemplated in the Bills of Exchange Act;

**"Bearer Certificate"** means a certificate which is a negotiable instrument and which represents (and embodies) a Bearer Note, as contemplated in the Bills of Exchange Act and, unless the context otherwise requires, the term "*Bearer Certificate*" shall include the Coupons and/or Receipts (if any) attached on issue to that certificate;

**"Bearer Note"** means a Note payable to bearer thereof, as contemplated in the Bills of Exchange Act and, unless the context otherwise requires, the term "*Bearer Note*" shall include the rights to payment of interest and/or principal represented by and embodied in the Coupon/s and/or Receipt/s (if any) attached on issue to the Bearer Certificate representing and embodying such Bearer Note;

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

**"Bills of Exchange Act"** means the Bills of Exchange Act, 1964;

**"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 18 (*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;

**"Capital Regulations"** means, at any time, any (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 (including, without limitation, Circular C6/2014), Guidance Notes (including, without limitation, Guidance Note 06/2017) and Directives then in effect in South Africa 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;

**"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 Registered Note/s for which Uncertificated Note/s has/have been exchanged in accordance with Condition 15.1 (*Exchange of Uncertificated Registered Notes*);

**"CET 1 Ratio"**, in relation to a Tranche of Subordinated Notes, has the meaning given to it in Condition 10.6.2 (*Occurrence of the Trigger Event*);

"**Circular C6/2014**" means Circular C6/2014 headed "*Interpretation of specified conditions for the issuing of instruments or shares which rank as additional tier 1 capital and tier 2 capital*", dated 2 June 2014, issued by the Prudential Authority in terms of section 6 of the Banks Act, as updated, amended and/or replaced from time to time;

"**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;

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

"**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;

"**Controlling Company Ordinary Shares**" means ordinary shares in the share capital of the Controlling Company;

"**Conversion**" and "**Converted**", in relation to a Tranche of Subordinated Notes, has the meaning given to it in Condition 10.3 (*Occurrence of the Trigger Event*);

"**Conversion Agreement**" means the written agreement entitled "*Conversion Agreement*" entered into (or to be entered into), prior to the Issue Date of the first Tranche of Subordinated Notes to which Conversion is applicable to be issued under the Programme, between the Issuer and the Controlling Company, as amended, novated and/or substituted from time to time in accordance with its terms;

"**Coupon**" means an interest coupon representing and embodying the right to an interest payment in respect of an interest-bearing Bearer Note or Order Note, as the case may be, and which is attached on issue to the relevant Bearer Certificate or Order Certificate, as the case may be;

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

"**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:

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:

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:

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;

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

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

"**Designated Bank Account**" means, in relation to a Tranche of Uncertificated Registered 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 Registered Notes will be irrevocably deposited, all as required by, and in accordance with, the CSD Procedures and as contemplated in Condition 11.2.2 (*Method of payment – Uncertificated Registered Notes*);

"**Discretion**", in relation to a Tranche of Subordinated Notes, has the meaning given to it in Condition 10.9 (*Occurrence of the Trigger Event*);

"**Dividend Restriction Agreement**" means the written agreement entitled "*Dividend Restriction Agreement*" entered into (or to be entered into), prior to the Issue Date of the first Tranche of Additional Tier 1 Notes to be issued under the Programme, by the Issuer and the Controlling Company, as amended, novated and/or substituted from time to time in accordance with its terms;

"**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 9.9 (*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 Unsubordinated Note in a Tranche of Unsubordinated Notes to which the Noteholder Early Redemption Election is applicable, (i) the Outstanding Principal Amount (or the relevant portion thereof) of that Unsubordinated 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 Unsubordinated Note calculated in accordance with Condition 9.9 (*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 (Regulatory)**" means, in relation to a Tranche of Subordinated Notes which is to be redeemed (in whole) in terms of Condition 9.3 (*Redemption for regulatory reasons*) following a Regulatory Event, the amount specified as such in (or calculated in the manner set out in) the Applicable Pricing Supplement;

"**Early Redemption Amount (Tax)**" means:

- a) in relation to a Tranche of Unsubordinated Notes which is to be redeemed (in whole) in terms of Condition 9.2 (*Redemption for tax reasons*) following a Tax Event, (i) the aggregate Outstanding Principal Amount of that Tranche plus accrued interest (if any) to the Early Redemption Date (Tax) or (ii) the aggregate amount of principal of that Tranche calculated in accordance with Condition 9.9 (*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;

- b) in relation to a Tranche of Subordinated Notes which is to be redeemed (in whole) in terms of Condition 9.2 (*Redemption for tax reasons*) following a Tax Event, the amount specified as such in (or calculated in the manner set out in) the Applicable Pricing Supplement;

**"Early Redemption Date (Call)"** means:

- a) in relation to a Tranche of Unsubordinated 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 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 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 9.4 (*Redemption at the election of the Issuer*), as applicable;
- b) in relation to a Tranche of Subordinated Notes to which the Issuer Early Redemption Election is applicable (subject to the applicable Capital Regulations), the First Early Redemption Date (Call) and, if so specified in the Applicable Pricing Supplement, any Interest Payment Date falling after the First Early Redemption Date (Call);

**"Early Redemption Date (Put)"** means, in relation to each Note in a Tranche of Unsubordinated 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 Unsubordinated Notes) or other date/s (in the case of non-interest-bearing Unsubordinated Notes) stipulated as the date/s for redemption of such Unsubordinated Note (in whole or in part) in the Noteholder Early Redemption Notice/s given by the Noteholder of that Unsubordinated Note in terms of Condition 9.7 (*Redemption at the election of Noteholders*), as applicable;

**"Early Redemption Date (Regulatory)"** means, in relation to a Tranche of Subordinated Notes which is to be redeemed (in whole) in terms of in terms of Condition 9.3 (*Redemption for regulatory reasons*) following a Regulatory Event, the date stipulated as the date for redemption of that Tranche of Subordinated Notes in the notice of redemption given by the Issuer in terms of Condition 9.3 (*Redemption for regulatory reasons*);

**"Early Redemption Date (Tax)"** means, in relation to a Tranche of Notes which is to be redeemed (in whole) in terms of Condition 9.2 (*Redemption for tax reasons*) following a Tax Event, the Interest Payment Date (in the case of interest-bearing Notes) or other date (in the case of non-interest-bearing Notes) stipulated as the date for redemption of that Tranche of Notes in the notice of redemption given by the Issuer in terms of Condition 9.2 (*Redemption for tax reasons*);

**"Early Termination Amount"** means:

- a) in relation to each Note in a Tranche of Unsubordinated Notes which has been accelerated by the Noteholder of that Unsubordinated Note in terms of Condition 13.1 (*Events of Default relating to Unsubordinated Notes*), (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 Unsubordinated Note calculated in accordance with Condition 9.9 (*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;
- b) in relation to each Note in a Tranche of Tier 2 Notes which has been accelerated in terms of Condition 13.2.4 (*Events of Default relating to Tier 2 Notes*), (i) the Outstanding Principal Amount of that Note plus accrued interest (if any) to the Actual Redemption Date or (ii) such other amount as may be specified in (or calculated in the manner set out in) the Applicable Pricing Supplement;

**"Eligible Capital"** means the proceeds of the issue of shares and/or instruments (including, without limitation, Subordinated Notes, Other Additional Tier 1 Capital Instruments and Other Tier 2 Capital Instruments) which proceeds rank (or are deemed under the Capital Regulations to rank) on issue for inclusion in the Tier 2 Capital or the Additional Tier 1 Capital or the Common Equity Tier 1 Capital of the Issuer or the Controlling Company on a solo and/or consolidated basis, in accordance with the Capital Regulations;

**"Event of Default"** means:

- a) in relation to a Tranche of Unsubordinated Notes, any of the events described in Condition 13.1 (*Events of Default relating to Unsubordinated Notes*);
- b) in relation to a Tranche of Tier 2 Notes, any of the events described in Condition 13.2 (*Events of Default*

*relating to Tier 2 Notes);*

- c) in relation to a Tranche of Additional Tier 1 Notes, any of the events described in Condition 13.3 (*Events of Default relating to Additional Tier 1 Notes*);

**"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);

**"Final Redemption Amount"** means, in relation to a Tranche of Notes (other than a Tranche of Additional Tier 1 Notes) which is to be redeemed on the Maturity Date in terms of Condition 9.1 (*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 Registered Notes, the Interest Rate Market 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 Early Redemption Date (Call)"** means, in relation to a Tranche of Subordinated Notes to which the Issuer Early Redemption Election is applicable, the date specified as such in the Applicable Pricing Supplement;

**"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;

**"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 Company"** means any company within the Group;

**"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;

**"Guidance Note 06/2017"** means Guidance Note 06/2017 headed "*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital*", dated 14 August 2017 (which replaces Guidance Note 07/2013 headed "*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*", dated 18 October 2013) issued by the Prudential Authority in terms of section 6 of the Banks Act, as updated, amended and/or replaced from time to time;

**"Independent Investment Bank"** means, in relation to a Tranche of Additional Tier 1 Notes (where applicable), the investment bank specified as such in the Applicable Pricing Supplement or, if none, the bank (selected by the Calculation/Issuer Agent and approved by the Issuer);

**"Initial Reference Rate"** means, in relation to a Tranche of Subordinated Notes (where applicable), the rate specified as such in (or calculated in the manner set out 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;

"**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 Floating Rate Notes (where applicable), the manner (set out in Condition 8.2.4 (*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 8.2.4 (*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) (subject, in the case of Subordinated Notes, to the Issuer complying with the conditions to redemption set out in Condition 9.4.2 (*Subordinated Notes*)) in terms of Condition 9.4 (*Redemption at the election of the Issuer*);

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

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

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

"**Junior Securities**" means, in relation to Additional Tier 1 Notes:

- a) the Issuer Ordinary Shares and the Controlling Company Ordinary Shares;
- b) any other securities issued by any Group Company (including the Issuer and the Controlling Company) the proceeds of which qualify (or are deemed under the Capital Regulations to qualify) as Common Equity Tier 1 Capital;
- c) any securities issued by any Group Company (including the Issuer and the Controlling Company) which rank or are expressed to rank (or are deemed under the Capital Regulations to rank) junior to the Additional Tier 1 Notes; and
- d) any securities issued by a Group Company which benefit from a guarantee or similar support agreement from any other Group Company which ranks (or is deemed under the Capital Regulations to rank), as to the payment of sums under any such guarantee or similar support agreement, junior to the Additional Tier 1 Notes;

"**Last Day to Register**" means, in relation to a Tranche of Registered 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;

**"Make Whole Amount"** means, in relation to a Tranche of Subordinated Notes (where applicable), the amount specified as such in (or calculated in the manner set out in) the Applicable Pricing Supplement;

**"Mandatory Preference Shares"** means any class of preference shares issued by any Group Company (including the Issuer and the Controlling Company) (i) the terms of which do not allow the board of directors of that Group Company to cancel, defer, pass or eliminate any distribution or dividend payment at its discretion and (ii) the proceeds of which preference shares do not qualify on issue for inclusion in the Eligible Capital of that Group Company;

**"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 (other than a Tranche of Additional Tier 1 Notes), the date specified as such in the Applicable Pricing Supplement;

**"Maturity Period"** means, in relation to a Tranche of Notes (other than a Tranche of Additional Tier 1 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;

**"Mixed Rate Notes"** means a Tranche of Notes which will bear interest over respective periods at differing interest rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed-Linked Interest Notes, as specified in the Applicable Pricing Supplement;

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

**"Noteholder Early Redemption Election"** means, in relation to a Tranche of Unsubordinated Notes (where applicable), the election of a Noteholder of Unsubordinated Note/s in that Tranche to require the Issuer to redeem all or any of such Unsubordinated Note/s (in whole or in part), on the Early Redemption Date (Put), in terms of Condition 9.7 (*Redemption at the election of Noteholders*);

**"Noteholder Early Redemption Notice"** means, in relation to a Tranche of Unsubordinated 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 Unsubordinated Note/s in that Tranche who wishes to exercise the Noteholder Early Redemption Election in respect of all or any of such Unsubordinated 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 9.7 (*Redemption at the election of Noteholders*);

**"Notes"** means the secured or unsecured, subordinated or unsubordinated, notes of any kind issued or to be issued by the Issuer, under the Programme, pursuant to the Programme Memorandum;

**"Order Certificate"** means a certificate which is a negotiable instrument and which represents (and embodies) an Order Note, as contemplated in the Bills of Exchange Act and, unless the context otherwise requires, the term "Order Certificate" shall include the Coupons and/or Receipts (if any) attached on issue to that certificate;

**"Order Note"** means a Note payable to order, as contemplated in the Bills of Exchange Act and, unless the context otherwise requires, the term "Order Note" shall include the rights to payment of interest and/or principal represented by and embodied in the Coupon/s and/or Receipt/s (if any) attached on issue to the Order Certificate representing and embodying such Order Note;

**"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);

**"Other Additional Tier 1 Capital Instruments"**, in relation to a Tranche of Subordinated Notes, has the meaning given to it in Condition 10.17 (*Occurrence of the Trigger Event*);

**"Other Banking Jurisdiction"** means, in relation to a Tranche of Notes (where applicable), the banking jurisdiction specified as such in the Applicable Pricing Supplement;

**"Other Tier 2 Capital Instruments"**, in relation to a Tranche of Subordinated Notes, has the meaning given to it in Condition 10.16 (*Occurrence of the Trigger Event*);

**"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;

**"Payee"** means the Person reflected as the payee on an Order Certificate or the Person to whom such Order Certificate has been negotiated (by way of delivery and Endorsement), as the case may be, as contemplated in the Bills of Exchange 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;

**"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, in relation to Existing Notes comprising the 3 (three) Tranches of Notes identified under stock code numbers "NBK3A", "NBK4" and "NBK7B", respectively, and issued on 2009/09/09, 2009/10/28 and 2010/04/19, respectively, the Programme Memorandum, dated 15 December 2003, as amended and/or supplemented and, in relation to all other Existing Notes, the consolidated Programme Memorandum, dated 26 February 2016, as amended and/or supplemented;

"**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 ZAR75,000,000,000 Domestic Medium Term 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, ZAR75,000,000,000) 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;

"**Qualifying Additional Tier 1 Capital Securities**" means, in relation to a Tranche of Additional Tier 1 Notes (where applicable), securities whether debt, equity, interests in limited partnerships or otherwise, issued



directly or indirectly by the Issuer that:

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

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

- a) have terms not materially less favourable to a holder of the Additional Tier 1 Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of two directors of the Issuer and an opinion to such effect of an Independent Investment Bank shall have been delivered to the Issuer prior to the issue of the relevant securities and is so stated in the certificate) provided that they shall:
1. rank senior to, or *pari passu* with, the Additional Tier 1 Notes;
  2. have the same interest, dividend or distribution rate or rate of return and Interest Payment Dates from time to time applying to that Tranche of Additional Tier 1 Notes;
  3. preserve any existing rights under the Applicable Terms and Conditions to any accrued interest which has not been satisfied;
  4. have the same redemption dates as that Tranche of Additional Tier 1 Notes;
  5. be issued in an amount at least equal to the aggregate Outstanding Principal Amount of that Tranche of Additional Tier 1 Notes;
  6. comply with the then current Capital Regulations applicable to Tier 2 Capital; and
- b) are listed on the London Stock Exchange, the Luxembourg Stock Exchange, the JSE, the Interest Rate Market of the JSE or any other internationally recognised Financial Exchange;

**"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;

**"Receipt"** means a receipt representing and embodying the right to payment of an Instalment Amount payable on an Instalment Note which is a Bearer Note or an Order Note, as the case may be, attached upon issue to the relevant Bearer Certificate or Order Certificate, as the case may be;



**"Redemption Amount"** means, in relation to a Tranche of Notes, subject to Condition 9.8 (*Redemption of a portion of the Notes and redemption of some, but not all, of the Notes in a Tranche*), the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Regulatory), the Early Redemption Amount (Call), the Early Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in (or calculated in the manner set out in) the Applicable Pricing Supplement, as applicable;

**"Redemption Date"** means, in relation to a Tranche of Notes, the Maturity Date, the Early Redemption Date (Tax), the Early Redemption Date (Regulatory), the Early Redemption Date (Call), the Early Redemption Date (Put) 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;

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

**"Reference Date"** means, in relation to a Tranche of Subordinated Notes (where applicable), the date specified as such 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;

**"Reference Reset Date"** means, in relation to a Tranche of Subordinated Notes (where applicable), the First Early Redemption Date (Call) or such other date as is specified as the Reference Reset Date 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 Registered 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 (where 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;

**"Registered Note"** means a Note issued in registered form, registered in the Register in the name of the Noteholder thereof;

**"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;

**"Regulations Relating to Banks"** means the Regulations Relating to Banks promulgated under the Banks Act published as Government Notice No. 297 in *Government Gazette* No. 40002, dated 20 May 2016, as supplemented and/or amended from time to time;

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

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

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

**"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 Interest Amount"** means, in relation to a Tranche of Notes (where applicable), any Interest Amount due under the Notes in that Tranche in respect of any Interest Period;

**"relevant Interest Payment Date"** means, in relation to a Tranche of Notes (where applicable), (i) the Interest Payment Date on which the relevant Interest Amount becomes due and payable to the Noteholders of that Tranche or (ii) if (in relation to a Tranche of Additional Tier 1 Notes) the Issuer elects (or is obliged to elect) not to pay the relevant Interest Amount in terms of Condition 7.2 (*Non-payment of interest*), the Interest Payment Date on which, in the absence of such election not to pay, the relevant Interest Amount would otherwise have become due and payable to the Additional Tier 1 Noteholders of that Tranche, as the case may be;

**"Relevant Number of Controlling Company Ordinary Shares"**, in relation to a Tranche of Subordinated Notes to which Conversion is applicable, has the meaning given to it in Condition 10.19.4 (*Conversion*);

**"Relevant Number of Issuer Ordinary Shares"**, in relation to a Tranche of Subordinated Notes to which Conversion is applicable, has the meaning given to it in Condition 10.19.13 (*Conversion*);

**"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 Subordinated Noteholders"**, in relation to a Tranche of Subordinated Notes, has the meaning given to it in Condition 10.8 (*Occurrence of the Trigger Event*);

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

**"relevant Tranche of Subordinated Notes"**, in relation to a Tranche of Subordinated Notes, has the meaning given to it in Condition 10.8 (*Occurrence of the Trigger Event*);

**"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;

**"SARB"** means the South African Reserve Bank;

**"Screen Rate Determination"** means, in relation to a Tranche of Floating Rate Notes (where applicable), the manner (set out in Condition 8.2.3 (*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;

**"Senior Creditors"** means:

- a) all creditors of the Issuer who are unsubordinated creditors of the Issuer; and
- b) all creditors of the Issuer whose claims (whether subordinated or unsubordinated) are (or are deemed under the Capital Regulations to be) subordinated to the claims of other creditors of the Issuer *other than*:
  1. in relation to the claims of Additional Tier 1 Noteholders, all creditors of the Issuer whose claims rank or are expressed to rank (or are deemed under the Capital Regulations to rank) *pari passu* with or junior to the claims of the Additional Tier 1 Noteholders; or
  2. in relation to the claims of the Tier 2 Noteholders, all creditors of the Issuer whose claims rank or are expressed to rank (or are deemed under the Capital Regulations to rank) *pari passu* with or junior to the claims of the Tier 2 Noteholders;

**"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 18 (*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 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 19 (*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;

**"Subordinated Debt"** means, in relation to Additional Tier 1 Notes, any subordinated debt issued by the Issuer which ranks or is expressed to rank (or is deemed under the Capital Regulations to rank) senior to the Additional Tier 1 Notes and/or the proceeds of which qualify (or are deemed under the Capital Regulations to qualify) as Tier 2 Notes;

**"Subordinated Noteholder"** means a Tier 2 Noteholder and/or an Additional Tier 1 Noteholder, as applicable;

**"Subordinated Notes"** means Tier 2 Notes and/or Additional Tier 1 Notes, as applicable;

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

"**Surviving Subordinated Notes**", in relation to a Tranche of Subordinated Notes, has the meaning given to it in Condition 10.20.1 (*Surviving Subordinated Notes*);

"**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

- a) as a result of a Tax Law Change, (i) the Issuer has paid or will pay or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 12.1 (*Gross up*) or (ii) where that Tranche of Notes is a Tranche of Subordinated Notes, in respect of the Issuer's obligation to make any payment of interest in respect of such Subordinated Notes on the next following Interest Payment Date or any subsequent Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in South Africa, or such entitlement is materially reduced, and in each case the Issuer cannot avoid the foregoing by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision of determination of the South African Revenue Service that any such interest does not constitute a tax deductible expense); or
- b) other than as a result of a Tax Law Change, where that Tranche of Notes is a Tranche of Additional Tier 1 Notes, the Issuer's treatment of the interest payable by it on such Additional Tier 1 Notes as a tax deductible expense for South African income tax purposes as reflected on the tax returns (including provisional tax returns) filed (or to be filed) by the Issuer is not accepted by the South African Revenue Service or an indication of any such non acceptance is given by the South African Revenue Service in a letter of findings or otherwise, and in each case the Issuer cannot avoid the foregoing by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision or determination of the South African Revenue Service that any such interest does not constitute a tax deductible expense);

"**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*";

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

"**Tier 2 Capital Regulations**" means Regulation 38(12) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which the instruments and/or shares contemplated in that Regulation 38(12) (including the Tier 2 Notes) must comply in order for the proceeds of the issue of such instruments and/or shares to rank as Tier 2 Capital;

"**Tier 2 Noteholder**" means a Noteholder of Tier 2 Note/s;

"**Tier 2 Notes**" means Notes specified as such in the Applicable Pricing Supplement and complying with the Tier 2 Capital Regulations;

"**Total Principal Amount**" and "**Relevant Portion of the Principal Amount**", in relation to a Tranche of Subordinated Notes, have the respective meanings given to them in Condition 10.12 (*Occurrence of the Trigger Event*);

"**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 18 (*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;

"**Trigger Event**" means, in relation to a Tranche of Additional Tier 1 Notes which are accounted as equity (if any) and a Tranche of Tier 2 Notes, the "trigger event" set out in Condition 10.5 (*Occurrence of the Trigger Event*) and, in relation to a Tranche of Additional Tier 1 Notes which are accounted as liabilities, the "trigger event" set out in Condition 10.6 (*Occurrence of the Trigger Event*);

"**Uncertificated Registered Notes**" means, subject to Condition 1.2.4, Registered Notes issued in registered uncertificated form in terms of Chapter IV of the Financial Markets Act, and held in the Central Securities Depository;

"**Unpaid Amount**" and "**Relevant Portion of the Unpaid Amount**", in relation to a Tranche of Subordinated Notes, have the respective meanings given to them in Condition 10.13 (*Occurrence of the Trigger Event*);

"**Unsubordinated Noteholder**" means a Noteholder of Unsubordinated Note/s;

"**Unsubordinated Notes**" means Notes issued with the status and characteristics set out in Condition 5.1 (*Status of the Unsubordinated Notes*) as specified 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;

"**Write-Off**" and "**Written Off**", in relation to a Tranche of Subordinated Notes, has the meaning given to it in Condition 10.3 (*Occurrence of the Trigger Event*);

"**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.

## 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 and the JSE Debt Listings 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 or the Dividend Restriction Agreement or the Conversion Agreement, as the case may be, shall be construed as a reference to the Applicable Agency Agreement or the Dividend Restriction Agreement or the Conversion Agreement, as the case may be, 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 (including, without limiting the generality of the foregoing, the Capital Regulations) 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 Registered Notes" include Beneficial Interests in Uncertificated Registered Notes, and *vice versa*, and references to "registered Noteholders of Uncertificated Registered Notes" include the holders of Beneficial Interests in Uncertificated Registered 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. Subject to the prior consent of the Prudential Authority (to the extent required by the Capital Regulations), 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 Registered Notes are incorporated by reference into the Certificate/s (if any) representing any Registered 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 Registered Notes. Unlisted Registered Notes are not regulated by the JSE. Listed Registered Notes will be listed on the Interest Rate Market of the JSE and/or on such other or further Financial Exchange/s as may be determined by the Issuer and the relevant Dealer/s, subject to Applicable Laws. The Applicable Pricing Supplement will specify whether or not a Tranche of Registered Notes will be listed and, if so, on which Financial Exchange/s.
- 2.5. The holders of Registered Notes that are not listed on the Interest Rate Market 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 will comprise Unsubordinated Notes or Subordinated Notes, as indicated in the Applicable Pricing Supplement. Subordinated Notes will, subject to the Banks Act and the Capital



Regulations, comprise Additional Tier 1 Notes and Tier 2 Notes.

- 3.1.3. A Tranche of Notes will comprise Unsubordinated Notes or Subordinated Notes, as indicated in the Applicable Pricing Supplement. A Tranche of Notes, whether Unsubordinated Notes or Subordinated Notes (but subject, in the case of Subordinated Notes, to the Capital Regulations), may comprise Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Mixed Rate Notes or such combination of any of the foregoing 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.
- 3.1.4. Subject, in the case of Subordinated Notes, to the applicable Capital Regulations, a Tranche of Notes may be issued in the form of Registered Notes (see Condition 3.2 (*Registered Notes*)), Bearer Notes (see Condition 3.3 (*Bearer Notes and Order Notes*)) or Order Notes (see Condition 3.3 (*Bearer Notes and Order Notes*)), as specified in the Applicable Pricing Supplement.

## 3.2. Registered Notes

### 3.2.1. *Uncertificated Registered Notes*

- 3.2.1.1. Each Tranche of Uncertificated Registered 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 Registered Notes will not be represented by any certificate or written instrument.
- 3.2.1.2. Each Tranche of Uncertificated Registered Notes will be held by the registered Noteholder/s of such Uncertificated Registered Notes in accordance with and subject to the Financial Markets Act and the CSD Procedures.

### 3.2.2. *Registered Notes represented by Certificates*

Subject to the Financial Markets Act, the registered holder of Uncertificated Registered Notes shall be entitled to exchange such Uncertificated Registered Notes for Registered Notes represented by a Certificate in accordance with Condition 15.1 (*Exchange of Uncertificated Registered Notes*).

## 3.3. Bearer Notes and Order Notes

- 3.3.1. Bearer Notes will be embodied in, and represented by, Bearer Certificate/s. Order Notes will be embodied in, and represented by, Order Certificate/s. Interest-bearing Bearer Notes and Order Notes may have Coupons attached to the relevant Bearer Certificate or Order Certificate on issue. Instalment Notes which are Bearer Notes or Order Notes may have Receipts attached to the relevant Bearer Certificate or Order Certificate on issue.
- 3.3.2. Subordinated Notes may not, in terms of the applicable Capital Regulations, be issued in the form of Bearer Notes. Subordinated Notes will not be issued in the form of Order Notes.

## 4. TITLE

### 4.1. Registered Notes

#### 4.1.1. *Uncertificated Registered Notes*

- 4.1.1.1. The registered Noteholders of Uncertificated Registered 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 Registered Notes.
- 4.1.1.2. The clients of Participants may include the registered Noteholders of Uncertificated Registered Notes or their custodians. The Participants will maintain records of the Uncertificated Registered Notes held by their clients.
- 4.1.1.3. Title to Uncertificated Registered Notes will be reflected in the securities accounts maintained by the relevant Participants for the registered Noteholders of such Uncertificated Registered Notes.
- 4.1.1.4. 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 Registered 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 Registered Notes standing to the account of such Person shall be *prima facie* proof of such aggregate Outstanding Principal Amount of such Uncertificated Registered Notes.

- 4.1.1.5. Uncertificated Registered Notes may be transferred only in accordance with the CSD Procedures.
- 4.1.1.6. Subject to the CSD Procedures, the registered Noteholders of Uncertificated Registered Notes may only exercise their rights in respect of Uncertificated Registered Notes through their Participants.
- 4.1.1.7. Any reference in the Terms and Conditions to the relevant Participant shall, in respect of an Uncertificated Registered Note, be a reference to the Participant appointed to act as such by the registered Noteholder of such Uncertificated Registered Note.

#### 4.1.2. *Registered Notes represented by Certificates*

- 4.1.2.1. Each holder of Registered Notes represented by a Certificate will be named in the Register as the registered holder of such Registered Notes.
- 4.1.2.2. Title to Registered Notes represented by a Certificate will pass upon registration of transfer in the Register in accordance with Condition 16.1.2 (*Transfer of Registered Notes represented by Certificates*).

#### 4.1.3. *Register*

The Issuer and the Transfer Agent shall recognise a Noteholder of Registered Notes as the sole and absolute owner of the Registered 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 Registered Note may be subject.

### 4.2. **Bearer Notes**

- 4.2.1. The Issuer, the Transfer Agent and the Settling Bank may deem and treat the Bearer of any Bearer Certificate as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.
- 4.2.2. Title to Bearer Notes will pass by delivery of the relevant Bearer Certificate in accordance with Condition 16.2 (*Transfer of Bearer Notes*).
- 4.2.3. The disposal or acquisition of or dealing in Bearer Notes is subject to the prior written approval of the Minister of Finance (or a Person authorised by the Minister of Finance) in accordance with Regulation 15 of the Exchange Control Regulations.

### 4.3. **Order Notes**

- 4.3.1. The Issuer, the Transfer Agent and the Settling Bank may deem and treat the Person who from the face of the Order Certificate appears to be the Payee thereof as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or notice of any previous loss or theft thereof) for all purposes, and payment to such Person or its Representative shall discharge the Issuer from all liability to the Payee in relation to such Order Certificate, even if the relevant Endorsement has been forged or made without authority.
- 4.3.2. Title to Order Notes will initially pass by Endorsement and delivery of the relevant Order Certificate in accordance with Condition 16.3 (*Transfer of Order Notes*). An Order Certificate upon which the last Endorsement is an Endorsement in Blank shall be treated as a Bearer Certificate, for so long as not subject to further Endorsement.
- 4.3.3. Provided the Issuer pays any amount due upon presentation and surrender of an Order Certificate in good faith, it shall not be incumbent upon the Issuer or the Transfer Agent or the Settling Bank to determine or prove that the Endorsement of the Payee making such Endorsement was made by or under the authority of the Person whose Endorsement it purports to be.

## 5. **STATUS**

### 5.1. **Status of the Unsubordinated Notes**

#### 5.1.1. *Application*

This Condition 5.1 applies only to Unsubordinated Notes.

#### 5.1.2. *Status of the Unsubordinated Notes*

The Unsubordinated Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* without any

preference or priority among themselves and *pari passu* with Existing Notes which are "Unsubordinated Notes" (as defined in the section of the Previous Programme Memorandum headed "*Terms and Conditions*"), 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.

## 5.2. Status of the Tier 2 Notes

### 5.2.1. Application

This Condition 5.2 applies only to Tier 2 Notes.

### 5.2.2. Status of the Tier 2 Notes

The Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5.2.3 (*Subordination*), subordinated obligations of the Issuer and rank *pari passu* without any preference or priority among themselves and *pari passu* with all securities issued by the Issuer the proceeds of which qualify (or are deemed under the Capital Regulations to qualify) as Tier 2 Capital and/or which rank or are expressed to rank (or are deemed under the Capital Regulations to rank) *pari passu* with the Tier 2 Notes, and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other claims of creditors of the Issuer which rank or are expressed to rank (or are deemed under the Capital Regulations to rank) *pari passu* with the Tier 2 Notes.

### 5.2.3. Subordination

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

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

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

## 5.3. Status of the Additional Tier 1 Notes

### 5.3.1. Application

This Condition 5.3 applies only to Additional Tier 1 Notes.

### 5.3.2. Status of the Additional Tier 1 Notes

The Additional Tier 1 Notes constitute direct, unsecured and, in accordance with Condition 5.3.3 (*Subordination*), subordinated obligations of the Issuer and rank *pari passu* without any preference or priority among themselves and *pari passu* with all securities issued by the Issuer the proceeds of which qualify (or are deemed under the Capital Regulations to qualify) as Additional Tier 1 Capital and/or which rank or are expressed to rank (or are deemed under the Capital Regulations to rank) *pari passu* with the Additional Tier 1 Notes, and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other claims of creditors of the Issuer which rank or are expressed to rank (or are deemed under the Capital Regulations to rank) *pari passu* with the Additional Tier 1 Notes.

### 5.3.3. *Subordination*

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

- 5.3.3.1. no Additional Tier 1 Noteholder shall be entitled to prove or tender to prove a claim in respect of the Additional Tier 1 Notes;
- 5.3.3.2. no amount due under the Additional Tier 1 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which an Additional Tier 1 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Additional Tier 1 Notes nor shall any amount due under the Additional Tier 1 Notes be payable to any Additional Tier 1 Noteholder; and
- 5.3.3.3. subject to Applicable Law, an Additional Tier 1 Noteholder may not exercise or claim any right of set-off in respect of any amount in respect of the principal of and/or interest on the Additional Tier 1 Notes owed to it by the Issuer and each Additional Tier 1 Noteholder shall, by virtue of its subscription, purchase or holding of any Additional Tier 1 Notes, be deemed to have waived all such rights of set-off and, to the extent that any set-off takes place, whether by operation of law or otherwise, between: (aa) any amount in respect of the principal and/or interest on the Additional Tier 1 Notes owed by the Issuer to an Additional Tier 1 Noteholder; and (bb) any amount owed to the Issuer by such Additional Tier 1 Noteholder, such Additional Tier 1 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its winding-up or liquidation (as the case may be), the liquidator or other relevant insolvency official of the Issuer, to be held on trust for Depositors, Senior Creditors and the holders of Subordinated Debt,

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

### 5.4. **Capital Regulations and Additional Conditions**

In order for the proceeds of the issue of a Tranche of Subordinated Notes to rank as Regulatory Capital, that Tranche of Subordinated Notes must comply with the applicable Capital Regulations (and the Additional Conditions (if any) prescribed by the Prudential Authority in respect of that Tranche of Subordinated Notes). The Issuer will specify in the Applicable Pricing Supplement whether any issue of a Tranche of Notes is an issue of Tier 2 Notes the proceeds of which are intended to rank as Tier 2 Capital or an issue of Additional Tier 1 Notes the proceeds of which are intended to rank as Additional Tier 1 Capital. The Additional Conditions (if any) prescribed by the Prudential Authority in respect of any such Tranche of Subordinated Notes will be specified in the Applicable Pricing Supplement.

## 6. **NEGATIVE PLEDGE**

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

## 7. **INTEREST PAYMENTS ON ADDITIONAL TIER 1 NOTES**

### 7.1. **Application**

This Condition 7 applies only to Additional Tier 1 Notes.

### 7.2. **Non-payment of interest**

- 7.2.1. The Issuer shall at all times have full discretion regarding any payment of interest on the Additional Tier 1 Notes. Interest payments on the Additional Tier 1 Notes will not be cumulative.
- 7.2.2. If the Issuer is not obliged to pay the relevant Interest Amount on the relevant Interest Payment Date in accordance with this Condition 7.2, the Issuer shall have full access to the relevant Interest Amount (or the

relevant portion thereof) to meet any relevant obligation as it falls due.

- 7.2.3. Subject to Condition 7.2.4 (which imposes an obligation on the Issuer to elect not to pay the relevant Interest Amount on the relevant Interest Payment Date under the circumstances described in Condition 7.2.4), the Issuer shall at all times have full discretion whether or not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date and the Issuer may at any time elect not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date. If the Issuer elects not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date, it shall give notice of such election to the Additional Tier 1 Noteholders in accordance with Condition 19 (*Notices*) and to the Settling Bank on or prior to the relevant Interest Payment Date.
- 7.2.4. The Issuer shall elect not to pay the relevant Interest Amount on the relevant Interest Payment Date if the Issuer is in breach of the Capital Regulations on the Business Day prior to the relevant Interest Payment Date or would be in breach of the Capital Regulations if the relevant Interest Amount (or any portion thereof) were paid on the relevant Interest Payment Date.
- 7.2.5. If, pursuant to Condition 7.2.4, the Issuer is obliged to elect not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date, it shall procure that notice of such fact is published on SENS on or prior to the relevant Interest Payment Date, and the Issuer shall also give notice of such fact to the Additional Tier 1 Noteholders in accordance with Condition 19 (*Notices*) and to the Settling Bank on or prior to the relevant Interest Payment Date.
- 7.2.6. If the Issuer elects (or is obliged to elect) not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date in accordance with the provisions of this Condition 7.2 then the obligation that the Issuer would have had, in the absence of such election and this Condition 7.2, to pay the relevant Interest Amount (or the relevant portion thereof) to the Additional Tier 1 Noteholders on the relevant Interest Payment Date shall be extinguished in its entirety, and any failure to pay the relevant Interest Amount (or the relevant portion thereof) to the Additional Tier 1 Noteholders on the relevant Interest Payment Date shall not constitute an Event of Default by the Issuer or any other breach of the Issuer's obligations under the Additional Tier 1 Notes and the Applicable Terms and Conditions or for any other purpose, and the Additional Tier 1 Noteholders will have no claim in respect of any such non-payment.

### 7.3. Restrictions following non-payment of interest on Additional Tier 1 Notes

- 7.3.1. For purposes of this Condition 7.3 (*Restrictions following non-payment of interest on Additional Tier 1 Notes*), the Applicable Terms and Conditions of a Tranche of Additional Tier 1 Notes "*shall not contain any feature that may hinder any potential future recapitalisation*" (Regulation 38(11)(b)(iv)(G) of the Regulations Relating to Banks) and any election not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date in accordance with Condition 7.2 (*Non-payment of interest*) shall not impose any restriction on the Issuer or the Controlling Company "*except in relation to a distribution to holders of more deeply subordinated shares or instruments*" (Regulation 38(11)(b)(vi)(C) of the Regulations Relating to Banks).
- 7.3.2. If the relevant Interest Amount (or any portion thereof) in respect of a Tranche of Additional Tier 1 Notes shall not have been paid in full on the relevant Interest Payment Date pursuant to Condition 7.2 (*Non-payment of interest*), then from the relevant Interest Payment Date until the next Interest Payment Date of any Tranche of Additional Tier 1 Notes then in issue on which the Issuer has paid in full the Interest Amount due and payable on all Tranches of Additional Tier 1 Notes then in issue, neither the Issuer nor the Controlling Company shall (and the Controlling Company shall procure that no other Group Company shall):
- 7.3.2.1. declare or pay a distribution or dividend or pay any interest on any Junior Securities other than:
- 7.3.2.1.1. Mandatory Preference Shares; or
- 7.3.2.1.2. any dividend which has been declared on any Junior Securities before the date of the notice to Noteholders referred to in Condition 7.2 (*Non-payment of interest*); or
- 7.3.2.1.3. intra-group dividends on any Junior Securities between Group Companies which are wholly-owned subsidiaries and to Group Companies which are holding companies, which can be paid at any time; *PROVIDED THAT* intra-group dividends may not be declared or paid on Issuer Ordinary Shares and/or Controlling Company Ordinary Shares the proceeds of which, in each instance, qualify (or are deemed under the Capital Regulations to qualify) as Common Equity Tier 1 Capital, except to the

extent that such intra-group dividends are required to re-capitalise the Issuer; or

- 7.3.2.2. redeem, purchase, reduce or otherwise acquire any Junior Securities or any securities of any of its Subsidiary undertakings benefiting from a guarantee from any other Group Company ranking (or deemed under the Capital Regulations to rank) as to the right of repayment of principal (in the case of such securities) or as to the payment of sums under any such guarantee (in the case of any such guarantee), as the case may be, junior to the Additional Tier 1 Notes.
- 7.3.3. The obligations of the Controlling Company under this Condition 7.3 are enforceable by the Additional Tier 1 Noteholders pursuant to the Dividend Restriction Agreement and Condition 22 (*Benefits*). A copy of the Dividend Restriction Agreement will be made available, to each prospective Subordinated Noteholder of Additional Tier 1 Notes in a Tranche, at the time of finalisation of the Applicable Pricing Supplement.

## 8. INTEREST

### 8.1. Fixed Rate Note Provisions

#### 8.1.1. *Application*

This Condition 8.1 is applicable to a Tranche of Notes only if the Fixed Rate Note Provisions are specified in the Applicable Pricing Supplement as being applicable.

#### 8.1.2. *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.

#### 8.1.3. *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.

#### 8.1.4. *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.

### 8.2. Floating Rate Note Provisions

#### 8.2.1. *Application*

This Condition 8.2 is applicable to a Tranche of Notes only if the Floating Rate Note Provisions are specified in the Applicable Pricing Supplement as being applicable.

#### 8.2.2. *Accrual of interest*

- 8.2.2.1. 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.
- 8.2.2.2. 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):
- 8.2.2.2.1. on the basis of ISDA Determination; or
  - 8.2.2.2.2. on the basis of Screen Rate Determination; or
  - 8.2.2.2.3. on such other basis as may be determined by the Issuer and specified in the Applicable Pricing Supplement.



### 8.2.3. *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:

- 8.2.3.1. 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;
- 8.2.3.2. 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;
- 8.2.3.3. if, in the case of Condition 8.2.3.1, the Reference Rate does not appear on the Relevant Screen Page or, in the case of Condition 8.2.3.2, 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:
  - 8.2.3.3.1. 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
  - 8.2.3.3.2. determine the arithmetic mean of such quotations;
- 8.2.3.4. 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.

### 8.2.4. *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:

- 8.2.4.1. the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the Applicable Pricing Supplement;
- 8.2.4.2. the Designated Maturity (as defined in the ISDA Definitions) is the period specified in the Applicable Pricing Supplement; and
- 8.2.4.3. 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.

### 8.2.5. *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.

#### 8.2.6. *Calculation of Interest Amount*

- 8.2.6.1. 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.
- 8.2.6.2. 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.

#### 8.3. **Mixed Rate Notes**

- 8.3.1. A Tranche of Fixed Rate Notes will bear interest on its Outstanding Principal Amount at (i) the Fixed Interest Rate specified in (or calculated in the manner set out in) the Applicable Pricing Supplement (during the Interest Period/s in respect of which the Interest Rate is a Fixed Interest Rate) or (ii) the Floating Interest Rate specified in (or calculated in the manner set out in) the Applicable Pricing Supplement (during the Interest Period/s in respect of which the Interest Rate is a Floating Interest Rate), as the case may be, for the period from (and including) the Interest Commencement Date to (but excluding) the Redemption Date.
- 8.3.2. A Tranche of Mixed Rate Notes will bear interest at (i) a Fixed Interest Rate for such Interest Period/s as is/are specified for this purpose in the Applicable Pricing Supplement and (ii) a Floating Interest Rate for such Interest Period/s as is/are specified for this purpose in the Applicable Pricing Supplement.
- 8.3.3. A Tranche of Mixed Rate Notes shall (i) for the Interest Period/s during which that Tranche bears interest at a Fixed Interest Rate, be construed for all purposes as a Tranche of Fixed Rate Notes and (ii) for the Interest Period/s during which that Tranche bears interest at a Floating Interest Rate, be construed for all purposes as a Tranche of Floating Rate Notes.

#### 8.4. **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).

#### 8.5. **Default interest**

- 8.5.1. 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.
- 8.5.2. 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 then, 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.

#### 8.6. **General**

##### 8.6.1. *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.

#### 8.6.2. *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 8, 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).

#### 8.6.3. *Notification of the Floating Interest Rate and each Interest Amount*

8.6.3.1. 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 Registered 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.

8.6.3.2. 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.

#### 8.6.4. *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 8 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 8.

### 8.7. **Debt Instrument System and Issuer Agent**

8.7.1. 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.

8.7.2. 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.

## 9. **REDEMPTION AND PURCHASE**

### 9.1. **Scheduled redemption**

9.1.1. Unless previously redeemed, or purchased and cancelled pursuant to this Condition 9 below, a Tranche of Notes (other than Additional Tier 1 Notes) will be redeemed by the Issuer, at the Final Redemption Amount,

on the Maturity Date.

- 9.1.2. A Tranche of Additional Tier 1 Notes must be issued without a Maturity Date and (without prejudice to the provisions of Condition 13.3 (*Events of Default relating to the Additional Tier 1 Notes*)):
- 9.1.2.1. shall only be redeemed, at the aggregate Outstanding Principal Amount of that Tranche plus accrued interest (if any), on a winding-up (other than pursuant to a Solvent Reconstruction) or liquidation of the Issuer subject to Condition 5.3.3 (*Subordination*);
- 9.1.2.2. may only be redeemed, substituted, varied or purchased, prior to a winding-up or liquidation of the Issuer, in accordance with and subject to the provisions of Condition 9.2 (*Redemption for tax reasons*), Condition 9.3 (*Redemption for regulatory reasons*), Condition 9.4 (*Redemption at the election of the Issuer*) or Condition 9.5 (*Substitution or variation of Additional Tier 1 Notes*), as applicable.

## 9.2. Redemption for tax reasons

- 9.2.1. If a Tax Event has occurred and is continuing, a Tranche of Notes may (subject, in the case of a Tranche of Subordinated Notes, to the prior written approval of the Prudential Authority) be redeemed, at the election of the Issuer, (in whole but not in part), subject to the Issuer having given not less than 30 nor more than 60 days' notice to the Noteholders of that Tranche (which notice shall be irrevocable) in accordance with Condition 19 (*Notices*) and to the Transfer Agent and the Settling Bank, on the Early Redemption Date (Tax), at the Early Redemption Amount (Tax), provided that no such notice of redemption shall be given earlier than:
- 9.2.1.1. where the Early Redemption Date (Tax) is an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities; or
- 9.2.1.2. where the Early Redemption Date (Tax) is not an Interest Payment Date, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities.
- 9.2.2. Prior to the publication of any notice of redemption pursuant to Condition 9.2.1, the Issuer shall deliver to the relevant Noteholders in accordance with Condition 19 (*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 a Tax Event has occurred. Upon the expiry of the notice referred to in Condition 9.2.1, the Issuer shall be bound to redeem the Notes in accordance with this Condition 9.2.

## 9.3. Redemption for regulatory reasons

- 9.3.1. If a Regulatory Event has occurred and is continuing, a Tranche of Subordinated Notes may (subject to the prior written approval of the Prudential Authority), be redeemed, at the election of the Issuer (in whole but not in part), subject to the Issuer having given not less than 30 nor more than 60 days' notice to the Noteholders of that Tranche (which notice shall be irrevocable) in accordance with Condition 19 (*Notices*) and to the Transfer Agent and the Settling Bank, on the Early Redemption Date (Regulatory), at the Early Redemption Amount (Regulatory).
- 9.3.2. Prior to the publication of any notice of redemption pursuant to Condition 9.3.1, the Issuer shall deliver to the relevant Noteholders in accordance with Condition 19 (*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) unless the Prudential Authority has confirmed to the Issuer that the proceeds of the issue of the relevant Notes are not eligible to qualify as the relevant class of Eligible Capital of the Issuer on a solo and/or a consolidated basis, an opinion of independent advisers of recognised standing to the effect that a Regulatory Event has occurred. Upon the expiry of the notice referred to in Condition 9.3.1, the Issuer shall be bound to redeem the Notes in accordance with this Condition 9.3.

#### 9.4. Redemption at the election of the Issuer

##### 9.4.1. *Unsubordinated Notes*

If the Issuer Early Redemption Election is applicable to a Tranche of Unsubordinated Notes, the Issuer may, at its election, having given not less than the period of notice specified in the Applicable Pricing Supplement to the Settling Bank, the Transfer Agent, and the relevant Noteholders in accordance with Condition 19 (*Notices*), redeem that Tranche of Unsubordinated Notes 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).

##### 9.4.2. *Subordinated Notes*

If the Issuer Early Redemption Election is applicable to a Tranche of Subordinated Notes, the Issuer may at its election, having given not less than the period of notice specified in the Applicable Pricing Supplement to the Settling Bank, the Transfer Agent, and the Noteholders of that Tranche in accordance with Condition 19 (*Notices*), redeem that Tranche of Subordinated Notes 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); provided that:

- 9.4.2.1. no Early Redemption Date (Call) shall fall earlier than the date being 5 (five) years and 1 (one) day after the Issue Date;
- 9.4.2.2. the Issuer shall obtain the prior written approval of the Prudential Authority before exercising the Issuer Early Redemption Election;
- 9.4.2.3. the Issuer shall not (and does not) create any expectation that the Issuer Early Redemption Election will be exercised; and
- 9.4.2.4. the Issuer shall not exercise the Issuer Early Redemption Election unless:
  - 9.4.2.4.1. the Issuer concurrently replaces that Tranche of Subordinated Notes (or the relevant part of that Tranche of Subordinated Notes if that Tranche of Subordinated Notes is proposed to be redeemed in part) with capital of similar or better quality and the replacement of capital is done at conditions that are sustainable for the income capacity of the Issuer; or
  - 9.4.2.4.2. the Issuer demonstrates to the satisfaction of the Prudential Authority that the Issuer's capital position will be well above the relevant specified minimum capital requirements after the Issuer Early Redemption Election is exercised.

#### 9.5. Substitution or variation of Additional Tier 1 Notes

- 9.5.1. If a Tax Event or a Regulatory Event, as the case may be, has occurred and is continuing, then the Issuer may, at its election, instead of giving notice to redeem a Tranche of Additional Tier 1 Notes pursuant to the Condition 9.2 (*Redemption for tax reasons*) or Condition 9.3 (*Redemption for regulatory reasons*), as the case may be, subject to the Issuer satisfying the conditions set out in Condition 9.6 (*Conditions to substitution or variation of Additional Tier 1 Notes*) (but without any requirement for the consent or approval of any Noteholder), having given not less than 60 nor more than 90 days' notice to the Transfer Agent, the Settling Bank and the Noteholders of that Tranche of Additional Tier 1 Notes in accordance with Condition 19 (*Notices*) (which notice shall be irrevocable), substitute at any time all (but not some only) of the Additional Tier 1 Notes in that Tranche for, or vary the Applicable Terms and Conditions of that Tranche of Additional Tier 1 Notes so that they remain, Qualifying Additional Tier 1 Capital Securities or become Qualifying Tier 2 Capital Securities.
- 9.5.2. The Issuer shall, in connection with any substitution or variation of a Tranche of Additional Tier 1 Notes in accordance with this Condition 9.5, comply with the JSE Rules and/or the JSE Debt Listings Requirements, as applicable, and/or the rules of any additional or other Financial Exchange on which that Tranche of Additional Tier 1 Notes is listed.

#### 9.6. Conditions to substitution or variation of Additional Tier 1 Notes

A Tranche of Additional Tier 1 Notes may only be substituted or varied by the Issuer pursuant to Condition 9.5 (*Substitution or variation of Additional Tier 1 Notes*) if:

- 9.6.1. the Issuer has notified the Prudential Authority of its intention to substitute or vary that Tranche of Additional Tier 1 Notes at least one month (or such other period, longer or shorter, as the Prudential Authority may then require or accept) prior to the date scheduled for substitution or variation of that



Tranche of Additional Tier 1 Notes and written approval has been received from the Prudential Authority; and

- 9.6.2. both at the time when the notice of substitution or variation of that Tranche of Additional Tier 1 Notes is given and immediately following the substitution or variation of that Tranche of Additional Tier 1 Notes, the Issuer is or will be (as the case may be) in compliance with its capital adequacy requirements as provided in the Capital Regulations (except to the extent that the Prudential Authority no longer so requires) as confirmed by the Prudential Authority.

#### 9.7. **Redemption at the election of Noteholders**

- 9.7.1. If the Noteholder Early Redemption Election is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Unsubordinated Notes or a Tranche of Bearer Notes or a Tranche of Order Notes, as applicable ("**relevant Tranche**"), a Noteholder of any Notes in the relevant Tranche ("**relevant Noteholder**") may, at its election (but subject to Condition 9.7.2) require the Issuer to redeem 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).
- 9.7.2. 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 or (where applicable) a copy of the Bearer Certificate or Order Certificate, as the case may be, representing and embodying the relevant Notes, to the Issuer, with a copy of the Noteholder Early Redemption Notice to the Transfer Agent and the Settling Bank.
- 9.7.3. No Certificate representing the relevant Notes which has been surrendered to the Transfer Agent in accordance with Condition 11.2.4 (*Surrender of Certificates*), if applicable, and no Bearer Certificate or Order Certificate, as applicable, representing and embodying the relevant Notes which has been presented and surrendered to the Settling Bank in accordance with Condition 11.3 (*Payments – Bearer Notes*) or Condition 11.4 (*Payments – Order Notes*), as applicable, 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, Bearer Certificate or Order Certificate, as the case may be, 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.

#### 9.8. **Redemption of a portion of the Notes and redemption of some, but not all, of the Notes in a Tranche**

- 9.8.1. 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 (if any) in terms of this Condition 9, 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.
- 9.8.2. Where only some, but not all, of the Notes in a Tranche of Notes are to be redeemed prior to the Maturity Date (if any) in terms of this Condition 9, 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.

#### 9.9. **Early redemption of Zero Coupon Notes**

- 9.9.1. 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.
- 9.9.2. 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 9.9 or, if none is so specified, a Day Count Fraction of 30E/360.



## 9.10. No other redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in this Condition 9 above.

## 9.11. Purchase

### 9.11.1. Subordinated Notes

9.11.1.1. In terms of the previous Regulations Relating to Banks, no Subordinated Notes could be held or acquired by *"the bank or any person "related to or associated with the bank or over which the bank exercises or may exercise control or significant influence"*. There was uncertainty regarding the interpretation of this provision, particularly in light of the fact that, where Conversion applies to a Tranche of Subordinated Notes issued by the Issuer (which is *"related to or associated with"* the Controlling Company) then, upon the occurrence of the Trigger Event, the Controlling Company (as the *"controlling company"* of the Issuer) is obliged to acquire that Tranche of Subordinated Notes. Circular C6/2014 clarifies some (but not all) of this uncertainty.

9.11.1.2. Circular C6/2014 provides that *"associated" "relates to the relevant bank or controlling company or a related party over which the bank and/or controlling company exercises or may exercise control or significant influence. The term therefore excludes a shareholder of the bank or controlling company itself; as the bank or controlling company has no control or significant influence over such a shareholder"*.

9.11.1.3. Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks have further clarified the uncertainty regarding which entities may acquire Subordinated Notes. In terms of Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F), no Subordinated Notes may be held or acquired by the *"bank or any person related to or associated with the bank over which the bank exercises or may exercise control or significant influence"*.

9.11.1.4. However, whereas Circular C6/2014 expressly refers to the *"controlling company"* of the relevant bank, Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks do not refer to the *"controlling company"*.

9.11.1.5. Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks (as read with Circular C6/2014), allow the Controlling Company to purchase or acquire or hold Subordinated Notes issued by the Issuer.

9.11.1.6. No proscribed entity referred to in Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks (as read with Circular C6/2014), may purchase or acquire or hold any Subordinated Notes.

### 9.11.2. Unsubordinated Notes

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

## 9.12. Cancellation

All Notes which are redeemed or (in the case of Unsubordinated Notes) purchased by the Issuer and, at the election of the Issuer, cancelled (as contemplated in Condition 9.11.2 (*Unsubordinated Notes*)) will forthwith be cancelled and may not be re-issued or resold. Each Certificate (if any) representing any Registered 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 Registered 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 Registered 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 Registered Notes represented by a Certificate is redeemed, the Transfer Agent shall deliver a new Certificate representing the balance of such Registered Notes, to the holder of such Registered Notes, as contemplated in Condition 16.1.2 (*Transfer of Registered Notes represented by Certificates*). The provisions of this Condition 9.12 shall, to the extent applicable, apply *mutatis mutandis* to Bearer Certificates, Bearer Notes, Order Certificates and Order Notes.

### 9.13. Uncertificated Registered Notes

The redemption of Uncertificated Registered Notes shall take place in accordance with the Financial Markets Act and the Applicable Procedures.

## 10. OCCURRENCE OF THE TRIGGER EVENT

- 10.1. This Condition 10 applies only to Subordinated Notes. Unless otherwise specified in the Applicable Pricing Supplement, Condition 10.2 to Condition 10.17 inclusive below shall apply irrespective of whether Write-Off or Conversion, as the case may be, is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Subordinated Notes.
- 10.2. The provisions of this Condition 10 are based on or extracted from the relevant provisions of Regulations 38(11)(b) and 38(12) of the Regulations Relating to Banks as read with Guidance Note 06/2017. Where any of the relevant provisions of the Capital Regulations are amended, re-enacted or replaced and/or substituted from time to time by the Prudential Authority, the corresponding provisions of this Condition 10 shall, unless otherwise specified in the Applicable Pricing Supplement, automatically be deemed to have been amended to provide for such amendments, re-enactments, replacements and/or substitutions.
- 10.3. The Applicable Terms and Conditions of a Tranche of Subordinated Notes shall contain a provision that requires that Tranche of Subordinated Notes, at the occurrence of a "trigger event" (at the discretion of the Prudential Authority ("**Discretion**")), to either (i) be written off ("**Write-Off**", and "**Written Off**" shall be construed accordingly) or (ii) be converted to the most subordinated form of equity ("**Conversion**", and "**Converted**" shall be construed accordingly).
- 10.4. The Issuer will specify in the Applicable Pricing Supplement whether a Tranche of Subordinated Notes will, at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), be Written Off or Converted.
- 10.5. Unless otherwise specified in the Applicable Pricing Supplement, the "trigger event" for a Tranche of Additional Tier 1 Notes which are accounted as equity (if any) and a Tranche of Tier 2 Notes, respectively, will be the occurrence of the "trigger event" specified in writing by the Prudential Authority; provided that, as a minimum, the aforesaid "trigger event" shall be the earlier of:
- 10.5.1. a decision that a write-off, without which the Issuer would become non-viable, is necessary, as determined by the Prudential Authority; or
- 10.5.2. the decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by the Prudential Authority.
- 10.6. Unless otherwise specified in the Applicable Pricing Supplement, the "trigger event" for a Tranche of for Additional Tier 1 Notes which are accounted as liabilities will be the first to occur of the following events:
- 10.6.1. the occurrence of the "trigger event" specified in writing by the Prudential Authority; provided that, as a minimum, the aforesaid "trigger event" shall be the earlier of:
- 10.6.1.1. a decision that a write-off, without which the Issuer would become non-viable, is necessary, as determined by the Prudential Authority; or
- 10.6.1.2. the decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by the Prudential Authority; or
- 10.6.2. the Common Equity Tier 1 ratio of the Issuer ("**CET 1 Ratio**") is equal to or falls below 5.875% of risk-weighted exposures.
- 10.7. The Prudential Authority will notify the Issuer in writing once the Prudential Authority determines that the Trigger Event has occurred.
- 10.8. The Issuer will, as soon as may be practicable after the Issuer has been notified by the Prudential Authority of the occurrence of the Trigger Event in respect of a Tranche of Subordinated Notes ("**relevant Tranche of Subordinated Notes**"), notify the Subordinated Noteholders of the relevant Tranche of Subordinated Notes ("**relevant Subordinated Noteholders**"), in accordance with Condition 19 (*Notices*), of the occurrence of the Trigger Event and the Unpaid Amount.
- 10.9. Notwithstanding the occurrence of the Trigger Event, the Prudential Authority has a Discretion to (i) take action and allow the Write-Off or Conversion to occur in order to effect an increase the CET1 Ratio such that the Issuer will be deemed by the Prudential Authority to be viable again or (ii) take no action and not require the Write-Off or Conversion to occur.

- 10.10. Write-Off or Conversion of Subordinated Notes need only occur up until the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority.
- 10.11. In terms of statutory ranking, Additional Tier 1 Notes are likely to be Written Off or Converted prior to any Write-Off or Conversion of Tier 2 Notes. The Subordinated Notes to be Written Off or Converted at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority) will be determined by the Prudential Authority.
- 10.12. The Prudential Authority will also determine whether, at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), the entire aggregate Outstanding Principal Amount of the relevant Tranche of Subordinated Notes ("**Total Principal Amount**") or a portion of the Total Principal Amount ("**Relevant Portion of the Principal Amount**") will be Written Off or Converted, as applicable, such determination to be based on the book value of the relevant Tranche of Subordinated Notes as reflected in the Issuer's financial statements or management accounts at the relevant time (with reference to the amount required to increase the CET1 Ratio such that the Issuer will be deemed by the Prudential Authority to be viable again).
- 10.13. The "**Unpaid Amount**", in relation to the relevant Tranche of Subordinated Notes, will be the sum of the Total Principal Amount or the Relevant Portion of the Principal Amount, as the case may be, plus all accrued but unpaid interest on the Total Principal Amount or the Relevant Portion of the Principal Amount, as the case may be, as at the occurrence of the Trigger Event. The "**Relevant Portion of the Unpaid Amount**", in relation to each relevant Subordinated Noteholder, will be the Unpaid Amount multiplied by the number of Subordinated Note/s in the relevant Tranche of Subordinated Notes held by that relevant Subordinated Noteholder divided by the total number of Subordinated Notes in the relevant Tranche of Subordinated Notes.
- 10.14. Where the Unpaid Amount in respect of the relevant Tranche of Subordinated Notes is determined with reference to the Total Principal Amount, "**all of the Subordinated Notes**" means the whole of each Subordinated Note in the relevant Tranche of Subordinated Notes (and 100% of the Outstanding Principal Amount of that Subordinated Note).
- 10.15. Where the Unpaid Amount in respect of the relevant Tranche of Subordinated Notes is determined with reference to the Relevant Portion of the Principal Amount, the "**Relevant Portion of the Subordinated Notes**" means that portion of each Subordinated Note in the relevant Tranche of Subordinated Notes (and that percentage of the Outstanding Principal Amount of that Subordinated Note) as is equivalent to the proportion (expressed as a percentage) which the Relevant Portion of the Principal Amount bears to the Total Principal Amount.
- 10.16. If the Issuer has both Tier 2 Notes and other shares and/or instruments the proceeds of which rank as Tier 2 Capital ("**Other Tier 2 Capital Instruments**") in issue which are subject to Write-Off or Conversion, as applicable, the Tier 2 Notes and the Other Tier 2 Capital Instruments will be treated *pari passu*, and a partial Write-Off or Conversion may occur at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), up to the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority.
- 10.17. If the Issuer has both Additional Tier 1 Notes and other shares and/or instruments the proceeds of which rank as Additional Tier 1 Capital ("**Other Additional Tier 1 Capital Instruments**") in issue which are subject to Write-Off or Conversion, as applicable, the Additional Tier 1 Notes and the Other Additional Tier 1 Capital Instruments will be treated *pari passu*, and a partial Write-Off or Conversion may occur at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), up to the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority.
- 10.18. **Write-Off**
- 10.18.1. Unless otherwise specified in the Applicable Pricing Supplement, this Condition 10.18 shall apply to the relevant Tranche of Subordinated Notes where Write-Off is specified in the Applicable Pricing Supplement as being applicable.
- 10.18.2. At the occurrence of the Trigger Event (at the Discretion of the Prudential Authority):
- 10.18.2.1. the Unpaid Amount in respect of the relevant Tranche of Subordinated Notes shall be Written Off without further action on the part of the Issuer, any Noteholder or any other Person;
- 10.18.2.2. the obligation that the Issuer would have had, in the absence of this Condition 10.18, to pay the Unpaid Amount to the relevant Subordinated Noteholders shall be extinguished in its entirety;

- 10.18.2.3. the Unpaid Amount shall be Written Off permanently with no provision for a write-up once the Issuer becomes viable again and shall be irrevocably lost;
- 10.18.2.4. where the Unpaid Amount is determined with reference to the Total Principal Amount, all of the Subordinated Notes shall (in consequence of the Write-Off) be cancelled, without further action on the part of the Issuer, any Noteholder or any other Person;
- 10.18.2.5. where the Unpaid Amount is determined with reference to the Relevant Portion of the Principal Amount, the Relevant Portion of the Subordinated Notes shall (in consequence of the Write-Off) be cancelled, without further action on the part of the Issuer, any Noteholder or any other Person.
- 10.18.3. If the Applicable Pricing Supplement specifies that compensation is to be paid to the relevant Subordinated Noteholders as a result of the Write-Off, such compensation shall (unless otherwise specified in the Applicable Pricing Supplement) be paid to the relevant Subordinated Noteholders in the form of Controlling Company Ordinary Shares and (unless otherwise specified in the Applicable Pricing Supplement) the provisions of Condition 10.19 (*Conversion*) shall apply *mutatis mutandis*.
- 10.18.4. If the Applicable Pricing Supplement does not specify that compensation is to be paid to the relevant Subordinated Noteholders as a result of the Write-Off, no compensation shall be paid to the relevant Subordinated Noteholders as a result of the Write-Off.

#### 10.19. Conversion

- 10.19.1. Unless otherwise specified in the Applicable Pricing Supplement, this Condition 10.19 shall apply to the relevant Tranche of Subordinated Notes where Conversion is specified in the Applicable Pricing Supplement as being applicable.
- 10.19.2. At the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), all of the Subordinated Notes or the Relevant Portion of the Subordinated Notes, as applicable, shall be Converted into Controlling Company Ordinary Shares in the manner set out in this Condition 10.19 below.
- 10.19.3. For purposes of determining the number of Controlling Company Ordinary Shares to be received by each relevant Subordinated Noteholder, at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), the subscription price of the Controlling Company Ordinary Shares shall be the greater of:
  - 10.19.3.1. the arithmetic mean (that is, the volume weighted average price) of the Controlling Company Ordinary Shares for the 5 (five) consecutive dealing days immediately prior to the occurrence of the Trigger Event, as published by the JSE; or
  - 10.19.3.2. 20% of the closing value of the Controlling Company Ordinary Shares, as at the Issue Date, as published by the JSE.
- 10.19.4. The number of Controlling Company Ordinary Shares to be received by each relevant Subordinated Noteholder pursuant to the Conversion, at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority) ("**Relevant Number of Controlling Company Ordinary Shares**") shall be determined with reference to the aggregate Issue Price of the Subordinated Notes held by that Subordinated Noteholder divided by the subscription price of the Controlling Company Ordinary Shares determined in accordance with the formula set out in Condition 10.19.3, and then rounding the resultant figure downward to the nearest whole number.
- 10.19.5. At the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), each relevant Subordinated Noteholder shall be deemed to have subscribed for (and shall be deemed to have been issued with) the Relevant Number of Controlling Company Ordinary Shares.
- 10.19.6. The Relevant Number of Controlling Company Ordinary Shares shall be credited as fully paid and shall have the same rights as, and rank *pari passu* in all respects with, all of the Controlling Company Ordinary Shares as at the occurrence of the Trigger Event. If the Controlling Company Ordinary Shares are issued in registered certificated form, the Issuer shall procure that the certificate/s evidencing the Relevant Number of Controlling Company Ordinary Shares is/are delivered to each relevant Subordinated Noteholder.
- 10.19.7. The subscription price of the Relevant Number of Controlling Company Ordinary Shares subscribed for by each relevant Subordinated Noteholder in terms of Condition 10.19.5 shall be an amount which is equal to the Relevant Portion of the Unpaid Amount (that is, the face value of all of the Subordinated Note/s or the Relevant Portion of the Subordinated Note/s, as applicable, held by that relevant Subordinated

Noteholder).

- 10.19.8. Payment of the subscription price of the Relevant Number of Controlling Company Ordinary Shares by each relevant Subordinated Noteholder shall be effected by that relevant Subordinated Noteholder (a) transferring (and having been deemed to have transferred) all of the Subordinated Note/s or the Relevant Portion of the Subordinated Note/s, as applicable, held by that relevant Subordinated Noteholder to the Controlling Company and (b) ceding (and having been deemed to have ceded) all of that relevant Subordinated Noteholder's rights and claims under the Relevant Portion of the Unpaid Amount to the Controlling Company.
- 10.19.9. In consequence of the transfer and cession referred to in Condition 10.19.8, the Controlling Company will be the Subordinated Noteholder of all of the Subordinated Notes or the Relevant Portion of the Subordinated Notes, as applicable, and the Controlling Company will have a claim against the Issuer which is equal to the Unpaid Amount (that is, the face value of all of the Subordinated Notes or the Relevant Portion of the Subordinated Notes, as applicable).
- 10.19.10. At the occurrence of the Trigger Event and forthwith after each relevant Subordinated Noteholder shall have been deemed to have been issued with the Relevant Number of Controlling Company Ordinary Shares pursuant to Condition 10.19.5, the Controlling Company shall subscribe for the Relevant Number of Issuer Ordinary Shares and the Issuer shall issue the Relevant Number of Issuer Ordinary Shares to the Controlling Company.
- 10.19.11. The Relevant Number of Issuer Ordinary Shares shall be credited as fully paid and shall have the same rights as, and rank *pari passu* in all respects with, all of the Issuer Ordinary Shares as at the occurrence of the Trigger Event. If the Issuer Ordinary Shares are issued in registered certificated form, the Issuer shall procure that the certificate/s evidencing the Relevant Number of Issuer Ordinary Shares is/are delivered to the Controlling Company.
- 10.19.12. The subscription price for the Relevant Number of Issuer Ordinary Shares shall be an amount which is equal to the Unpaid Amount (that is, the face value of all of the Subordinated Notes or the Relevant Portion of the Subordinated Notes, as applicable, held by the Controlling Company).
- 10.19.13. For purposes of determining the number of Issuer Ordinary Shares to be issued to the Controlling Company pursuant to the subscription referred to in Condition 10.19.10 ("**Relevant Number of Issuer Ordinary Shares**"), the subscription price for the Relevant Number of Issuer Ordinary Shares referred to in Condition 10.19.12 shall be divided by the market value of the Issuer Ordinary Shares as at the day of such subscription (determined by the auditors of the Issuer in accordance with Condition 10.19.14), the resultant figure being rounded downward to the nearest whole number.
- 10.19.14. The Issuer shall procure that the market value of the Issuer Ordinary Shares as at the day of the subscription referred to in Condition 10.19.10 is determined by the auditors of the Issuer. In the absence of manifest error, the market value so determined by the auditors of the Issuer shall be binding on the Controlling Company and the Issuer.
- 10.19.15. The obligation of the Controlling Company to pay the subscription price for the Relevant Number of Issuer Ordinary Shares subscribed for by it in terms of Condition 10.19.10 shall be set-off against the obligation of the Issuer to pay the Unpaid Amount under all of the Subordinated Notes or the Relevant Portion of the Subordinated Notes, as applicable, held by the Controlling Company.
- 10.19.16. In consequence of the set-off referred to in Condition 10.19.15:
  - 10.19.16.1. the Issuer's obligation to pay the Unpaid Amount under all of the Subordinated Notes or the Relevant Portion of the Subordinated Notes, as applicable, shall be discharged in its entirety;
  - 10.19.16.2. where the Unpaid Amount is determined with reference to the Total Principal Amount, all of the Subordinated Notes shall be cancelled, without further action on the part of the Issuer, the Controlling Company, any Noteholder or any other Person;
  - 10.19.16.3. where the Unpaid Amount is determined with reference to the Relevant Portion of the Principal Amount, the Relevant Portion of the Subordinated Notes shall be cancelled, without further action on the part of the Issuer, the Controlling Company, any Noteholder or any other Person.
- 10.19.17. The arrangements contemplated in this Condition 10.19 are set out in the Conversion Agreement. The obligations of the Controlling Company under this Condition 10.19 are enforceable by the relevant



Subordinated Noteholders pursuant to the Conversion Agreement and Condition 22 (*Benefits*). A copy of the Conversion Agreement will be made available, to each prospective relevant Subordinated Noteholder, at the time of finalisation of the Applicable Pricing Supplement.

- 10.19.18. The Issuer shall (and the Issuer shall procure that the Controlling Company shall) at all times (to the extent that it is within the Issuer and/or the Controlling Company's control and/or power to do so) obtain and maintain all prior authorisations (including, without limitation, all Controlling Company shareholder approvals in terms of the Companies Act and the JSE Listings Requirements applicable to the Main Board of the JSE) necessary to ensure the Conversion of the relevant Tranche of Subordinated Notes pursuant to this Condition 10.19 above. The Issuer will not issue and list a Tranche of Subordinated Notes to which Conversion is applicable unless the Controlling Company shall have secured and/or obtained the required shareholders' approval in accordance with the JSE Listings Requirements applicable to the Main Board of the JSE.
- 10.19.19. Where, at the occurrence of the Trigger Event, the Conversion of the relevant Tranche of Subordinated Notes pursuant to this Condition 10.19 above (i) cannot be undertaken for any reason or (ii) is not irrevocable or (iii) will not result in an immediate increase in the CET 1 Ratio, then the relevant Tranche of Subordinated Notes shall, instead of being Converted, be Written Off, at the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), *mutatis mutandis* in accordance with the provisions of Condition 10.18.2 (*Write-Off*).

#### 10.20. Surviving Subordinated Notes

Where the Unpaid Amount in respect of the relevant Tranche of Subordinated Notes is determined with reference to the Relevant Portion of the Principal Amount:

- 10.20.1. the balance of the relevant Tranche of Subordinated Notes not Written-Off (or, if applicable, Converted) (such balance being the "**Surviving Subordinated Notes**") shall continue to exist and, after the Write-Off (or, if applicable, Conversion), all references to "Principal Amount" in the Terms and Conditions and/or the Applicable Terms and Conditions (including, without limitation, Condition 9.2 (*Redemption for tax reasons*), Condition 9.3 (*Redemption for regulatory reasons*) and Condition 9.4 (*Redemption at the election of the Issuer*) shall be construed as references to the Total Principal Amount less the Relevant Portion of the Principal Amount, and all references to "Subordinated Notes" and "a Tranche of Subordinated Notes" in the Terms and Conditions and/or the Applicable Terms and Conditions (including, without limitation, Condition 9.2 (*Redemption for tax reasons*), Condition 9.3 (*Redemption for regulatory reasons*) and Condition 9.4 (*Redemption at the election of the Issuer*) shall be construed as references to the Surviving Subordinated Notes; and
- 10.20.2. without limiting the provisions of Condition 10.20.1 if, after the Write-Off (or, if applicable, Conversion), the relevant Tranche of Subordinated Notes is to be redeemed in terms of Condition 9.2 (*Redemption for tax reasons*) or Condition 9.3 (*Redemption for regulatory reasons*) or Condition 9.4 (*Redemption at the election of the Issuer*), as the case may be, the amount of principal and accrued but unpaid interest to be paid to the Noteholders of the relevant Tranche of Subordinated Notes in terms of Condition 9.2 (*Redemption for tax reasons*) or Condition 9.3 (*Redemption for regulatory reasons*) or Condition 9.4 (*Redemption at the election of the Issuer*), as the case may be, shall be irrevocably reduced by the Unpaid Amount.

#### 10.21. No Event of Default

Neither the Write-Off (nor, if applicable, the Conversion) of all of the Subordinated Notes or the Relevant Portion of the Subordinated Notes, as applicable, nor the failure to pay the Unpaid Amount to the relevant Subordinated Noteholders in consequence of the Write-Off (or, if applicable, the Conversion) shall constitute an Event of Default or any other breach of the Issuer's obligations under the relevant Tranche of Subordinated Notes or the Applicable Terms and Conditions, and the relevant Subordinated Noteholders will have no claims of whatsoever nature against the Issuer as a result of the Write-Off (or, if applicable, the Conversion).

### 11. PAYMENTS

#### 11.1. General

- 11.1.1. All references in this Condition 11 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.
- 11.1.2. 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.

## 11.2. Payments - Registered Notes

### 11.2.1. Registered Noteholders

- 11.2.1.1. Payments of all amounts due and payable in respect of Uncertificated Registered Notes shall be made in accordance with the CSD Procedures and Condition 11.2.2 (*Method of payment – Uncertificated Registered Notes*).
- 11.2.1.2. Payments of all amounts due and payable in respect of Registered Notes represented by Certificates will be made, in accordance with Condition 11.2.3 (*Method of payment - Registered Notes represented by Certificates*), to the Person named as the registered Noteholder of such Registered Notes in the Register at 17h00 (South African time) on the relevant Last Day to Register.
- 11.2.1.3. Subject to Condition 11.2.3 (*Method of payment – Uncertificated Registered 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 Registered Notes.

### 11.2.2. Method of payment – Uncertificated Registered Notes

- 11.2.2.1. 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 Registered 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.
- 11.2.2.2. 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 Registered Notes. Such amount will be deposited into the Designated Bank Account, in immediately available and freely transferable funds, in the Specified Currency.
- 11.2.2.3. 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 Registered Notes, in accordance with the CSD Procedures.
- 11.2.2.4. 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 11.2.2, 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 Registered Notes, the Applicable Terms and Conditions and the Applicable Agency Agreement (if any).
- 11.2.2.5. Each of the Persons reflected in the records of the relevant Participant as the registered Noteholder of Uncertificated Registered Notes shall look solely to the relevant Participant for such Person's share of the funds deposited into the Designated Bank Account.
- 11.2.2.6. Payments of amounts due and payable in respect of Uncertificated Registered 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.

### 11.2.3. Method of payment - Registered Notes represented by Certificates

- 11.2.3.1. The Issuer will, in the case of Registered 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 Registered 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 Registered 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 Registered Note/s.

11.2.3.2. If several Persons are entered into the Register as joint registered Noteholders of Registered Note/s which are represented by a Certificate then, without affecting the previous provisions of this Condition 11.2.3, 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 Registered Note/s.

11.2.3.3. The Issuer shall not be responsible for the loss in transmission of any funds referred to in Condition 11.2.3.1, and payment of any amount into the bank account referred to in Condition 11.2.3.1 in accordance with Condition 11.2.3.1, shall be satisfaction *pro tanto*, to the extent of such amount, of the Issuer's obligations to the Noteholders under the relevant Registered Notes, the Applicable Terms and Conditions and the Applicable Agency Agreement (if any).

#### 11.2.4. *Surrender of Certificates*

11.2.4.1. Payments of principal in respect of any Registered Note/s which is/are represented by Certificate/s shall be made to the Noteholder/s of such Registered Note/s only if, prior to the Redemption Date, such Certificate/s shall have been surrendered to the Transfer Agent (at its Specified Office).

11.2.4.2. If the relevant Certificate is not surrendered to the Transfer Agent (at its Specified Office) in accordance with Condition 11.2.4.1, the amount of principal payable to the Noteholder of the Registered 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.

### 11.3. **Payments – Bearer Notes**

#### 11.3.1. Payments of:

11.3.1.1. interest in respect of Bearer Notes will be made to the Bearer only against presentation and surrender, by the Bearer or its Representative, of the relevant Coupon or (where the Bearer Certificate is issued without Coupons) only against presentation, by the Bearer or its Representative, of the Bearer Certificate, to the Issuer (at its Specified Office);

11.3.1.2. Instalment Amounts in respect of Bearer Notes will be made to the Bearer only against presentation and surrender, by the Bearer or its Representative, of the relevant Receipt to the Issuer (at its Specified Office);

11.3.1.3. principal or the final Instalment Amount, as applicable, in respect of Bearer Notes which are to be redeemed (whether in whole or in part) pursuant to the Applicable Terms and Conditions will be made to the Bearer only against presentation and surrender, by the Bearer or its Representative, of the relevant Bearer Certificate to the Issuer (at its Specified Office).

11.3.2. Upon presentation and surrender of the Bearer Certificate or Coupon or Receipt, as the case may be, to the Issuer (at its Specified Office) in terms of Condition 11.3.1, the Bearer, or its Representative, shall notify the Issuer in writing of the name of the Bearer and the address (within South Africa or such Other Banking Jurisdiction as is specified in the Applicable Pricing Supplement) of the Bearer and the bank account (within South Africa) into which the relevant payment must be made.

11.3.3. Subject to Conditions 11.3.1 and 11.3.2, the Issuer shall pay all amounts due and payable in respect of any Bearer Notes, in immediately available and freely transferable funds, in the Specified Currency, by electronic funds transfer, to the bank account referred to in Condition 11.3.2. The Issuer shall not be responsible for the loss in transmission of any such funds, and payment of any amount into such bank account, in accordance with this Condition 11.3.3, shall be satisfaction *pro tanto*, to the extent of such amount, of the Issuer's obligations to the relevant Bearers under the relevant Bearer Notes, the Applicable Terms and Conditions and the Applicable Agency Agreement (if any).

### 11.4. **Payments – Order Notes**

#### 11.4.1. Payments of:

11.4.1.1. interest in respect of Order Notes will be made to the Payee only against presentation and surrender by the Payee, or its Representative, of the relevant Coupon or (where the Order Certificate is issued without Coupons) only against presentation by the Payee, or its Representative of the Order Certificate, to the Issuer (at its Specified Office);

- 11.4.1.2. Instalment Amounts in respect of Order Notes will be made to the Payee only against presentation and surrender by the Payee, or its Representative, of the relevant Receipt to the Issuer (at its Specified Office);
- 11.4.1.3. principal or the final Instalment Amount, as applicable, in respect of Order Notes which are to be redeemed (whether in whole or in part) pursuant to the Applicable Terms and Conditions will be made to the Payee only against presentation and surrender, by the Payee or its Representative, of the relevant Order Certificate to the Issuer (at its Specified Office).
- 11.4.2. Upon presentation and surrender of the Order Certificate or Coupon or Receipt, as the case may be, to the Issuer (at its Specified Office) in terms of Condition 11.4.1, the Payee, or its Representative, shall notify the Issuer in writing of the address (within South Africa or such Other Banking Jurisdiction as is specified in the Applicable Pricing Supplement) of the Payee and the bank account (within South Africa) into which the relevant payment must be made.
- 11.4.3. Subject to Conditions 11.4.1 and 11.4.2, the Issuer shall pay all amounts due and payable in respect of any Order Notes, in immediately available and freely transferable funds, in the Specified Currency, by electronic funds transfer, to the bank account referred to in Condition 11.4.2. The Issuer shall not be responsible for the loss in transmission of any such funds, and payment of any amount into such bank account, in accordance with this Condition 11.4.3, shall be satisfaction *pro tanto*, to the extent of such amount, of the Issuer's obligations to the relevant Payees under the relevant Order Notes, the Applicable Terms and Conditions and the Applicable Agency Agreement (if any).

#### 11.5. Payments by cheque

- 11.5.1. 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 11 (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).
- 11.5.2. Payments by cheque shall, promptly after the Issuer is so prevented or restricted from making payment by electronic funds transfer (as contemplated in Condition 11.5.1), 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):
  - 11.5.2.1. in the case of Registered Notes, 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 Registered Notes;
  - 11.5.2.2. in the case of Bearer Notes to the address of the Bearer referred to in Condition 11.3.2;
  - 11.5.2.3. in the case of Order Notes, to the address of the Payee referred to in Condition 11.4.2.
- 11.5.3. Each cheque issued in respect of Registered Notes shall be made payable to or for the order of the Noteholder of such Registered Notes or, in the case of joint Noteholders of Registered Notes, the first one of them named in the Register in respect of such Registered Notes. Each cheque issued in respect of Bearer Notes shall be made payable to or for the order of the name of the Bearer referred to in Condition 11.3.2. Each cheque issued in respect of Order Notes shall be made payable to or for the order of the Payee. 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, Bearers or Payees, as applicable, for the purposes of all cheques posted in terms of this Condition 11.5.
- 11.5.4. Payment by cheque sent in terms of this Condition 11.5 shall be a complete discharge by the Issuer of its obligations in respect of the amount of the cheque. The relevant Noteholders, Bearers or Payees, as applicable, 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 Registered Notes, Bearer Notes or Order Notes, as applicable, resulting from a cheque mailed in accordance with this Condition 11.5 arriving after the due date for such payment or being lost in the mail.

### 11.6. 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:

- 11.6.1. if a Business Day Convention is not specified in the Applicable Pricing Supplement, such date for payment shall be the following Business Day;
- 11.6.2. 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.

### 11.7. Interpretation of principal and interest

- 11.7.1. Any reference in the Terms and Conditions to principal 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 12.1 (*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.
- 11.7.2. 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 12.1 (*Gross up*).

## 12. TAXATION

### 12.1. Gross up

- 12.1.1. All payments of principal 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.
- 12.1.2. 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 9.2 (*Redemption for tax reasons*), 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 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:
  - 12.1.2.1. 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
  - 12.1.2.2. 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
  - 12.1.2.3. where such withholding or deduction is in respect of Taxes levied or imposed on interest or principal 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
  - 12.1.2.4. where (in the case of any payment of principal and/or interest which is conditional on surrender of the relevant Certificate in accordance with the Terms and Conditions or conditional on presentation and surrender of the relevant Order Certificate or the relevant Bearer Certificate, as the case may be, in accordance with the Terms and Conditions), the relevant Certificate or the relevant Order Certificate or the relevant Bearer Certificate, as the case may be, is surrendered (or presented and surrendered), as applicable more than 30 (thirty) days after the due date for payment of such principal 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, or presented and surrendered the relevant Order Certificate or the relevant Bearer Certificate, as the case may be, on such thirtieth day; or
  - 12.1.2.5. if such withholding or deduction arises through the exercise by the revenue authorities of special powers in respect of tax defaulters.

## 12.2. 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.

## 13. EVENTS OF DEFAULT

### 13.1. Events of Default relating to Unsubordinated Notes

13.1.1. This Condition 13.1 applies only to Unsubordinated Notes.

13.1.2. If any of the following events occurs and is continuing:

#### 13.1.2.1. *Non-payment*

The Issuer fails to pay any amount of principal in respect of the Unsubordinated Notes within 5 (five) days of the due date for payment thereof or fails to pay any amount of interest in respect of the Unsubordinated Notes within 10 (ten) days of the due date for payment thereof; or

#### 13.1.2.2. *Breach of other obligations*

The Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Unsubordinated Notes and the Applicable Terms and Conditions and such default remains unremedied for 30 (thirty) days after written notice thereof, has been delivered by any Noteholder to the Issuer in accordance with Condition 19 (*Notices*); or

#### 13.1.2.3. *Cross-default of Issuer or Principal Subsidiary*

13.1.2.3.1. Any other present or future Financial Indebtedness of the Issuer or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

13.1.2.3.2. any such Financial Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the election of the Issuer or (as the case may be) the relevant Principal Subsidiary or (provided that no Event of Default, howsoever described, has occurred) any Person entitled to such Financial Indebtedness; or

13.1.2.3.3. the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Financial Indebtedness;

provided that the amount of Financial Indebtedness referred to in Condition 13.1.2.3.1 and/or Condition 13.1.2.3.2 and/or the amount payable under any Guarantee referred to in Condition 13.1.2.3.3 individually or in the aggregate exceeds U.S.\$20,000,000 (or its equivalent in any other currency or currencies); or

#### 13.1.2.4. *Unsatisfied judgment*

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

#### 13.1.2.5. *Security enforced*

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

#### 13.1.2.6. *Insolvency*

(i) The Issuer or its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) a curator, judicial manager, liquidator or (other than in the case of the Issuer) business rescue practitioner is appointed (or any application for any such appointment is made) in respect of the Issuer or any of its Principal Subsidiaries or in respect of the whole or a substantial part of the undertaking,

assets and revenues of the Issuer or any of its Principal Subsidiaries, (iii) the Issuer or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Financial Indebtedness or any Guarantee of any Financial Indebtedness given by it or (iv) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than (A) in the case of a Principal Subsidiary of the Issuer for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent; or (B) in the case of the Issuer, in respect of a Solvent Reconstruction); or

13.1.2.7. *Winding-up*

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

13.1.2.8. *Analogous event*

Any event occurs which under the laws of South Africa or other relevant jurisdiction in the case of a Principal Subsidiary has an analogous effect to any of the events referred to in Conditions 13.1.2.4 (*Unsatisfied judgment*) to 13.1.2.7 (*Winding-up*) inclusive; or

13.1.2.9. *Failure to take action etc.*

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

13.1.2.10. *Unlawfulness*

It is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Unsubordinated Notes and the Applicable Terms and Conditions,

then any Unsubordinated Noteholder may, by written notice to the Issuer in accordance with Condition 19 (*Notices*), declare all or any of the Unsubordinated Notes held by that Unsubordinated Noteholder to be immediately due and payable, whereupon such Unsubordinated Notes shall become immediately due and payable at the Early Termination Amount without further action or formality.

**13.2. Events of Default relating to Tier 2 Notes**

13.2.1. This Condition 13.2 applies only to Tier 2 Notes.

13.2.2. If default shall be made in the payment of any principal or interest due on the Tier 2 Notes for a period of 5 (five) days or more after any date on which the payment of principal is due or 10 (ten) days or more after any date on which the payment of interest is due (as the case may be), any Tier 2 Noteholder may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but take no other action in respect of that default. In such proceedings or winding-up the claim of a Tier 2 Noteholder shall be for the Early Termination Amount in respect of the Tier 2 Notes held by that Tier 2 Noteholder.

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

13.2.4. If any step (including an application, a proposal or a convening of a meeting) is taken by any Person with a view to having the Issuer liquidated and an order is thereafter passed for the liquidation of the Issuer, all of the Tier 2 Notes shall be deemed, on the date on which such step is taken, to have been declared forthwith due and payable (whether or not due for payment and without further action or formality), at the Early Termination Amount (subject to Condition 5.2.3 (*Subordination*)), on and with effect from the day preceding the date on which such order for the liquidation of the Issuer is passed.

13.2.5. Without prejudice to Condition 13.2.2 to Condition 13.2.4 inclusive, if the Issuer breaches any of its obligations under the Tier 2 Notes (other than any obligation in respect of the payment of principal or



interest on such Tier 2 Notes) then each Tier 2 Noteholder may at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question; provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Tier 2 Notes sooner than the same would otherwise have been payable by it.

### 13.3. Events of Default relating to Additional Tier 1 Notes

- 13.3.1. This Condition 13.3 applies only to Additional Tier 1 Notes.
- 13.3.2. *Notwithstanding any of the provisions of this Condition 13.3, the right to institute winding up proceedings is limited to circumstances where amounts under the Additional Tier 1 Notes have become due and payable. Payment of any Interest Amount in respect of Additional Tier 1 Notes will not be due if the Issuer has elected or is obliged not to pay that Interest Amount (or any portion thereof) pursuant to Condition 7.2 (Non-payment of interest).*
- 13.3.3. If default shall be made in the payment of any principal or any interest due on the Additional Tier 1 Notes for a period of 7 (seven) days or more after any date on which such principal or any interest becomes due and payable, each Additional Tier 1 Noteholder may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but may take no other action in respect of such default.
- 13.3.4. Without prejudice to Condition 13.3.3, if the Issuer breaches any of its obligations under the Additional Tier 1 Notes (other than any obligation in respect of the payment of principal or interest on the Additional Tier 1 Notes) then each Additional Tier 1 Noteholder may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question; provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on the Additional Tier 1 Notes sooner than the same would otherwise have been payable by it.

## 14. PRESCRIPTION

Any claim for payment of any amount of principal 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.

## 15. EXCHANGE OF UNCERTIFICATED REGISTERED NOTES FOR REGISTERED NOTES REPRESENTED BY A CERTIFICATE AND REPLACEMENT OF CERTIFICATES

### 15.1. Exchange of Uncertificated Registered Notes

- 15.1.1. A registered Noteholder of Uncertificated Registered 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 Registered Note/s be exchanged for Registered 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 Registered Note/s and (ii) the day on which such Uncertificated Registered Note/s is/are to be exchanged for Registered 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.
- 15.1.2. 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 Registered Note/s for Registered 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 Registered 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.
- 15.1.3. In order to effect the exchange of Uncertificated Registered Note/s (a) such Uncertificated Registered 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 Registered Note/s from the Central Securities Depository in accordance with the CSD Procedures.

- 15.1.4. An Individual Certificate shall, in relation to any number of Uncertificated Registered Notes of a particular aggregate Outstanding Principal Amount standing to the account of the registered Noteholder thereof, represent that number of Registered 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.

## 15.2. Costs

- 15.2.1. The costs and expenses of the delivery of each 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 Registered Notes represented by that Certificate. Separate costs and expenses relating to the provision of Certificates and/or the transfer of Registered 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.
- 15.2.2. The costs and expenses of the printing, issue and delivery of Bearer Certificates and Order Certificates, and any Receipts and/or Coupons, shall be borne by the Issuer, save as otherwise provided in the Applicable Pricing Supplement.

## 15.3. 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.

## 15.4. Death and sequestration or liquidation of Noteholder

Any Person becoming entitled to Registered 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 15.4 or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Registered Notes or, subject to the Applicable Procedures, this Condition 15.4 and Condition 16.1 (*Transfer of Registered Notes*), may transfer such Registered 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 Registered Notes to which any Person is so entitled until such Person shall be registered as aforesaid or shall duly transfer the Registered Notes.

## 16. TRANSFER OF NOTES

### 16.1. Transfer of Registered Notes

#### 16.1.1. *Transfer of Uncertificated Registered Notes*

- 16.1.1.1. Uncertificated Registered Notes may be transferred only in accordance with the CSD Procedures through the Central Securities Depository.
- 16.1.1.2. Transfers of Uncertificated Registered 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.

#### 16.1.2. *Transfer of Registered Notes represented by Certificates*

- 16.1.2.1. In order for any transfer of Registered Notes represented by a Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:
- 16.1.2.1.1. the transfer of such Registered Notes must be embodied in a Transfer Form;
- 16.1.2.1.2. 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

- 16.1.2.1.3. the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the Certificate representing such Registered Notes for cancellation.
- 16.1.2.2. Registered 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.
- 16.1.2.3. Subject to this Condition 16.1.2, 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 Registered Notes represented by a Certificate (or the relevant portion of such Registered 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 Registered Notes transferred reflecting the Outstanding Principal Amount of the Registered Notes transferred.
- 16.1.2.4. Where a Noteholder has transferred a portion only of Registered 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 Registered Notes held by such Noteholder.
- 16.1.2.5. The transferor of any Registered 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.
- 16.1.2.6. Before any transfer of Registered 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.
- 16.1.2.7. No transfer of any Registered Notes in a Tranche represented by a Certificate will be registered during the Register Closed Period.
- 16.1.2.8. If a transfer of any Registered Notes represented by a Certificate is registered in the Register, the Transfer Form and cancelled Certificate will be retained by the Transfer Agent.

#### 16.2. **Transfer of Bearer Notes**

Bearer Notes may be transferred only by the negotiation of the Bearer Certificate representing and embodying such Bearer Notes (by way of the delivery of such Bearer Certificate), as contemplated in the Bills of Exchange Act.

#### 16.3. **Transfer of Order Notes**

Order Notes may be transferred only by the negotiation of the Order Certificate representing and embodying such Order Notes (by way of the Endorsement of such Order Certificate by the old Payee and the delivery of such Order Certificate to the new Payee), as contemplated in the Bills of Exchange Act.

#### 16.4. **Prohibition on stripping**

Where so specified in the Applicable Pricing Supplement, Bearer Certificates or Order Certificates, as the case may be, which are issued with Receipts and/or Coupons attached shall be issued subject to the condition that the relevant Bearer Notes or Order Notes, as the case may be, may only be transferred to a single transferee at a time and, accordingly, that the various rights in respect of the relevant Bearer Notes or Order Notes, as the case may be may not be stripped and transferred to various transferees at different times.

### 17. **REGISTER**

- 17.1. 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 Registered Notes issued and outstanding and the serial number of Certificate/s (if any) issued in respect of Registered Notes. The registered Noteholder/s of Uncertificated Registered Note/s in a Tranche of Uncertificated Registered Notes will be determined in accordance with the CSD Procedures, and such registered Noteholder/s will be named in the Register as the registered Noteholder/s of such Uncertificated Registered Note/s.
- 17.2. The Register will contain the name, address and bank account details of the registered Noteholders of Registered Notes represented by Certificates. The Register will set out the aggregate Principal Amount of Registered Notes issued to a Noteholder or the aggregate Outstanding Principal Amount of Registered 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.

- 17.3. The Register will be open for inspection during the normal business hours of the Transfer Agent by any Noteholder of Registered Notes (or any Representative of such Noteholder). The Register will, in relation to a Tranche of Registered Notes, be closed during the Register Closed Period.
- 17.4. 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 Registered Note may be subject.
- 17.5. 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 Registered Notes of which it is notified; provided that the Register will only be amended to reflect a transfer of Registered Notes which are represented by Certificates if such transfer is carried out in accordance with Condition 16.1.2 (*Transfer of Registered Notes represented by Certificates*).

#### **18. TRANSFER AGENT, CALCULATION/ISSUER AGENT AND SETTLING BANK**

- 18.1. 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.
- 18.2. 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 19 (*Notices*)) of any such appointment and, if any Registered Notes are listed on the Interest Rate Market of the JSE, the Issuer shall notify the JSE of any such appointment.
- 18.3. 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.
- 18.4. 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.
- 18.5. If and to the extent that the Issuer acts as the Transfer Agent and/or the Calculation/Issuer Agent and/or the Settling Bank:
- 18.5.1. 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
- 18.5.2. 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.

#### **19. NOTICES**

##### **19.1. Notice to Noteholders**

- 19.1.1. All notices to Noteholders of Registered 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).
- 19.1.2. For so long as any Registered Notes represented by Certificates are listed on the Interest Rate Market of the JSE, there may be substituted for the notice contemplated in Condition 19.1.1, the publication of the relevant notice on SENS or on any other electronic news service of general distribution.
- 19.1.3. Notices to Noteholders of Bearer Notes and Noteholders of Order Notes shall be published in an English language daily newspaper of general circulation in South Africa, and such notice shall be deemed to have been received by such Noteholders on the date on which that notice is published in such newspaper.
- 19.1.4. All notices to the registered Noteholders of Uncertificated Registered 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 Registered 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 Registered 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).

- 19.1.5. 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 19.1, subject to compliance with any other time periods prescribed in the provision concerned.
- 19.1.6. In addition to the applicable notice requirements set out in this Condition 19.1 above, all notices of meetings of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) shall be published on SENS.

## 19.2. Notice by Noteholders

- 19.2.1. All notices to be given by (i) any Noteholder of Registered Note/s represented by a Certificate or (ii) any holder of Bearer Note/s or (iii) any holder of Order Note/s, as the case may be, 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 or the relevant Bearer Certificate or the relevant Order Certificate, as applicable, 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).
- 19.2.2. All notices to be given by any registered Noteholder of Uncertificated Registered 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.

## 20. AMENDMENTS

- 20.1. 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 20.1 will be binding on all of the Noteholders.
- 20.2. The Issuer and the Controlling Company may effect, without the consent of any Noteholder, any amendment to the Conversion Agreement and/or the Dividend Restriction Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or is made to comply with mandatory provisions of any Applicable Laws.
- 20.3. 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 20.1 (such amendments being "**substantive amendments**") the following provisions of Conditions 20.3.1 to 20.3.14 inclusive below shall apply:
- 20.3.1. 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.
- 20.3.2. 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.
- 20.3.3. After having obtained the approval of the JSE pursuant to Condition 20.3.2, 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.

- 20.3.4. 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.
- 20.3.5. 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.
- 20.3.6. 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.
- 20.3.7. If approval of the proposed substantive amendments is requested to be given by way of an Extraordinary Resolution, the Issuer shall, subject to Condition 20.3.9, 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.
- 20.3.8. 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 20.3.9, 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.
- 20.3.9. If the required notice to the relevant Noteholders was given via a SENS announcement, the separate SENS announcement contemplated in Condition 20.3.7 or Condition 20.3.8, as applicable, shall not be required.
- 20.3.10. 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.
- 20.3.11. 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 20.3.2.
- 20.3.12. 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:
- 20.3.12.1. the proposed Extraordinary Resolution or the proposed Extraordinary Written Resolution, as applicable;
- 20.3.12.2. 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;

- 20.3.12.3. 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;
- 20.3.12.4. 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;
- 20.3.12.5. 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.
- 20.3.13. 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.
- 20.3.14. All substantive amendments to the Applicable Terms and Conditions (including any of the Terms and Conditions) effected in terms of this Condition 20.3 will be binding on all of the relevant Noteholders.

## 21. MEETINGS OF NOTEHOLDERS

### 21.1. Directions of Noteholders

- 21.1.1. 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 21. The provisions of this Condition 21 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**").
- 21.1.2. Subject to the CSD Procedures in the case of the Noteholders of Uncertificated Registered 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.
- 21.1.3. "**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.
- 21.1.4. 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 21.4.5) as a Noteholder or proxy or duly authorised representative of a Noteholder.
- 21.1.5. A meeting will have power, in addition to any powers specifically conferred elsewhere in the Terms and Conditions:
- 21.1.5.1. 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);
- 21.1.5.2. by Extraordinary Resolution of all of the Noteholders, to bind all of the Noteholders to any compromise or arrangement;
- 21.1.5.3. 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 20 (*Amendments*);

- 21.1.5.4. by Extraordinary Resolution of all of the Subordinated Noteholders of Subordinated Notes to which Conversion is applicable (as contemplated in Condition 10.19 (*Conversion*)), to approve any proposal by the Issuer and/or the Controlling Company for any amendment of any provision of the Conversion Agreement;
- 21.1.5.5. by Extraordinary Resolution of all of the Additional Tier 1 Noteholders, to approve any proposal by the Issuer and/or the Controlling Company for any amendment of any provision of the Dividend Restriction Agreement;
- 21.1.5.6. by Extraordinary Resolution of all of the Noteholders, to approve the substitution of any Person for the Issuer (or any previous substitute) under the Notes;
- 21.1.5.7. by Extraordinary Resolution of all of the Subordinated Noteholders of Subordinated Notes to which Conversion is applicable (as contemplated in Condition 10.19 (*Conversion*)), to approve the substitution of any Person for the Controlling Company (or any previous substitute) under the Conversion Agreement;
- 21.1.5.8. 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;
- 21.1.5.9. by Extraordinary Resolution of all of the Subordinated Noteholders of Subordinated Notes to which Conversion is applicable (as contemplated in Condition 10.19 (*Conversion*)), to waive any breach or authorise any proposed breach by the Issuer and/or the Controlling Company of its/their obligations under the Conversion Agreement;
- 21.1.5.10. by Extraordinary Resolution of all of the Additional Tier 1 Noteholders, to waive any breach or authorise any proposed breach by the Issuer and/or the Controlling Company of its/their obligations under the Dividend Restriction Agreement.
- 21.1.6. Unless otherwise specified in the Terms and Conditions (and subject to Condition 21.1.5), resolutions of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) shall be passed as Ordinary Resolutions.

## 21.2. Convening of meetings

- 21.2.1. The Issuer may at any time convene a meeting.
- 21.2.2. Subject to Condition 21.2.3, the Issuer must convene a meeting if one or more written and signed demands for such a meeting are delivered to the Issuer, and:
  - 21.2.2.1. each such demand describes the specific purpose for which the meeting is proposed; and
  - 21.2.2.2. 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.
- 21.2.3. At any time before the start of a meeting contemplated in Condition 21.2.2:
  - 21.2.3.1. a Noteholder who submitted a demand for that meeting may withdraw that demand; and
  - 21.2.3.2. 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.

## 21.3. Notice of meeting

- 21.3.1. 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 19.1 (*Notices*) and in the prescribed form set out in Condition 21.3.3, 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.
- 21.3.2. The Issuer may call a meeting with less notice than that required by Condition 21.3.1, 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:

- 21.3.2.1. is present at the meeting; and
- 21.3.2.2. votes to waive the required minimum notice of the meeting.
- 21.3.3. A notice of a meeting must be in writing, and must include:
  - 21.3.3.1. the date, time and place for the meeting;
  - 21.3.3.2. the Record Date for the meeting;
  - 21.3.3.3. the general purpose of the meeting, and any specific purpose for which the meeting is proposed, as contemplated in Condition 21.2.2.1, if applicable;
  - 21.3.3.4. the general purpose of the meeting, and any specific purpose for which the meeting is proposed, as contemplated in Condition 21.2.2.1, if applicable;
  - 21.3.3.5. a reasonably prominent statement that:
    - 21.3.3.5.1. 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;
    - 21.3.3.5.2. a proxy need not also be a Noteholder; and
    - 21.3.3.5.3. a Person participating in the meeting (including a proxy) must present reasonably satisfactory identification, as contemplated in Condition 21.4.1.1.
- 21.3.4. If there was a material defect in the giving of the notice of a meeting, the meeting may proceed, subject to Condition 21.3.5, 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.
- 21.3.5. 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:
  - 21.3.5.1. any such matter may be severed from the agenda, and the notice remains valid with respect to any remaining matters on the agenda; and
  - 21.3.5.2. 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 21.3.4.
- 21.3.6. 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.
- 21.3.7. A Noteholder who is present at a meeting, either in person or by proxy:
  - 21.3.7.1. is regarded as having received or waived notice of the meeting, if at least the required minimum notice was given; and
  - 21.3.7.2. has a right to:
    - 21.3.7.2.1. allege a material defect in the form of notice for a particular item on the agenda for the meeting; and
    - 21.3.7.2.2. 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
  - 21.3.7.3. except to the extent set out in Condition 21.3.7.2, is regarded as having waived any right based on an actual or alleged defect in the notice of the meeting.
- 21.3.8. In addition to the applicable notice requirements set out in Condition 21.3 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.

#### 21.4. Conduct of meetings

- 21.4.1. Before any Person may attend or participate in a meeting:
  - 21.4.1.1. that Person must present reasonably satisfactory identification; and
  - 21.4.1.2. 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.

- 21.4.2. Unless prohibited by the Issuer's Memorandum of Incorporation, the Issuer may provide for:
- 21.4.2.1. a meeting to be conducted entirely by electronic communication; or
- 21.4.2.2. 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.
- 21.4.3. If the Issuer provides for participation in a meeting by electronic communication, as contemplated in Condition 21.4.2:
- 21.4.3.1. 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
- 21.4.3.2. 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.
- 21.4.4. Registered Noteholders of Uncertificated Registered Notes must vote in accordance with the Applicable Procedures. Subject to the CSD Procedures, the registered Noteholders of Uncertificated Registered 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 Registered Notes.
- 21.4.5. The provisions of Condition 9.11.1 (*Subordinated Notes*) apply to the purchase or acquisition of Subordinated Notes by the Issuer and its Subsidiaries. The Controlling Company will not have any voting rights in respect of any Subordinated Notes held by it. Neither the Controlling Company nor the Issuer nor any of the Issuer's Subsidiaries will have any voting rights in respect of any Unsubordinated Notes held by them.
- 21.4.6. At a meeting of Noteholders, voting may either be by show of hands, or by polling.
- 21.4.7. 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.
- 21.4.8. 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).
- 21.4.9. 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:
- 21.4.9.1. at least 5 (five) Persons having the right to vote on that matter, either as a Noteholder or a proxy representing a Noteholder; or
- 21.4.9.2. 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.

## 21.5. Meeting quorum and adjournment

- 21.5.1. Subject to Conditions 21.5.2 to 21.5.6 inclusive below:
- 21.5.1.1. 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
- 21.5.1.2. 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.

- 21.5.2. Despite the percentage figures set out in Condition 21.5.1, 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:
  - 21.5.2.1. at least 3 (three) Noteholders are present at the meeting; and
  - 21.5.2.2. the requirements of Condition 21.5.1 are satisfied.
- 21.5.3. If, within one hour after the appointed time for a meeting to begin, the requirements of Condition 21.5.1, or Condition 21.5.2 if applicable,
  - 21.5.3.1. for that meeting to begin have not been satisfied, the meeting is postponed without motion, vote or further notice, for one week;
  - 21.5.3.2. for consideration of a particular matter to begin have not been satisfied:
    - 21.5.3.2.1. 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
    - 21.5.3.2.2. if there is no other business on the agenda of the meeting, the meeting is adjourned for 1 (one) week, without motion or vote.
- 21.5.4. The Person intended to preside at a meeting that cannot begin due to the operation of Condition 21.5.1.1, or Condition 21.5.2 if applicable, may extend the one-hour limit allowed in Condition 21.5.3 for a reasonable period on the grounds that:
  - 21.5.4.1. 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
  - 21.5.4.2. 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 21.5.1, or Condition 21.5.2 if applicable.
- 21.5.5. The Issuer is not required to give further notice of a meeting that is postponed or adjourned in terms of Condition 21.5.3, unless the location for the meeting is different from:
  - 21.5.5.1. the location of the postponed or adjourned meeting; or
  - 21.5.5.2. a location announced at the time of adjournment, in the case of an adjourned meeting.
- 21.5.6. If, at the time appointed in terms of this Condition 21.5 for a postponed meeting to begin, or for an adjourned meeting to resume, the requirements of Condition 21.5.1, or Condition 21.5.2 if applicable, have not been satisfied, the Noteholders present in person or by proxy will be deemed to constitute a quorum.
- 21.5.7. 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.
- 21.5.8. 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 21.5.9, on a motion supported by Persons entitled to exercise, in aggregate, a majority of the voting rights:
  - 21.5.8.1. held by all of the Persons who are present at the meeting at the time; and
  - 21.5.8.2. 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.
- 21.5.9. An adjournment of a meeting, or of consideration of a matter being debated at the meeting, in terms of Condition 21.5.8:
  - 21.5.9.1. may be either:
    - 21.5.9.1.1. to a fixed time and place; or
    - 21.5.9.1.2. until further notice,
  - as agreed at the meeting; and
  - 21.5.9.2. 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 21.5.9.1.2.

21.5.10. A meeting may not be adjourned beyond the earlier of:

21.5.10.1. the date that is 120 (one hundred and twenty) Business Days after the Record Date; or

21.5.10.2. the date that is 60 (sixty) Business Days after the date on which the adjournment occurred.

**21.6. 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 21, 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.

**21.7. Noteholder right to be represented by proxy**

21.7.1. At any time, a Noteholder may appoint any individual, including an individual who is not a Noteholder, as a proxy to:

21.7.1.1. participate in, and speak and vote at, a meeting on behalf of the Noteholder; or

21.7.1.2. give or withhold written consent on behalf of the Noteholder to a decision contemplated in Condition 21.9.

21.7.2. A proxy appointment:

21.7.2.1. must be in writing, dated and signed by the Noteholder; and

21.7.2.2. remains valid for:

21.7.2.2.1. 1 (one) year after the date on which it was signed; or

21.7.2.2.2. any longer or shorter period expressly set out in the appointment,

unless it is revoked in a manner contemplated in Condition 21.7.6.3, or expires earlier as contemplated in Condition 21.7.10.4.

21.7.3. 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.

21.7.4. 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.

21.7.5. 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.

21.7.6. Irrespective of the form of instrument used to appoint a proxy:

21.7.6.1. 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;

21.7.6.2. the appointment is revocable unless the proxy appointment expressly states otherwise; and

21.7.6.3. if the appointment is revocable, a Noteholder may revoke the proxy appointment by:

21.7.6.3.1. cancelling it in writing, or making a later inconsistent appointment of a proxy; and

21.7.6.3.2. delivering a copy of the revocation instrument to the proxy, and to the company.

21.7.7. 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:

21.7.7.1. the date stated in the revocation instrument, if any; or

21.7.7.2. the date on which the revocation instrument was delivered as required in Condition 21.7.6.3.2.

21.7.8. 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:

- 21.7.8.1. the Noteholder; or
- 21.7.8.2. the proxy or proxies, if the Noteholder has:
  - 21.7.8.2.1. directed the Issuer to do so, in writing; and
  - 21.7.8.2.2. paid any reasonable fee charged by the Issuer for doing so.
- 21.7.9. 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.
- 21.7.10. 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:
  - 21.7.10.1. 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;
  - 21.7.10.2. the invitation, or form of instrument supplied by the Issuer for the purpose of appointing a proxy, must:
    - 21.7.10.2.1. bear a reasonably prominent summary of the rights established by this Condition 21.7;
    - 21.7.10.2.2. 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
    - 21.7.10.2.3. 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;
  - 21.7.10.3. the Issuer must not require that the proxy appointment be made irrevocable; and
  - 21.7.10.4. the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to Condition 21.7.7.
- 21.7.11. Conditions 21.7.10.2 and 21.7.10.4 do not apply if the Issuer merely supplies a generally available standard form of proxy appointment on request by a Noteholder.

#### 21.8. **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 21 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.

#### 21.9. **Ordinary Written Resolution and Extraordinary Written Resolution**

- 21.9.1. An Ordinary Resolution or an Extraordinary Resolution, as the case may be, that could be voted on at a meeting may instead be:
  - 21.9.1.1. 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
  - 21.9.1.2. 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.
- 21.9.2. 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 21.

#### 21.10. **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.

## 22. BENEFITS

- 22.1. The provisions of the Conversion Agreement which confer benefits on a Noteholder of Subordinated Notes to which Conversion into Controlling Company Ordinary Shares is applicable (as contemplated in Condition 10.19 (*Conversion*)), constitute stipulations for the benefit of that Noteholder, and that Noteholder, upon its subscription for such Subordinated Notes and the issue of such Subordinated Notes to it, or upon the transfer of any of such Subordinated Notes to it, as the case may be, shall be deemed to have notice of the Conversion Agreement and shall be deemed to have accepted such benefits, and shall accordingly have the benefit of all those provisions of the Conversion Agreement which confer rights on that Noteholder and be bound by all those provisions (if any) of the Conversion Agreement which impose obligations and/or restrictions on that Noteholder.
- 22.2. The provisions of the Dividend Restriction Agreement which confer benefits on an Additional Tier 1 Noteholder constitute stipulations for the benefit of that Additional Tier 1 Noteholder, and that Additional Tier 1 Noteholder, upon its subscription for Additional Tier 1 Notes and the issue of Additional Tier 1 Notes to it, or upon the transfer of any Additional Tier 1 Notes to it, as the case may be, shall be deemed to have notice of the Dividend Restriction Agreement and shall be deemed to have accepted such benefits, and shall accordingly have the benefit of all those provisions of the Dividend Restriction Agreement which confer rights on that Additional Tier 1 Noteholder and be bound by all those provisions (if any) of the Dividend Restriction Agreement which impose obligations and/or restrictions on that Additional Tier 1 Noteholder.

## 23. 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.

## 24. 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.

## 25. 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 Unsubordinated Notes for its general corporate purposes or as otherwise may be described in the Applicable Pricing Supplement.

Subject to the applicable Capital Regulations, the proceeds of the issue of a Tranche of Additional Tier 1 Notes will rank as Additional Tier 1 Capital and the proceeds of the issue of a Tranche of Tier 2 Notes will rank as Tier 2 Capital, as specified 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 Matoane

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 REGISTERED NOTES

### UNCERTIFICATED REGISTERED NOTES HELD IN THE CENTRAL SECURITIES DEPOSITORY

#### Clearing systems

Each Tranche of Uncertificated Registered 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.

Each Tranche of Uncertificated Registered 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 Registered 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 Registered 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 Registered 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 Registered Notes will be made in accordance with the CSD Procedures and Condition 11.2.2 (*Method of payment - Uncertificated Registered 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 Registered 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 Registered Notes, in accordance with the CSD Procedures, as contemplated in Condition 11.2.2 (*Method of payment – Uncertificated Registered 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 Registered 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 Registered Notes

The Participants will maintain records of Uncertificated Registered 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 Registered Notes.

Uncertificated Registered Notes may be transferred only in accordance with the CSD Procedures.

Subject to the Financial Markets Act, the registered Noteholder of Uncertificated Registered Notes will only be entitled to exchange such Uncertificated Registered Notes for Registered Notes represented by Certificates in

accordance with Condition 15.1 (*Exchange of Uncertificated Registered Notes*).

**REGISTERED NOTES LISTED ON ANY OTHER FINANCIAL EXCHANGE**

Each Tranche of Registered 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 Registered 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 Registered 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 Registered Notes) will be set out in the Applicable Pricing Supplement.

## 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. 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 (if any).

Any original issue premium over the Principal Amount of the Notes will also be treated as Interest for tax purposes and will be taken into account in calculating the return to the Noteholder on a yield to maturity basis as if such Noteholder were to hold the Notes until the Maturity Date (if any).

Appropriate adjustments are made to the extent that the Notes are disposed of by the Noteholder prior to the Maturity Date.

#### 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 the 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.

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 it 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.

### **Conversion or Write-Off of Subordinated Notes**

***It should be noted that the tax consequences to the Subordinated Noteholder of the compulsory Conversion of Subordinated Notes into Controlling Company Ordinary Shares or the compulsory Write-Off of Subordinated Notes, upon the occurrence of the Trigger Event (at the Discretion of the Prudential Authority), are complicated, and a ruling in this regard may need to be obtained from the South African Revenue Service. The legislation is also in the process of being amended.***

***A summary of some of the possible tax consequences of the compulsory Write-Off of Subordinated Notes is set out below. Prospective subscribers for or purchasers of any Subordinated Notes must consult their professional advisers in this regard.***

#### ***Conversion of Subordinated Notes***

To the extent that Subordinated Notes are Converted into Controlling Company Ordinary Shares, the Conversion may potentially be regarded as a disposal for tax purposes, resulting in a tax liability for the Noteholder of Subordinated Notes.

The "conversion" of an asset is specifically indicated in the capital gains tax provisions of the Income Tax Act to constitute a disposal. In addition, even though there may be an exemption applying to the conversion of preference shares into ordinary shares, the South African Revenue Service, in its Capital Gains Tax Guide, has specifically indicated that there will be an adjusted gain or loss pursuant to the conversion of a debenture (or a debt instrument such as the Subordinated Notes). This adjusted gain or loss is deemed to accrue in the year of transfer or redemption.

The Capital Gains Tax Guide indicates that, even if the "right" to convert a debenture (or a debt instrument such as the Subordinated Notes) into an ordinary share is acquired upfront, a capital gain or loss will have to be determined at the time of conversion. A capital loss is only claimable to the extent that there is either an inclusion in gross income / income or a capital gain in the hands of the Issuer. A similar consequence may arise to the extent that the Subordinated Notes are held on revenue account. To the extent that cash does not flow pursuant to the Conversion, there is also a risk that the mere Conversion may not be seen to be full discharge by the Issuer of its obligations under the Subordinated Notes.

It is noted that each Subordinated Noteholder will receive Controlling Company Ordinary Shares pursuant to the so-called "Conversion" of the Subordinated Notes. In these circumstances the Subordinated Noteholders will cede their



rights under the Subordinated Notes to the Controlling Company in exchange for the issue of Controlling Company Ordinary Shares. If the Controlling Company thereafter waives its rights under the Subordinated Notes, there may be negative consequences for the Issuer. If the Subordinated Notes remain in existence and the Controlling Company enforces its rights thereunder, these negative consequences may not necessarily arise. Equally, if the Subordinated Notes are thereafter converted by the Controlling Company for Ordinary Shares in the Issuer, there may also be negative tax consequences for the Issuer if the market value of the ordinary shares issued by the Issuer to the Controlling Company is not at least equal to the face value of the Subordinated Notes.

### **Write-Off of Subordinated Notes**

To the extent that Subordinated Notes are Written Off (on the basis that the Issuer is no longer obliged to pay the relevant amount to the Noteholders of the Subordinated Notes) this will be a realisation which will have tax consequences. If a debt is waived or reduced as envisaged in the Income Tax Act, this may result in a loss for the Noteholders. It is generally only on revenue account for a moneylender and in most cases the loss will be on capital account for the Noteholders. Noteholders can only claim a capital loss to the extent that there is a corresponding inclusion in gross income / income or a capital gain in the hands of the Issuer.

To the extent that there is merely an impairment from an accounting perspective of the Subordinated Notes in the hands of a Noteholder, that does not constitute an actual realisation, except in exceptional circumstances. It is only where there is an actual waiver or reduction that there would be tax consequences in the hands of the Noteholder. This will then depend on whether the Subordinated Notes have been held on capital or revenue account.

There may also be recoupments or capital gains tax consequences for the Issuer in the case of a waiver or reduction depending on how it used the proceeds of the Subordinated Notes.

### **Disposal of the Notes**

If a Noteholder sells or otherwise disposes of a Note, Taxes (whether income tax or capital gains tax) may be levied on such sale or disposal.

Taxes (whether income tax or capital gains tax) may be levied on the disposal or deemed disposal of any Notes held by a Resident Noteholder. In general, income tax will be leviable to the extent that a Resident Noteholder is a trader or has acquired the Notes for speculative purposes or has acquired the Notes as part of a business in carrying out a profit-making scheme. In general, capital gains tax will be leviable to the extent that the Notes have been acquired by a Resident Noteholder for investment purposes and the disposal is not part of a business in carrying out a profit-making scheme.

Any discount or premium on acquisition which has already been treated as Interest for income tax purposes under section 24J of the Income Tax Act (see "*Original issue discount or premium*" above) will not again be taken into account when determining any capital gain or loss.

Taxes (whether income tax or capital gains tax) will not be levied on the disposal or deemed disposal of 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 Registered Notes may exchange such Uncertificated Registered Notes for Registered Notes represented by a Certificate in accordance with Condition 15.1 (*Exchange of Uncertificated Registered 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 Registered Notes in a Tranche of Uncertificated Registered Notes to the subscribers of such Uncertificated Registered 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.

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 Registered 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 Registered 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.

**BEARER NOTES**

The disposal or acquisition of or dealing in Bearer Notes is subject to the prior written approval of the Minister of Finance (or a person authorised by the Minister of Finance) in accordance with Regulation 15 of the Exchange Control Regulations.

**ORDER NOTES**

Any Order Certificates issued to Emigrant Noteholders will be endorsed in accordance with the applicable provisions of the Exchange Control Regulations. The disposal or acquisition of or dealing in any Order Notes (and Order Certificates) issued to Emigrant Noteholders will be subject to the applicable provisions of the Exchange Control Regulations.

Any Order Certificates issued to Non-resident Noteholders will be endorsed in accordance with the applicable provisions of the Exchange Control Regulations. The disposal or acquisition of or dealing in any Order Notes (and Order Certificates) issued to Non-Resident Noteholders will be subject to the applicable provisions of the Exchange Control Regulations.

## 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 and the Controlling Company under the laws of South Africa as at the Programme Date, have been given or will have been given (prior to the first Issue Date of the first Tranche of Subordinated Notes to which Conversion is applicable) for the execution of the Conversion Agreement and (prior to the Issue Date of the first Tranche of Additional Tier 1 Notes) for the execution of the Dividend Restriction Agreement.

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.

Registered 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 as may be determined by the Issuer and the relevant Dealer/s subject to all Applicable Laws.

Unlisted Registered Notes may also be issued under the Programme. Unlisted Registered Notes are not regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Registered Notes will be listed and, if so, on which Financial Exchange.

### 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**

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