

Prospectus dated 24 May 2010



NEDBANK LIMITED

(Registration Number 1951/000009/06)

(incorporated with limited liability in South Africa)

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

Euro Medium Term Note Programme

This Prospectus has been approved by the United Kingdom Financial Services Authority (the "FSA"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "Prospectus Directive") and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with Article 5.4 of the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes ("Notes") issued under the Euro Medium Term Note Programme (the "Programme") described in this Prospectus during the period of 12 months after the date hereof. Applications have been made for such Notes to be admitted during the period of 12 months after the date hereof to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange plc (the "London Stock Exchange") (the "Market"). The Market is a regulated market for the purposes of the Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with Nedbank Limited (the "Issuer" or the "Bank").

Notes to be issued under the Programme may comprise (i) unsubordinated Notes (the "Unsubordinated Notes"), (ii) credit linked Notes ("Credit Linked Notes"), (iii) Notes which are subordinated as described herein with a maturity date and with terms capable of qualifying the proceeds of such Notes as Dated Secondary Capital (as defined in "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes") (the "Dated Tier 2 Notes") or Tertiary Capital (as defined in "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes") (the "Tier 3 Notes" and, together with the Dated Tier 2 Notes, the "Dated Subordinated Notes"), (iv) Notes which are subordinated as described herein with no maturity date and with terms capable of qualifying the proceeds of such Notes as Undated Secondary Capital (the "Undated Tier 2 Notes" and, together with the Dated Tier 2 Notes, the "Tier 2 Notes") and (v) Notes which are subordinated as described herein with no maturity date, ranking junior to the Tier 2 Notes and the Tier 3 Notes and with terms capable of qualifying the proceeds of such Notes as Primary Share Capital (as defined in "Terms and Conditions of the Tier 1 Notes") (the "Tier 1 Notes" and, together with the Tier 2 Notes and the Tier 3 Notes, the "Subordinated Notes").

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

As described further in this Prospectus, as at the date of this Prospectus, prior written approval of the Exchange Control Department ("ExCon") of the South African Reserve Bank ("SARB") is required for the issuance of each Tranche of Notes issued under the Programme. Furthermore, the approval of the Registrar of Banks is further required in respect of the issue of Notes the proceeds of which are intended to qualify as Primary Share Capital, Dated Secondary Capital, Undated Secondary Capital or Tertiary Capital.

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

Arranger

HSBC

Co-Arranger

Nedbank Capital

Dealers

HSBC

Nedbank Capital

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IMPORTANT NOTICES

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

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under “Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes” (the “Ordinary Conditions”) or, as the case may be, “Terms and Conditions of the Tier 1 Notes” (the “Tier 1 Conditions”, together with the Ordinary Conditions, the “Conditions”) as amended and/or supplemented by a document specific to such Tranche called final terms (the “Final Terms”) the forms of which are set out in “Form of Final Terms of the Unsubordinated, Tier 2 and Tier 3 Notes” and “Form of Final Terms of the Tier 1 Notes” or in a separate prospectus specific to such Tranche (the “Drawdown Prospectus”) as described under “Final Terms and Drawdown Prospectuses” below. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

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

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

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the

accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

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

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

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

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

In this Prospectus, unless otherwise specified, references to a “Member State” are references to a Member State of the European Economic Area, references to “South Africa” are references to the Republic of South Africa, references to “U.S.\$”, “U.S. dollars” or “dollars” are to United States dollars, references to “€”, “EUR” or “euro” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended and references to “ZAR”, “R” or “Rand” are to South African rand.

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

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

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

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes issued by it are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Exchange Act of 1934 (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

SUPPLEMENT TO THIS PROSPECTUS

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

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2009 and 31 December 2008, respectively, together in each case with the audit report, remuneration report and risk and balance sheet management report thereon, which have been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Services Authority or filed with it. Such documents shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of the Issuer.

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 on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus to reach their own views prior to making any investment decision.

References below to the “Conditions”, in relation to Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes, shall mean the “Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes” set out below and, in relation to Tier 1 Notes shall mean the “Terms and Conditions of the Tier 1 Notes” set out below and references to a numbered “Condition” shall be to the relevant Condition under the relevant Terms and Conditions set out below. Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in the Conditions.

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

Risks relating to the Bank

Risk Management

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

Concentration Risk

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

Liquidity Risk

The Bank, in common with other banks in South Africa, has a high reliance on wholesale funding largely as a result of a low retail savings rate within South Africa. However, given the impact of exchange controls, Rand liquidity is contained within the Rand system thus significantly reducing the potential liquidity risks in South Africa compared to other more open financial systems. The liquidity benefits of South Africa's closed Rand system were evident during the height of the sub-prime crisis. (see "*Sources of deposits and other funding*" and "*Exchange Controls*" below). Although the Bank believes that its level of access to domestic and international inter-bank and capital markets and its liquidity risk management policy allow and will continue to allow the Bank to meet its short-term and long-term liquidity needs, any maturity mismatches may have a material adverse effect on its financial condition and results of operations. Furthermore, there can be no assurance that the Bank will be successful in obtaining additional sources of funds on acceptable terms or at all.

Sources of deposits and other funding

Due to exchange controls in South Africa, individuals and corporates are restricted from making deposits outside of South Africa. This has led to large deposits in the banks in South Africa being made by corporates and in particular by the local South African fund managers. The principle South African fund managers are the largest depositors in the South African banking market, making deposits on behalf of their customers to benefit from higher interest rates available to wholesale depositors. The Bank, in line with other South African banks, obtains a large percentage of its deposits from such fund managers. Further legislation in South Africa restricts the exposure that the fund managers can have to an individual bank, so the fund managers are required to spread their deposits amongst the banks. None the less exchange controls do create some level of depositor concentration risk.

Competitive Landscape

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

Risk of increases in loan impairments, particularly retail loans

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

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

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

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

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

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the FSA.

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

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

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

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

Risks relating to South Africa

Risk relating to Emerging Markets

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

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

- high interest rates;
- changes in currency values;
- high levels of inflation;
- exchange controls;
- wage and price controls;
- changes in economic or tax policies;

- the imposition of trade barriers; and
- internal security issues.

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

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in developing markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and prospective investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

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

Regulatory Environment

The Issuer is subject to government regulation in South Africa. Regulatory agencies have broad jurisdiction over many aspects of the Issuer's business, which may include capital adequacy, premium rates, marketing and selling practices, advertising, licensing agents, policy forms, terms of business and permitted investments.

Changes in government policy, legislation or regulatory interpretation applying to the financial services industry in the markets in which the Issuer operates may adversely affect the Issuer's product range, distribution channels, capital requirements and, consequently, reported results and financing requirements.

Exchange Controls

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

Risks relating to the Financial Markets

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

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

In addition, these conditions resulted in the failure of a number of financial institutions in the United States, Europe and Asia and unprecedented action by governmental authorities and central banks around the world. It

is difficult to predict the long-term implications of this financial crisis. The conditions outlined above may be further exacerbated by persisting volatility in the financial sector and the capital markets, or concerns about, or a default by, one or more institutions, which could lead to significant market-wide liquidity problems, losses or defaults by other institutions.

This global financial crisis has caused significant slowdown in growth in first world economies which has impacted emerging market economies, including South Africa. The rapid decline in world commodity prices, as a result of the credit crisis, has also had an effect on many emerging economies, including South Africa.

While some economic indicators are suggesting financial markets and economic conditions may start to improve, the risk remains that the issues outlined above could further affect the Issuer and the banking sector in general. Furthermore, it is not possible to predict what structural and/or regulatory changes may result from the current market conditions or whether such changes may be materially adverse to the Issuer and its prospects.

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

Risks Relating to the Notes

The Notes may not be a suitable investment for all investors

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

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

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.

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be admitted to listing on the Official List of the FSA and to trading on the Market, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

Exchange rate risks

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

Interest rate risks

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

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

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

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

Notes issued under the Programme may be represented by one or more Global Note Certificates. Such Global Note Certificates will be deposited with a common depository for Euroclear and Clearstream, Luxembourg and/or a nominee of The Depository Trust Company ("DTC"). Except in the circumstances described in the relevant Global Note Certificate, investors will not be entitled to receive Individual Note Certificates.

Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, will maintain records of the beneficial interests in the Global Note Certificates.

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

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

Credit Rating

Tranches of Notes issued under the Programme may be rated or unrated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

EU Savings Directive and Other Withholding Tax Obligations

If, pursuant to the European Council Directive 2003/48/EC on the taxation of savings income (see “Taxation - European Union Savings Directive” below), a payment in respect of a Note were to be made by or collected through a person in a Member State of the European Union which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to such Note as a result of the imposition of such withholding tax (see Condition 14 (Taxation) of the Ordinary Conditions and Condition 14 (Taxation) of the Tier 1 Conditions). The Issuer will be required to maintain a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to such Directive (see Condition 18(b) of the Ordinary Conditions and Condition 18(b) of the Tier 1 Conditions).

There may be other occasions in other jurisdictions in which an amount of, or in respect of, tax is required to be withheld from a payment in respect of any Note and in respect of which neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to such Note as set out in Condition 14 (Taxation) of the Ordinary Conditions and Condition 14 (Taxation) of the Tier 1 Conditions.

Risks related to the structure of the particular issue of Notes

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

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to 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 redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index-Linked and Dual Currency Notes

The Issuer may issue Notes the terms of which provide for interest or principal payable in respect of such Note to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “Relevant Factor”). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

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 those features.

Inverse Floating Rate Notes

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

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer’s ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a

floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

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

Modification and waivers and substitution

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

Change of law

The Notes are governed by, and will be construed in accordance with, English law save that the provisions of Conditions 5 (Status), 7(a) (Deferral of interest on the Undated Tier 2 Notes), 7(d) (Deferral of Principal and Interest on Tier 3 Notes), 12(a)(ii) (Scheduled redemption) and 12(e) (Redemption of Subordinated Notes) of the Ordinary Conditions and Conditions 5 (Status), 6(a) (Non payment of interest) 12(a) (No maturity date) and 12(e) (Conditions to Redemption) of the Tier 1 Conditions are governed by, and will be construed in accordance with, South African law. No assurance can be given as to the impact of any possible judicial decision or change to English or South African law or administrative practice in either such jurisdiction after the date of this Prospectus.

Risks relating to the Subordinated Notes

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

The payment obligations of the Issuer under Subordinated Notes will rank behind Unsubordinated Notes and in particular the payment obligations of the Issuer under (a) Tier 1 Notes will rank behind Unsubordinated Notes, Tier 3 Notes and Tier 2 Notes, (b) Undated Tier 2 Notes will rank behind Unsubordinated Notes, Dated Tier 2 Notes and Tier 3 Notes and (c) Tier 3 Notes and Dated Tier 2 Notes will rank behind Unsubordinated Notes. See Condition 5 (Status) in respect of Tier 1 Notes and Conditions 5(b) (Status of Tier 3 Notes and Dated Tier 2 Notes) and 5(c) (Status of Undated Tier 2 Notes) in respect of the Tier 2 and Tier 3 Notes for a full description of subordination and the payment obligations of the Issuer under Subordinated Notes.

With regard to any Subordinated Notes, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, administration or wound-up, the Issuer will be required to pay or discharge the claims of Depositors, Senior Creditors (each as defined, in relation to Tier 1 Notes, in Condition 2 (Interpretation) of the Tier 1 Conditions and, in relation to Tier 2 Notes and Tier 3 Notes, in Condition 2 (Interpretation) of the Ordinary Conditions) and (other than in the case of Tier 3 Notes and Dated Tier 2 Notes) the holders of Subordinated Debt (as defined, in relation to Tier 1 Notes, in Condition 2 (Interpretation) of the Tier 1 Conditions and, in relation to Tier 2 Notes and Tier 3 Notes, in Condition 2 (Interpretation) of the Ordinary Conditions) in full before it can make any payments in respect of such Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under such Subordinated Notes.

No Limitation on Issuing Securities

There is no restriction on the amount of securities or indebtedness which the Issuer may issue or incur which rank senior to or *pari passu* with the relevant Subordinated Notes. The issue of any such securities or indebtedness may reduce the amount recoverable by Holders of Subordinated Notes on either a winding-up, liquidation or administration of the Issuer.

Winding-up, liquidation and administration

If the Issuer is wound-up or put into liquidation or administration, voluntarily or involuntarily, holders of Subordinated Notes will not be entitled to any payments of the Subordinated Notes until the claims of Depositors, Senior Creditors and (other than in the case of Tier 3 Notes and Dated Tier 2 Notes) holders of Subordinated Debt (each as defined, in relation to Tier 1 Notes, in Condition 2 (Interpretation) of the Tier 1 Conditions and, in relation to the Tier 2 Notes and the Tier 3 Notes, in Condition 2 (Interpretation) of the Ordinary Conditions) which are admissible in any such winding-up, liquidation or administration have been paid or discharged in full. If the Issuer does not have sufficient assets at the time of winding-up, liquidation or administration to satisfy those claims, holders of Subordinated Notes will not receive any payment on the Subordinated Notes. There is no limitation on the ability to issue debt securities in the future that would rank equal or senior in winding-up, liquidation or administration to the Subordinated Notes.

Capital Regulations

In order for the proceeds of the issuance of Subordinated Notes to qualify as Primary Share Capital, Undated Secondary Capital, Dated Secondary Capital or Tertiary Capital, as the case may be, the Notes must comply with the applicable Capital Regulations and such Additional Conditions (if any) as are prescribed by the Registrar of Banks in respect of any Tranche of Subordinated Notes.

Risks relating to the Tier 1 Notes and Undated Tier 2 Notes

Election not to pay interest on the Tier 1 Notes

The Issuer may elect not to pay any Interest Amount on the Tier 1 Notes, as more particularly described in Condition 6(a) (Non payment of interest) of the Tier 1 Conditions. The Issuer shall also be obliged not to pay interest in the limited circumstances described in Condition 6(b) (Compulsory payment of interest) and Condition 5(c) (Solvency Condition) of the Tier 1 Conditions.

If, on any Interest Payment Date, the Interest Amount in respect of any Tier 1 Notes has not been paid in full (following an election not to pay interest on such Tier 1 Notes in accordance with Condition 6(a) (Non payment of interest) of the Tier 1 Conditions) then from that Interest Payment Date, until the date on which the Issuer next pays in full the Interest Amount due and payable on any succeeding Interest Payment Date on all outstanding Tier 1 Notes, the Issuer shall not and it shall procure that no member of the Nedbank Group shall (a) declare or pay a distribution or dividend or pay any interest on Junior Securities or Parity Securities (other than (i) Mandatory Preference Shares or (ii) any dividend which has been declared on any Junior Securities or Parity Securities before the date of the Notice to Noteholders referred to in Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) or (iii) intra-group dividends (other than intra-group dividends in respect of (a) Non-Redeemable Non-Cumulative Preference Shares the proceeds of which qualify as Primary Share Capital and (b) Ordinary Shares the proceeds of which qualify as Primary Share Capital between wholly-owned Nedbank Group Subsidiaries and to Nedbank Group holding companies, which can be paid at any time) (b) redeem, purchase, reduce or otherwise acquire any Junior Securities or Parity Securities or any securities of any of its Subsidiary undertakings benefiting from a guarantee from any member of the Nedbank Group ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, *pari passu* with or junior to the Tier 1 Notes.

Interest satisfied through the issue of Ordinary Shares

The Issuer can elect not to pay an Interest Amount on the Tier 1 Notes, as more particularly described in Condition 6(a) (Non payment of interest) of the Tier 1 Conditions. If the Issuer has elected to pay interest on an Interest Payment Date, the Issuer can further elect to satisfy the payment of such Interest Amount in full or in part through the issue of Ordinary Shares in the Issuer in accordance with the mechanism more particularly described in Condition 10 (Interest Satisfied via Issue of Shares Mechanism) of the Tier 1 Conditions. If the Issuer is unable to raise the necessary amount to satisfy the payment of the relevant Interest Amount in full on the relevant Interest Payment Date through the operation of the ISIS Mechanism due to (but not limited to) the occurrence of a Market Disruption Event, the Issuer can further elect not to pay the Shortfall Interest Amount, unless the Issuer is obliged to pay the Shortfall Interest Amount in accordance with Condition 6(b) (Compulsory payment of interest). A Noteholder will have no claim in respect of the non-payment of a Shortfall Interest Amount unless it is a Shortfall Interest Amount which the Issuer is obliged to pay in accordance with Condition 6(b) (Compulsory payment of interest) and accordingly such non-payment shall not constitute a default of the Issuer.

Election to defer payment of interest on Undated Tier 2 Notes

The Issuer may elect to defer payment of any interest on the Undated Tier 2 Notes, as more particularly described in Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) of the Ordinary Conditions. Arrears of Interest may be satisfied at any time at the election of the Issuer in whole or in part and on 14 days' notice to the Undated Tier 2 Noteholders, provided that all Arrears of Interest outstanding shall become due in full on a later date as more fully described in Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) of the Ordinary Conditions. If, on any Interest Payment Date, the Interest Amount in respect of any Undated Tier 2 Notes has not been paid in full (following an election to defer payment of interest on such Undated Tier 2 Notes) then, from that Interest Payment Date until the date on which the full amount of the Arrears of Interest has been received by the Undated Tier 2 Noteholders and no other Arrears of Interest remains unpaid, the Issuer shall not and it shall procure that no member of the Nedbank Group shall (a) declare or pay a distribution or dividend or pay any interest on Junior Securities or Parity Securities (other than (i) Mandatory Preference Shares or (ii) any dividend which has been declared on any Junior Securities or Parity Securities before the date of the Notice to Noteholders referred to in Condition 6(a) (Non payment of interest) or (iii) intra-group (other than intra-group dividends in respect of (a) Non-Redeemable Non-Cumulative Preference Shares the proceeds of which qualify as Primary Share Capital, (b) Ordinary Shares the proceeds of which qualify as Primary Share Capital and (c) hybrid–debt instruments (contemplated in Regulation 38(13) of the Regulations Relating to Banks) issued by the Issuer the proceeds of which qualify as Primary Share Capital) dividends between wholly-owned Nedbank Group Subsidiaries and to Group holding companies, which can be paid at any time) or (b) redeem, purchase, reduce or otherwise acquire any Junior Securities or Parity Securities or any securities of any of its Subsidiary undertakings benefiting from a guarantee from any member of the Nedbank Group ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, *pari passu* with or junior to the Undated Tier 2 Notes.

Any deferral of interest payments in respect of Undated Tier 2 Notes may have an adverse effect on the market price of such Undated Tier 2 Notes. In addition, as a result of the interest deferral provision of such Undated Tier 2 Notes, the market price of such Undated Tier 2 Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Solvency Condition

Payments in respect of the principal of and interest on the Tier 1 Notes are, in addition to the right of the Issuer to elect not to pay interest in accordance with Condition 6(a) (Non payment of interest) of the Tier 1

Conditions, conditional upon the Issuer being solvent at the time of payment by the Issuer. Payments in respect of the principal of and interest on the Undated Tier 2 Notes are, in addition to the right of the Issuer to defer payment of any interest in accordance with Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) of the Ordinary Conditions, conditional upon the Issuer being solvent at the time of payment by the Issuer. No principal of or interest on the Tier 1 Notes or the Undated Tier 2 Notes, as the case may be, shall be due and payable in respect of the Tier 1 Notes or the Undated Tier 2 Notes, as the case may be, except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

The restrictions set out under “Election not to pay interest on the Tier 1 Notes” above (in the case of Tier 1 Notes) and the restrictions set out under “Election to defer payment of interest on Undated Tier 2 Notes” above (in the case of Undated Tier 2 Notes) also apply if any interest in respect of Tier 1 Notes or Undated Tier 2 Notes, as the case may be, is not paid in full due to the Issuer failing to satisfy the Solvency Condition.

Perpetual Securities and Redemption Risk

The Issuer is under no obligation to redeem, substitute or vary the Tier 1 Notes or to redeem the Undated Tier 2 Notes at any time other than in a winding-up or liquidation of the Issuer in which event the claims of the Tier 1 Noteholders against the Issuer will be subject to Condition 5(b) (Subordination) of the Tier 1 Conditions against the Issuer and the claims of the Undated Tier 2 Noteholders will be subject to Condition 5(c)(iii) (Subordination) of the Ordinary Conditions. Holders of Tier 1 Notes have no right to call for the redemption, substitution or variation of such Tier 1 Notes and holders of Undated Tier 2 Notes have no right to call for the redemption of such Undated Tier 2 Notes. The Tier 1 Notes and the Undated Tier 2 Notes can (with the prior written approval of the Registrar of Banks and in accordance with conditions approved by the Registrar of Banks) be redeemed in whole, but not in part, at the Early Redemption Amount (Tax) or Early Redemption Amount (Regulatory), as the case may be, plus accrued interest on the occurrence of a Tax Event or a Regulatory Event, as the case may be, as more particularly described in Condition 12(f) (Redemption for tax reasons) and Condition 12(c) (Redemption for regulatory reasons) of both the Tier 1 Conditions and the Ordinary Conditions. The Tier 1 Notes may, instead of being redeemed, be substituted or varied at the option of the Issuer (with approval of the Registrar of Banks) on the occurrence of a Tax Event or a Regulatory Event, as more particularly described in Condition 12(e) (Substitution or Variation instead of Redemption) of the Tier 1 Conditions. In addition, the Tier 1 Notes and the Undated Tier 2 Notes can be redeemed in whole, but not in part, on the First Optional Redemption Date and on any Interest Payment Date thereafter (in the case of Tier 1 Notes) at the Optional Redemption Amount or on the Optional Redemption Date (Call) (in the case of Undated Tier 2 Notes), at the Optional Redemption Amount (Call) plus accrued interest, at the option of the Issuer (with the prior written approval of the Registrar of Banks and in accordance with conditions approved by the Registrar of Banks), as more particularly described in Condition 12(d) (Redemption at the option of the Issuer) of the Tier 1 Conditions and Condition 12(d) (Redemption at the option of the Issuer) of the Ordinary Conditions.

Risks relating to the Tier 3 Notes

Deferral of payments on the Tier 3 Notes

Pursuant to the Capital Regulations applicable to Tier 3 Notes, if the Issuer's qualifying capital falls below or is likely to fall below the minimum amount prescribed by the Capital Regulations, the Registrar of Banks may require that interest and/or principal payments in respect of such Tier 3 Notes be deferred for such period of time and subject to such conditions (if any) as the Registrar of Banks may determine, as more fully described in Condition 7(d) (Deferral of Principal and Interest on Tier 3 Notes) of the Ordinary Conditions.

Any deferral of interest or principal payments in respect of Tier 3 Notes may have an adverse effect on the market price of such Tier 3 Notes. In addition, as a result of the interest and principal deferral provision of such Tier 3 Notes, the market price of such Tier 3 Notes may be more volatile than the market prices of other

debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Risks relating to the Credit Linked Notes

General Risks relating to Credit Linked Notes

Terms used but not defined below are as defined in the Terms and Conditions of the Credit Linked Notes, as set out in the Annex "*Additional Terms and Conditions for Credit Linked Notes*" to the "*Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes*" in respect of the Issuer.

The Issuer may issue Credit Linked Notes, which are securities which are credit-linked to the performance of one or more Reference Entities and the obligations of such Reference Entity/ies. Prospective investors should note that Credit Linked Notes differ from ordinary debt securities issued by the Issuer in that the amount of principal and interest payable by the Issuer is dependent on whether a Credit Event has occurred in respect of the relevant Reference Entity/ies. In certain circumstances the Notes will cease to bear interest and the value paid to Noteholders on redemption may be less than their original investment and may in certain circumstances be zero. Furthermore, payment of principal or interest in respect of Credit Linked Notes may be postponed and occur at a different time than expected. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of investing in Credit Linked Notes as well as access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of their financial situation.

If, on the Scheduled Observation End Date, the Issuer determines that a Final Payment Date Postponement Event (including, but not limited to, a Potential Repudiation/Moratorium (if Repudiation/Moratorium is listed as a Credit Event in the applicable Final Terms), a Potential Failure to Pay (if Failure to Pay is listed as a Credit Event in the applicable Final Terms) or an Applicable Request) has occurred or may have occurred, the Issuer will postpone the redemption of the Notes and the Final Payment Date will be postponed. As a result, the payments of any accrued but unpaid interest scheduled to be paid on the Final Payment Date and/or the redemption of the Notes at maturity will not be paid and will be postponed. No additional amount in respect of interest will be payable in connection with the postponement of the redemption of the Notes and the postponement or the Final Payment Date. No interest will accrue on any Note after the Final Payment Date. Potential investors should therefore be aware that payment of interest or principal in respect of Credit Linked Notes may occur at a different time than expected.

Investors in the Credit Linked Notes will be exposed to the credit risk of the Reference Entity/ies from the Credit Event Backstop Date. The Credit Event Backstop Date may be a date prior to the Issue Date of the Notes. Prospective investors in the Notes should conduct their own investigations and, in deciding whether or not to purchase the Notes, should form their own views of the merits of an investment related to the Notes based upon such investigations. In particular, each prospective investor contemplating purchasing any Notes should make its own appraisal of the Reference Entity/ies. If in doubt, prospective investors are strongly recommended to consult with their independent financial advisers before making any investment decision. Neither the Issuer nor any other person on its behalf makes any representation or warranty, express or implied, as to the credit quality of the Reference Entity/ies. The Issuer may have acquired, or during the term of the Notes may acquire, confidential information with respect to the Reference Entity/ies and is not required to disclose this information to Noteholders or any other party.

Holders of Credit Linked Notes will have a contractual relationship only with the Issuer and not with any obligor in respect of any Reference Obligation or any Reference Entity. Consequently, Credit Linked Notes will not constitute a purchase or other acquisition or assignment of any interest in any Reference Obligation or any Reference Entity. Holders of Credit Linked Notes will have rights solely against the Issuer and will have no recourse against the obligor in respect of any Reference Obligation or any Reference Entity.

Noteholders will not have any rights to acquire from the Issuer (or to require the Issuer to transfer, assign or otherwise dispose of) any interest in any Reference Obligation or any Reference Entity.

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

Any quotations used in the calculation of the Cash Settlement Amount may be affected by factors other than the occurrence of the Credit Event. Such prices may vary widely from dealer to dealer and substantially between Valuation Dates. The obligations selected, even absent a Credit Event, may be illiquid and such illiquidity may be expected to be more pronounced following the occurrence of a Credit Event, thereby adversely affecting any determination of the value of such obligation which in turn will impact on the amount by which the Cash Settlement Amount of the Notes may be reduced. The Calculation Agent is entitled to select the obligation which has the lowest value in the market at the relevant time – providing such obligation satisfies certain specifications and limits for qualification as a Reference Obligation – for the purposes of calculating the amount by which the Cash Settlement Amount is reduced following a Credit Event.

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

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

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

2003 ISDA Credit Derivatives Definitions

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

the Credit Linked Notes is not exactly equivalent to investing in a credit default swap that incorporates the Credit Derivatives Definitions.

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

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

Risks relating to determinations made by Credit Derivatives Determinations Committees

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

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

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

Auction Settlement

If Auction Settlement is applicable in respect of any Credit Linked Notes, then the amounts payable by and/or rights and obligations of the parties under such Credit Linked Notes in respect of the relevant Reference Entity or Reference Obligation, will be determined in accordance with the Auction Final Price. Noteholders will be subject to the risk that where the Auction Final Price is used, this may result in a lower recovery value than a Reference Entity or Reference Obligation would have if such Auction Final Price had not been used.

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

If the Notes are redeemed following the occurrence of a Credit Event, the amount payable in respect of the Notes may be determined by reference to the Auction Final Price determined according to an auction procedure set out in the Applicable Credit Derivatives Auction Settlement Terms. There is a possibility that

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

If the relevant Credit Derivatives Determinations Committee decides not to conduct an auction with respect to obligations of the relevant Reference Entity satisfying the relevant characteristics as set out in the applicable Final Terms, then the Fallback Settlement Basis shall apply. In such circumstances, either the Final Price will be determined pursuant to the Valuation Method or the Issuer will deliver to Noteholders the Deliverable Obligation Entitlement.

Credit Event and Succession Event Backstop Dates

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

Selection and valuation of Deliverable Obligations or Valuation Obligations

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

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

Potential conflicts of interest

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

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

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

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

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

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

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

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

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

KEY FEATURES OF THE PROGRAMME

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

Issuer	Nedbank Limited.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under “Risk Factors” above.
Arranger	HSBC Bank plc.
Co-Arranger	Nedbank Capital, a division of Nedbank Limited.
Dealers	HSBC Bank plc, Nedbank Capital, a division of Nedbank Limited and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent	The Bank of New York Mellon.
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Final Terms or Drawdown Prospectus	Notes issued under the Programme may be issued either (1) pursuant to this Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms or, as the case may be the relevant Drawdown Prospectus.
Listing and Trading	Applications have been made for Notes to be admitted during the period of 12 months after the date hereof to listing on the Official List of the FSA and to trading on the Market. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer, subject in all cases to the Issuer obtaining the consent from ExCon and, in relation to the Notes the proceeds of which are intended to qualify as Primary Share Capital, Dated Secondary Capital or Tertiary Capital, the Registrar of Banks, to the extent necessary.
Clearing Systems	Euroclear Bank S.A./N.V. (“Euroclear”), Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), The Depository Trust Company (“DTC”) and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount	Up to U.S.\$2,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.
Issuance in Series	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save

Forms of Notes	<p>that a Tranche may comprise Notes of different denominations.</p> <p>Prior written approval of ExCon and, in respect of the issue of Notes the proceeds of which are intended to qualify as Primary Share Capital, Dated Secondary Capital, Undated Secondary Capital or Tertiary Capital, the Registrar of Banks is required for the issuance of each Tranche of Notes under the Programme. The prior approval of the Registrar of Banks is not required for the issuance of Unsubordinated Notes.</p> <p>Notes may only be issued in registered form. Notes offered in the United States to qualified institutional buyers in reliance on Rule 144A will be represented by one or more Global Note Certificates (the “Rule 144A Global Note Certificates”) and Notes offered outside the United States in reliance on Regulation S will be represented by one or more Global Notes (the “Regulation S Global Note Certificates” and together with the Rule 144A Global Note Certificates, the “Global Note Certificates”).</p> <p>Notes will bear a legend setting forth transfer restrictions and may not be transferred except in compliance with such transfer restrictions. Transfers of interests from a Rule 144A Global Note Certificate to a Regulation S Global Note Certificate are subject to certification requirements. Persons holding beneficial interests in the Global Note Certificates will be entitled or required, as the case may be, to receive physical delivery of individual note certificates (“Individual Note Certificates”).</p> <p>Interests in a Global Note Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Note Certificates without receipts, interest coupons or talons attached only in the limited circumstances described under “Summary of Provisions Relating to the Notes While in Global Form”.</p>
Currencies	<p>Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.</p>
Status of the Notes	<p>Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.</p>
Status of the Unsubordinated Notes	<p>The Unsubordinated Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (Negative Pledge) of the Ordinary Conditions) unsecured obligations of the Issuer, all as described in Condition 5(a) (Status - Status of the Unsubordinated Notes) of the Ordinary Conditions and the relevant Final Terms.</p>
Status of the Credit Linked Notes	<p>The Credit Linked Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (Negative Pledge) of the Ordinary Conditions) unsecured obligations of the Issuer, all as described in Condition 5(a) (Status – Status of the Unsubordinated Notes) of the Ordinary Conditions and the relevant Final Terms. The Issuer may issue Credit Linked Notes, which are securities linked to the performance of a reference entity and obligations of the reference entity. Investors should note that Credit Linked Notes differ from ordinary debt securities issued by the Issuer in that the amount of principal and interest payable by the Issuer is dependent on whether a “Credit</p>

Event” (as defined in “Additional Terms and Conditions for Credit Linked Notes”) in respect of the reference entity has occurred. In certain circumstances the Notes will cease to bear interest (if they carried interest in the first place) and the value paid to Noteholders on redemption may be less than their original investment and may in certain circumstances be zero.

Status of the Tier 3 Notes and the Dated Tier 2 Notes

The Tier 3 Notes and the Dated Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5(b)(iii) (Subordination) of the Ordinary Conditions, subordinated obligations of the Issuer and rank pari passu without any preference among themselves and (save for those that have been accorded by law preferential rights) at least pari passu with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) pari passu with the Tier 3 Notes and the Dated Tier 2 Notes.

Status of the Undated Tier 2 Notes

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

Status of the Tier 1 Notes

Tier 1 Notes constitute direct, unsecured and, in accordance with Condition 5(b) (Subordination) of the Tier 1 Conditions, subordinated obligations of the Issuer and rank pari passu without any preference among themselves. Tier 1 Notes rank pari passu with all subordinated debt issued by the Issuer the proceeds of which qualify as Primary Share Capital and all Non-Redeemable Non-Cumulative Preference Shares issued by the Issuer the proceeds of which qualify as Primary Share Capital and are senior in respect of the rights and claims of the holders of Ordinary Shares.

Subordinated Notes and Capital Regulations

In order for the proceeds of the issue of a Tranche of Subordinated Notes to qualify as Primary Share Capital, Dated Secondary Capital, Undated Secondary Capital or Tertiary Capital, as the case may be, Subordinated Notes must comply with the applicable Capital Regulations (including such Additional Conditions (if any) as are prescribed by the Registrar of Banks in respect of that Tranche of Subordinated Notes). The Issuer will specify in the relevant Final Terms whether any issue of Notes is an issue of Tier 1 Notes, the proceeds of which are intended to qualify as Primary Share Capital, Undated Tier 2 Notes, the proceeds of which are intended to qualify as Undated Secondary Capital, Dated Tier 2 Notes, the proceeds of which are intended to qualify as Dated Secondary Capital or Tier 3 Notes, the proceeds of which are intended to qualify as Tertiary Capital. The Additional Conditions (if any) prescribed by the Registrar of Banks in respect of Subordinated Notes will be specified in the applicable Final Terms, a Drawdown Prospectus or a supplement to this Prospectus.

Issue Price

Notes may be issued at any price and on a fully paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities

Notes may be issued with any maturity date or Notes may be issued with no maturity date, subject, in relation to Subordinated Notes, to such minimum maturities as may be required from time to time by the applicable Capital Regulations and, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Subject to the applicable Capital Regulations (i) Tier 1 Notes will be issued without a maturity date; (ii) Undated Tier 2 Notes will be issued without a maturity date; (iii) Dated Tier 2 Notes will have a minimum maturity of five years and one day; and (iv) Tier 3 Notes will have a minimum maturity of two years and one day.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer.

Redemption

Subject as described in “Maturities” above, Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms. For so long as the Capital Regulations so require, Tier 1 Notes and Undated Tier 2 Notes may be redeemed only at the option of the Issuer and then only with the prior written approval of the Registrar of Banks or otherwise than in accordance with the conditions (if any) imposed by the Registrar of Banks in writing. Dated Tier 2 Notes and Tier 3 Notes may be redeemed prior to the Maturity Date only at the option of the Issuer and then only with the prior written approval of the Registrar of Banks or otherwise than in accordance with the conditions (if any) imposed by the Registrar of Banks. The approval of the Registrar of Banks is not required to redeem any Dated Tier 2 Note or any Tier 3 Note on its Maturity Date.

There is no fixed redemption date for Undated Tier 2 Notes or Tier 1 Notes and the Issuer may only redeem them in accordance with the terms indicated in the relevant Final Terms.

Optional Redemption

Subject as described in “Redemption” above, Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) with, in the case of Subordinated Notes, the prior written approval of the Registrar of Banks and in accordance with the conditions (if any) approved by the Registrar of Banks in writing, and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.

Tax Redemption

Except as described in “Optional Redemption” above, and subject as described in “Redemption” above, early redemption will only be

permitted for tax reasons as described in Condition 12(b) (Redemption for tax reasons) of the Ordinary Conditions and Condition 12(b) (Redemption for tax reasons) of the Tier 1 Conditions.

Redemption for Regulatory Reasons

Except as described in “Optional Redemption” and “Tax Redemption” above, early redemption of the Subordinated Notes in whole (but not in part) is permitted at the option of the Issuer if a Regulatory Event occurs and while it is continuing as described in Condition 12(c) (Redemption for regulatory reasons) of the Ordinary Conditions and Condition 12(c) (Redemption for regulatory reasons) of the Tier 1 Conditions.

Interest

Notes may be interest-bearing or non-interest bearing. Tier 1 Notes, Tier 2 Notes and Tier 3 Notes must be interest-bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or, except in the case of the Tier 1 Notes, be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.

The Issuer may elect not to pay, and in certain circumstances is not obliged to pay, interest on Tier 1 Notes as more fully set out in Condition 6(a) (Non payment of interest) of the Tier 1 Conditions.

The Issuer may elect to defer, and in certain circumstances is not obliged to pay, interest on Undated Tier 2 Notes as more fully set out in Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) of the Ordinary Conditions.

The Issuer will be obliged to defer the payment of interest on the Tier 3 Notes if required by the Registrar of Banks if the Issuer’s qualifying capital falls below or is likely to fall below the minimum amount required by the Capital Regulations as more fully described in Condition 7(d) (Deferral of Principal and Interest on Tier 3 Notes) of the Ordinary Conditions.

Denominations

No Notes may be issued under the Programme (a) where such Notes are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in circumstances which require the publication of a prospectus under the Prospectus Directive, with a minimum denomination of less than EUR50,000 (or its equivalent in another currency at the Issue Date of such Notes), or (b) which carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. See also “Maturities” above.

Negative Pledge

Unsubordinated Notes will have the benefit of a negative pledge as described in Condition 6 (Negative Pledge) of the Ordinary Conditions.

Cross Default

Unsubordinated Notes will have the benefit of a cross default as described in Condition 15 (Events of Default) of the Ordinary Conditions.

Taxation

All payments in respect of Notes will be made free and clear of withholding taxes of South Africa, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 14 (Taxation) of the Ordinary Conditions and

Condition 14 (Taxation) of the Tier 1 Conditions) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

Governing Law

English law, except Conditions 5 (Status), 7(a) (Deferral of interest on the Undated Tier 2 Notes), 7(d) (Deferral of Principal and Interest on Tier 3 Notes), 12(a)(ii) (Scheduled redemption) and 12(e) (Redemption of Subordinated Notes) of the Ordinary Conditions and Conditions 5 (Status), 6(a) (Non payment of interest), 12(a) (No maturity date) and 12(e) (Conditions to Redemption) of the Tier 1 Conditions which will be governed by, and construed in accordance with South African law.

Enforcement of Notes in Global Form

In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant (the "Deed of Covenant") dated 12 December 2008, a copy of which will be available for inspection at the specified office of the Fiscal Agent.

Ratings

Each Tranche of Notes may be rated or unrated. Where applicable, the ratings of the Notes will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Selling and Transfer Restrictions

The Notes have not been registered under the Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom and South Africa, see "Subscription and Sale" and "Transfer Restrictions" below.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

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

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

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Prospectus and must be read in conjunction with this Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

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

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

FORMS OF THE NOTES

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

Payments of principal, interest and any other amount in respect of the Global Note Certificates will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 2(a) (Definitions) of the Ordinary Conditions and Condition 2(a) (Definitions) of the Tier 1 Conditions) as the registered holder of the Global Note Certificate. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Note Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Individual Note Certificates will, in the absence or provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 13(f) (Record Date) of the Ordinary Conditions and Condition 13(f) (Record Date) of the Tier 1 Conditions) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Global Note Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Note Certificates without receipts, interest coupons or talons attached only upon the occurrence of certain exchange events as set out in the Global Certificates. The Issuer will promptly give notice to Noteholders in accordance with Condition 20 (Further Issues) of the Ordinary Conditions or Condition 20 (Further Issues) of the Tier 1 Conditions if an exchange event occurs as set out in the Global Certificate. In the event of the occurrence of an exchange event as set out in the Global Certificate, Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, (acting on the instructions of any holder of an interest in such Global Note Certificate) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Notes represented by an Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under “Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes” or “Terms and Conditions of the Tier 1 Notes” as the case may be below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

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

United States legends

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

Legend to appear on Tier 1 Notes Certificates

The Global Note Certificate and the Individual Note Certificates representing Tier 1 Notes will bear a legend to the following effect:

“The proceeds obtained through the issue of the Notes represented by this Certificate qualify as capital for the issuing bank in terms of the provisions of the South African Banks Act, 1990 (the “Banks Act”). Any direct or indirect acquisition of the Notes represented by this Certificate by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall be regarded as a deduction against the capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Notes represented by this Certificate.

The Notes represented by this Certificate constitute direct, unsecured and, in accordance with Condition 5(b) (Subordination) of the “Terms and Conditions of the Tier 1 Notes”, subordinated obligations of the Issuer and rank pari passu without any preference amongst themselves. The Notes represented by this Certificate rank pari passu with all subordinated debt issued by the Issuer the proceeds of which subordinated debt qualify as “primary share capital” (as defined in the Banks Act) and all Non-Redeemable Non-Cumulative Preference Shares issued by the Issuer the proceeds of which qualify as “primary share capital” as defined in the Banks Act. The Notes represented by this Certificate rank senior only to the ordinary shares in the issued share capital of the Issuer.

If the Issuer is wound-up or put into liquidation or administration, voluntarily or involuntarily, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to the claims of Depositors, Senior Creditors and holders of Subordinated Debt (each as defined, in relation to Tier 1 Notes, in Condition 2 (Interpretation) of the “Terms and Conditions of the Tier 1 Notes”). In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate entitled to be paid amounts due under the Notes represented by this Certificate until the claims of Depositors, Senior Creditors and holders of Subordinated Debt which are admissible in any such winding-up, liquidation or administration have been paid or discharged in full, as set out more fully in Condition 5 (Status) of the “Terms and Conditions of the Tier 1 Notes”.

The Notes represented by this Certificate may be redeemed only at the option of the Issuer and with prior written approval of the Registrar of Banks.

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of the Banks Act (as read with Regulation 38(13) of the “Regulations Relating to Banks” promulgated under the Banks Act) and for the proceeds thereof to rank as “primary share capital” as defined in the Banks Act.

The Notes represented by this Certificate have no Maturity Date.”

Legend to appear on Undated Tier 2 Notes Certificates

The Global Note Certificate and the Individual Note Certificates representing Undated Tier 2 Notes will bear legend to the following effect:

“The proceeds obtained through the issue of the Notes represented by this Certificate qualify as capital for the issuing bank in terms of the provisions of the South African Banks Act, 1990 (the “Banks Act”). Any direct or indirect acquisition of the Notes represented by this Certificate by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall be regarded as a deduction against the capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Notes represented by this Certificate.

The Notes represented by this Certificate constitute direct, unsecured and, in accordance with Condition 5(c)(iii) (Subordination) of the “Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes”, subordinated obligations of the Issuer and rank pari passu without any preference amongst themselves and (save for those that have been accorded by law preferential rights) at least pari passu with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) pari passu with the Undated Tier 2 Notes.

If the Issuer is wound-up or put into liquidation or administration, voluntarily or involuntarily, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to the claims of Depositors, Senior Creditors and holders of Subordinated Debt (each as defined, in relation to Undated Tier 2 Notes, in Condition 2 (Interpretation) of the “Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes”). In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate entitled to be paid amounts due under the Notes represented by this Certificate until the claims of Depositors, Senior Creditors and holders of Subordinated Debt which are admissible in any such winding-up, administration or liquidation have been paid or discharged in full, as set out more fully in Condition 5(c) (Status of the Undated Tier 2 Notes) of the “Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes”.

The Notes represented by this Certificate may be redeemed only at the option of the Issuer and with prior written approval of the Registrar of Banks.

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of the Banks Act (as read with Regulation 38(14)(a) of the “Regulations Relating to Banks” promulgated under the Banks Act) and for the proceeds thereof to rank as “secondary capital” as defined in the Banks Act.

The Notes represented by this Certificate have no Maturity Date.”

Legend to appear on Dated Tier 2 Notes Certificates

The Global Note Certificate and the Individual Note Certificates representing Dated Tier 2 Notes will bear a legend to the following effect:

“The proceeds obtained through the issue of the Notes represented by this Certificate qualify as capital for the issuing bank in terms of the provisions of the South African Banks Act, 1990 (the “Banks Act”). Any direct or indirect acquisition of the Notes represented by this Certificate by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall be regarded as a deduction against the capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Notes represented by this Certificate.

The Notes represented by this Certificate constitute direct, unsecured and, in accordance with Condition 5(b)(iii) (Subordination) of the “Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes”, subordinated obligations of the Issuer and rank pari passu without any preference amongst themselves and (save for those that have been accorded by law preferential rights) at least pari passu with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) pari passu with the Tier 3 Notes and the Dated Tier 2 Notes.

If the Issuer is wound-up or put into liquidation or administration, voluntarily or involuntarily, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to the claims of Depositors and Senior Creditors (each as defined, in relation to Dated Tier 2 Notes, in Condition 2 (Interpretation) of the “Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes”). In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate

entitled to be paid amounts due under the Notes represented by this Certificate until the claims of Depositors and Senior Creditors which are admissible in any such winding-up, liquidation or administration have been paid or discharged in full, as set out more fully in Condition 5(b) (Status of the Tier 3 Notes and the Dated Tier 2 Notes) of the “Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes”.

The Notes represented by this Certificate may be redeemed before the Maturity Date only at the option of the Issuer and with prior written approval of the Registrar of Banks.

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of the Banks Act (as read with Regulation 38(14)(b) of the “Regulations Relating to Banks” promulgated under the Banks Act) and for the proceeds thereof to rank as “secondary capital” as defined in the Banks Act.

The Notes represented by this Certificate are issued for a minimum period of five years and one day.”

Legend to appear on Tier 3 Notes Certificate

The Global Note Certificate and the Individual Note Certificates representing Tier 3 Notes will bear a legend to the following effect:

“The proceeds obtained through the issue of the Notes represented by this Certificate qualify as capital for the issuing bank in terms of the provisions of the South African Banks Act, 1990 (the “Banks Act”). Any direct or indirect acquisition of the Notes represented by this Certificate by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall be regarded as a deduction against the capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Notes represented by this Certificate.

The Notes represented by this Certificate constitute direct, unsecured and, in accordance with Condition 5(b)(iii) (Subordination) of the “Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes”, subordinated obligations of the Issuer and rank pari passu without any preference amongst themselves and (save for those that have been accorded by law preferential rights) at least pari passu with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) pari passu with the Tier 3 Notes and the Dated Tier 2 Notes.

If the Issuer is wound-up or put into liquidation or administration, voluntarily or involuntarily, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to the claims of Depositors and Senior Creditors (each as defined, in relation to Tier 3 Notes, in Condition 2 (Interpretation) of the “Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes”). In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate entitled to be paid amounts due under the Notes represented by this Certificate until the claims of Depositors and Senior Creditors which are admissible in any such winding-up, liquidation or administration have been paid or discharged in full, as set out more fully in Condition 5(b) (Status of the Tier 3 Notes and the Dated Tier 2 Notes) of the “Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes”.

The Notes represented by this Certificate may be redeemed before the Maturity Date only at the option of the Issuer and with the prior written approval of the Registrar of Banks.

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of the Banks Act (as read with Regulation 38(16) of the “Regulations Relating to Banks” promulgated

under the Banks Act) and for the proceeds thereof to rank as “tertiary capital” as defined in the Banks Act.

The Notes represented by this Certificate are issued for a minimum period of two years and one day.”

TERMS AND CONDITIONS OF THE UNSUBORDINATED, TIER 2 AND TIER 3 NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Unsubordinated, Tier 2 and Tier 3 Note in definitive form issued under the Programme. The terms and conditions applicable to any Unsubordinated, Tier 2 or Tier 3 Note in global form will differ from those terms and conditions which would apply to the Unsubordinated, Tier 2 or Tier 3 Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.

1 Introduction

(a) Programme

Nedbank Limited (the “Issuer”) has established a Euro Medium Term Note Programme (the “Programme”) for the issuance of up to U.S.\$2,000,000,000 in aggregate principal amount of notes (the “Notes”).

(b) Final Terms

Notes issued under the Programme are issued in series (each a “Series”) and each Series may comprise one or more tranches (each a “Tranche”) of Notes. Each Tranche is the subject of a written final terms (the “Final Terms”) which supplements these terms and conditions (the “Conditions”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) Deed of Covenant

The Notes are constituted by a deed of covenant dated 12 December 2008 (the “Deed of Covenant”) entered into by the Issuer.

(d) Agency Agreement

The Notes are the subject of an amended and restated agency agreement dated 24 May 2010 (the “Agency Agreement”) between the Issuer, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the “Registrar”, which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon as fiscal agent (the “Fiscal Agent”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the “Paying Agents”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the “Agents” are to the Registrar, the Fiscal Agent and the Paying Agents and any reference to an “Agent” is to any one of them.

(e) The Notes

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

(f) Summaries

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

2 Interpretation

(a) Definitions

In these Conditions the following expressions have the following meanings:

“Accrual Yield” has the meaning given in the relevant Final Terms;

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

“Additional Conditions” means, in relation to any issue of Notes, the proceeds of which are intended by the Issuer to qualify as Secondary Capital or Tertiary Capital, as the case may be, such conditions, in addition to the conditions specified in the applicable Capital Regulations, as may be prescribed by the Registrar of Banks for the proceeds of the issue of such Notes to qualify as Secondary Capital or Tertiary Capital, as the case may be, pursuant to the approval granted by the Registrar of Banks for the issue of such Notes, as specified in the Final Terms;

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

“Arrears of Interest” has the meaning given in Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes);

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

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

“Banks Act” means the South African Banks Act, 1990;

“Business Day” means:

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

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

- (i) “Following Business Day Convention” means that the relevant date shall be postponed to the first following day that is a Business Day;

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

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

“Calculation Amount” has the meaning given in the relevant Final Terms;

“Call Option” has the meaning given in the relevant Final Terms;

“Capital Regulations” means, at any time, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in South Africa in relation to banks registered under the Banks Act and licensed to conduct the business of a bank in South Africa (including the Additional Conditions (if any)) (or if the Issuer becomes domiciled in a jurisdiction other than South Africa, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in such other jurisdiction in relation to banks registered in, and licensed to conduct the business of a bank in, such other jurisdiction);

“Controlling Company” means Nedbank Group Limited and/or any other company which is a “controlling company” in relation to the Issuer as contemplated by the Banks Act;

“Dated Secondary Capital” means the proceeds of the issue of debt instruments contemplated in section 1(1) of the Banks Act that are term debt instruments which proceeds are intended, upon issue of such term debt instruments, to qualify as Secondary Capital in accordance with the Dated Tier 2 Capital Regulations;

“Dated Subordinated Noteholder” means the Holder of a Dated Subordinated Note;

“Dated Subordinated Notes” means, collectively, Tier 3 Notes and Dated Tier 2 Notes;

“Dated Tier 2 Capital Regulations” means Regulation 38(14)(b) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which Dated Tier 2 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Secondary Capital;

“Dated Tier 2 Noteholder” means a Holder of a Dated Tier 2 Note;

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

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

- (i) if “Actual/Actual (ICMA)” is so specified, means:
 - (D) 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
 - (E) where the Calculation Period is longer than one Regular Period, the sum of:
 - (x) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (y) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if “Actual/Actual” or “Actual/Actual (ISDA)” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “Actual/365 (Fixed)” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “Actual/360” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is so specified, means the number of days in the Calculation period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

“Deferred Payment” has the meaning given in Condition 7(d) (Deferral of Principal and Interest on the Tier 3 Notes);

“Deferred Payment Date” has the meaning given in Condition 7(d) (Deferral of Principal and Interest on the Tier 3 Notes);

“Deferral Notice” has the meaning given in Condition 7(d) (Deferral of Principal and Interest on the Tier 3 Notes);

“Deposit” means a “deposit” as defined in the Banks Act;

“Depositor” means any Person having a claim against the Issuer in respect of a Deposit;

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

“Early Redemption Amount (Regulatory)” means, in respect of any Note, the Make Whole Redemption Price;

“Early Redemption Amount (Tax)” means, in respect of any Note, in relation to an Early Redemption Amount (Tax) to be paid as a result of an event as described in paragraph (i) of the definition of “Tax Event”, its principal amount plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with these Conditions or the relevant Final Terms and, as a result of any event described in paragraph (ii) of the definition of “Tax Event”, the Make Whole Redemption Price;

“Early Termination Amount” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

“Eligible Capital” means Notes that are treated on issue by the Registrar of Banks for inclusion in the Primary Share Capital, Undated Secondary Capital, Dated Secondary Capital or Tertiary Capital, as the case may be, of the Issuer or the Controlling Company on a solo and/or consolidated basis, in accordance with the Capital Regulations;

“Event of Default” means any of the events described in Condition 15 (Events of Default);

“Extraordinary Resolution” has the meaning given in the Agency Agreement;

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

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

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;

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

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

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

“Issuer Group” means the Issuer and its consolidated Subsidiaries;

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

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

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

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

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

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

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

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

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

case of the First Interest Payment Date) or the previous Interest Payment Date (in any other case);

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

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

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

“Issue Date” has the meaning given in the relevant Final Terms;

“Junior Securities” means:

- (i) the Ordinary Shares or the ordinary shares in the issued share capital of the Controlling Company; or
- (ii) any other securities issued by the Issuer or any other member of the Nedbank Group the proceeds of which qualify as Primary Share Capital; or
- (iii) any other securities issued by the Issuer or any other member of the Nedbank Group which rank or are expressed to rank junior to the Undated Tier 2 Notes; or
- (iv) any securities issued by a member of the Nedbank Group, where the terms of the securities benefit from a guarantee or support agreement entered into by the Issuer or any other member of the Nedbank Group which ranks or is expressed to rank junior to the Undated Tier 2 Notes;

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

“Make Whole Redemption Price” has the meaning given thereto in the relevant Final Terms;

“Mandatory Preference Shares” means any class of preference shares (i) the terms of which do not allow the relevant issuer’s board of directors to cancel, defer, pass or eliminate any distribution or dividend payment at its discretion and (ii) which are not treated on issue by the Registrar of Banks for inclusion in the Eligible Capital of the relevant issuer;

“Margin” has the meaning given in the relevant Final Terms;

“Maturity Date” has the meaning given in the relevant Final Terms;

“Maturity Period” means the period from, and including, the Issue Date to, but excluding, the Maturity Date;

“Maximum Redemption Amount” has the meaning given in the relevant Final Terms;

“Minimum Redemption Amount” has the meaning given in the relevant Final Terms;

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

“Non-Redeemable Non-Cumulative Preference Shares” means non-redeemable non-cumulative preference shares in the issued share capital of the Issuer;

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

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

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

“Optional Redemption Date (Call)” has the meaning given in the relevant Final Terms;

“Optional Redemption Date (Put)” has the meaning given in the relevant Final Terms;

“Ordinary Shares” means ordinary shares in the issued share capital of the Issuer;

“Parity Securities” means:

- (i) any securities issued by the Issuer or any other member of the Nedbank Group the proceeds of which qualify as Undated Secondary Capital; or
- (ii) any other securities issued by the Issuer or any other member of the Nedbank Group which rank or are expressed to rank equally as to payments with the Undated Tier 2 Notes; or
- (iii) any securities issued by a member of the Nedbank Group where the terms of the securities benefit from a guarantee or support agreement entered into by the Issuer or any other member of the Nedbank Group which ranks or is expressed to rank equally as to payments with the Undated Tier 2 Notes;

“Payment Business Day” means:

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

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

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

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

“Primary Share Capital” means “primary share capital” as defined in the Banks Act;

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

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

“Principal Subsidiary” means a Subsidiary of the Issuer Group whose (a) total profits, before tax and extraordinary items represent in excess of 10 per cent. of the consolidated total profits, before tax and extraordinary items of the Issuer and its Subsidiaries, or (b) total value of net assets represent in excess of 10 per cent. of the total value of all consolidated net assets owned by the Issuer and its Subsidiaries in each case calculated by reference to the latest audited financial statements of each Subsidiary and the latest audited consolidated financial statements of the Issuer and its Subsidiaries but if a Subsidiary has been acquired or sold since the date as at which the latest audited consolidated financial statements of the Issuer and its Subsidiaries were prepared, the financial statements shall be adjusted in order to take into account the acquisition or sale of that Subsidiary (that adjustment being certified by the Issuer and its Subsidiaries’ auditors as representing an accurate reflection of the revised consolidated profits before interest and tax or turnover of the Issuer and its Subsidiaries). A report by the auditors of the Issuer that a Subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Noteholders;

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

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

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

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

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Regulatory), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

“Reference Banks” has the meaning given in the relevant Final Terms or, if none, four major banks selected (after consultation with the Issuer, if reasonably practicable) by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” has the meaning given in the relevant Final Terms;

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

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

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

“Regular Period” means:

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

“Regulations Relating to Banks” means the Regulations Relating to Banks published under Government Notice R3 in Government Gazette 30629 of 1 January 2008, issued under section 90 of the Banks Act;

“Regulatory Change” means a change in, or amendment to, the Capital Regulations or any change in the application of or official or generally published guidance or interpretation of the Capital Regulations, which change or amendment becomes, or would become, effective on or after the Issue Date;

“Regulatory Event” means an event which is deemed to have occurred if, with respect to the Notes of any Series which comprise a certain class of Eligible Capital on the Issue Date of the first Tranche of Notes of that Series, the proceeds of the issue of the Notes would, as a result of a Regulatory Change, no longer be eligible to qualify (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) for inclusion in that class of Eligible Capital of the Issuer or the Controlling Company on a solo and/or consolidated basis;

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

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

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

“Relevant Interest Payment Date” has the meaning given to it in Condition 7(b) (Restrictions following non payment of interest on Undated Tier 2 Notes);

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

“Relevant Time” has the meaning given in the relevant Final Terms;

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

“SARB” means the South African Reserve Bank;

“Secondary Capital” means “secondary capital” as defined in the Banks Act;

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

“Senior Creditors” means:

- (i) creditors of the Issuer who are unsubordinated creditors of the Issuer; and
- (ii) creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors, whether subordinated or unsubordinated, of the Issuer other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, (1) the claims of the Undated Tier 2 Noteholders (in the case of Undated Tier 2 Notes) or (2) the claims of the Dated Tier 2 Noteholders (in the case of Dated Tier 2 Notes) or (3) the claims of the Tier 3 Noteholders (in the case of Tier 3 Notes), as the case may be;

“Solvency Claims” has the meaning given to it in Condition 5(c)(v) (Solvency Claims);

“Solvency Condition” has the meaning given to it in Condition 5(c)(iv) (Solvency Condition);

“Solvent Reconstruction” means the event where an order is made or an effective resolution is passed for the winding-up or administration 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 outstanding Notes are assumed by the successor entity to which all, or substantially all, of the property, assets and undertaking of the Issuer are transferred or where an arrangement with similar effect not involving bankruptcy or insolvency is implemented;

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

“Specified Currency” has the meaning given in the relevant Final Terms;

“Specified Denomination(s)” has the meaning given in the relevant Final Terms, save that the minimum denomination of any Note to be admitted to trading on a regulated market within the European Economic Area or offered to the public in circumstances which require the publication of a prospectus under EU Directive 2003/71/EC will be EUR50,000 (or its equivalent in another currency at the Issue Date of such Notes);

“Specified Office” has the meaning given in the Agency Agreement;

“Specified Period” has the meaning given in the relevant Final Terms;

“Subordinated Debt” means any subordinated term debt issued by the Issuer (including, without limitation, Tier 3 Notes and Dated Tier 2 Notes), the proceeds of which subordinated term debt qualify as Tertiary Capital or Dated Secondary Capital of the Issuer;

“Subordinated Notes” means any Tier 3 Notes, Dated Tier 2 Notes or Undated Tier 2 Notes;

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

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

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

“Tax Event” means an event where, as a result of a Tax Law Change, (i) the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 14 (Taxation); or (ii) in respect of the Issuer’s obligation to make any payment of interest in respect of the Tier 2 Notes or Tier 3 Notes only on the next following Interest Payment Date or any subsequent Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in South Africa, or such entitlement is materially reduced, and in each case the Issuer cannot avoid the foregoing in connection with the Notes 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);

“Tax Law Change” means 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;

“Tertiary Capital” means “tertiary capital” as defined in the Banks Act;

“Tier 1 Capital Regulations” means Regulation 38(13) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which Tier 1 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Primary Share Capital;

“Tier 1 Notes” means Notes complying with the Tier 1 Capital Regulations;

“Tier 2 Notes” means collectively the Dated Tier 2 Notes and the Undated Tier 2 Notes;

“Tier 3 Capital Regulations” means Regulation 38(16) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which Tier 3 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Tertiary Capital;

“Tier 3 Noteholder” means a Holder of a Tier 3 Note;

“Tier 3 Notes” means Notes specified as such in the relevant Final Terms and complying with the Tier 3 Capital Regulations;

“Undated Secondary Capital” means the proceeds of the issue of hybrid-debt instruments that combine features of equity instruments and debt instruments contemplated in section 1(1) of the Banks Act which proceeds are intended, upon issue of such hybrid-debt instruments, to qualify as Secondary Capital in accordance with the Undated Tier 2 Capital Regulations;

“Undated Tier 2 Capital Regulations” means Regulation 38(14)(a) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which Undated Tier 2 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Secondary Capital;

“Undated Tier 2 Noteholder” means a Holder of an Undated Tier 2 Note;

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

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

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

(b) Interpretation

In these Conditions:

- (i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 14 (Taxation), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include payment of any Interest Amount, any additional amounts in respect of interest which may be payable under Condition 14 (Taxation) and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement;
- (iv) if an expression is stated in Condition 2(a) (Definitions) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and

- (v) any reference to the Agency Agreement or the Deed of Covenant shall be construed as a reference to the Agency Agreement or the Deed of Covenant, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3 Form, Denomination and Title

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

4 Register, Title and Transfers

(a) Register

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

(b) Transfers

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

(c) Registration and delivery of Note Certificates

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

(d) No charge

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

(e) Closed periods

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

(f) Regulations concerning transfers and registration

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

5 Status

(a) Status of the Unsubordinated Notes

(i) Application

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

(ii) Status of the Unsubordinated Notes

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

(b) Status of the Tier 3 Notes and the Dated Tier 2 Notes

(i) Application

This Condition 5(b) applies only to Tier 3 Notes and Dated Tier 2 Notes.

(ii) Status of the Tier 3 Notes and the Dated Tier 2 Notes

The Tier 3 Notes and the Dated Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5(b)(iii) (Subordination) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) *pari passu* with the Tier 3 Notes and the Dated Tier 2 Notes.

(iii) Subordination

The claims of Tier 3 Noteholders and Dated Tier 2 Noteholders entitled to be paid amounts due in respect of the Tier 3 Notes or the Dated Tier 2 Notes (as applicable) are subordinated to the claims of Depositors and Senior Creditors and, accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, administration or wound-up:

- (1) no Tier 3 Noteholder or Dated Tier 2 Noteholder shall be entitled to prove or tender to prove a claim in respect of the Tier 3 Notes or the Dated Tier 2 Notes (as applicable);
- (2) no amount due under the Tier 3 Notes or the Dated Tier 2 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which a Tier 3 Noteholder or Dated Tier 2 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Tier 3 Notes or the Dated Tier 2 Notes (as applicable) nor shall any amount due under the Tier 3 Notes or the Dated Tier 2 Notes be payable to any Tier 3 Noteholder or Dated Tier 2 Noteholder (as applicable); and
- (3) subject to applicable law, a Tier 3 Noteholder or a Dated 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 3 Notes or the Dated Tier 2 Notes (as applicable) owed to it by the Issuer and each Tier 3 Noteholder and Dated Tier 2 Noteholder shall, by virtue of its subscription, purchase or holding of any Tier 3 Notes or Dated Tier 2 Notes (as applicable), 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 3 Notes or the Dated Tier 2 Notes (as applicable) owed by the Issuer to a Tier 3 Noteholder or Dated Tier 2 Noteholder (as applicable); and (bb) any amount owed to the Issuer by such Tier 3 Noteholder or Dated Tier 2 Noteholder, such Tier 3 Noteholder or Dated Tier 2 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its winding-up or administration (as the case may be), the liquidator, administrator 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 dissolution, insolvency or winding-up have been paid or discharged in full.

(c) Status of the Undated Tier 2 Notes

(i) Application

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

(ii) Status of the Undated Tier 2 Notes

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

(iii) Subordination

The claims of Undated Tier 2 Noteholders entitled to be paid amounts due in respect of the Undated Tier 2 Notes are subordinated to the claims of Depositors, Senior Creditors and the holders of Subordinated Debt and, accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, administration or wound-up:

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

- (2) no amount due under the Undated Tier 2 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which an Undated Tier 2 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Undated Tier 2 Notes nor shall any amount due under the Undated Tier 2 Notes be payable to any Undated Tier 2 Noteholder; and
- (3) subject to applicable law, an Undated 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 Undated Tier 2 Notes owed to it by the Issuer and each Undated Tier 2 Noteholder shall, by virtue of its subscription, purchase or holding of any Undated 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 Undated Tier 2 Notes owed by the Issuer to an Undated Tier 2 Noteholder; and (bb) any amount owed to the Issuer by such Undated Tier 2 Noteholder, such Undated Tier 2 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its winding-up or administration (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to be held on trust for the Depositors, Senior Creditors and holders of Subordinated Debt,

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

(iv) *Solvency Condition*

Payments in respect of the principal of and interest (including any Arrears of Interest and payment of any additional amounts pursuant to Condition 14(a) (Gross up) on the Undated Tier 2 Notes are, in addition to the right of the Issuer to defer interest in accordance with Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes), conditional upon the Issuer being solvent at the time of payment by the Issuer, and no principal or interest on the Undated Tier 2 Notes (including any Arrears of Interest) shall be due and payable in respect of the Undated Tier 2 Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 5(c), the Issuer shall be solvent if (1) it is able to pay its debts owed to Depositors, Senior Creditors and the holders of Subordinated Debt as they fall due and (2) its Assets exceed its Liabilities to Depositors, Senior Creditors and the holders of Subordinated Debt (the “Solvency Condition”). A report as to the solvency of the Issuer made by two directors of the Issuer or, if the Issuer is in winding-up, its liquidator or, if in administration, its administrator shall, in the absence of manifest error, be treated and accepted by the Issuer and the Noteholders as correct and sufficient evidence of such solvency.

(v) *Solvency Claims*

Amounts representing any payments of principal or interest in respect of which the Solvency Condition is not satisfied on the date upon which the same would otherwise be due and payable (“Solvency Claims”) will be payable by the Issuer (1) subject to Condition 5(c)(iii) (Subordination), in a winding-up or administration of the Issuer and (2) subject to satisfying the Solvency Condition, on any redemption pursuant to Condition 12(b) (Redemption for tax reasons), Condition 12(c) (Redemption for regulatory reasons) or Condition 12(d) (Redemption at the option of the Issuer) provided that in the event that, prior to any winding-up or

administration of the Issuer, the Issuer shall again be solvent and would be solvent immediately after the making of such payment of Solvency Claims, then the Issuer shall promptly notify the Noteholders in accordance with Condition 21 (Notices), the Registrar and the Fiscal Agent of such fact and the Solvency Claims shall, subject to satisfying the Solvency Condition, be due and payable on the 16th Business Day after the Issuer shall have given such notice. A Solvency Claim shall not bear interest unless and only so long as the Issuer shall be solvent once again, in which case interest shall accrue on any such Solvency Claim from (and including) the date on which the Issuer is so solvent again to (but excluding) the date on which such Solvency Claim is paid. Any such interest shall accrue at a rate equal to the then applicable Rate of Interest determined in accordance with Condition 8 (Fixed Rate Note Provisions) or Condition 9 (Floating Rate Note and Index-Linked Interest Note Provisions). In the event that the Issuer shall be so solvent once again, the Issuer may not declare or pay a dividend (in accordance with Condition 7(b) (Restrictions following non payment of interest on Undated Tier 2 Notes)) from the date that the Issuer is so solvent again until the date on which the Solvency Claim and any relevant interest on the Solvency Claim is paid.

For the avoidance of doubt, if the Issuer would otherwise not be solvent for the purposes of the above, any sums which would otherwise be payable in respect of the Undated Tier 2 Notes will be available to be put towards the losses of the Issuer.

(d) Capital Regulations and Additional Conditions

In order for the proceeds of the issuance of the Notes to qualify as Secondary Capital or Tertiary Capital, as the case may be, Subordinated Notes must comply with the applicable Capital Regulations (including the Additional Conditions (if any) prescribed by the Registrar of Banks in respect of a particular Tranche of Subordinated Notes). The Issuer will specify in the relevant Final Terms whether any issue of Notes is an issue of Dated Tier 2 Notes the proceeds of which are intended to qualify as Dated Secondary Capital or Undated Tier 2 Notes the proceeds of which are intended to qualify as Undated Secondary Capital or an issue of Tier 3 Notes the proceeds of which are intended to qualify as Tertiary Capital. The Additional Conditions (if any) prescribed by the Registrar of Banks in respect of Subordinated Notes will be specified in the applicable Final Terms or a supplement to the Prospectus.

6 Negative Pledge

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

7 Interest and principal payments on the Subordinated Notes

(a) Deferral of interest on the Undated Tier 2 Notes

This Condition 7(a) applies to Undated Tier 2 Notes only. Interest payments on the Undated Tier 2 Notes will be cumulative. The Issuer shall be obliged to pay interest on each Interest Payment Date unless (i) the Issuer elects to defer the relevant Interest Amount on such Interest Payment Date subject

to Condition 7(c) below (Compulsory payment of interest on Undated Tier 2 Notes), (ii) the Issuer is in breach of either of the Capital Regulations or the Solvency Condition on the Business Day prior to such Interest Payment Date or would be in breach of the Capital Regulations or the Solvency Condition if the relevant Interest Amount were paid on such Interest Payment Date or (iii) at any time the Registrar of Banks imposes a mandatory prohibition on the payment of interest. If the Issuer does not pay the relevant Interest Amount in respect of an Interest Period in accordance with this Condition 7(a) then any such failure to pay such Interest Amount shall not constitute a default by the Issuer or any other breach of obligations under the Undated Tier 2 Notes or for any other purpose.

If the Issuer elects to defer the payment of interest on an Interest Payment Date, it shall give notice of such election to the Undated Tier 2 Noteholders in accordance with Condition 21 (Notices) and to the Registrar and the Fiscal Agent not less than 30 days prior to the relevant Interest Payment Date (or such shorter notice period as may be required by the Capital Regulations or the Registrar of Banks. If the Issuer is not obliged pursuant to the provisions of this Condition 7(a) to pay any interest on any Interest Payment Date, it shall give notice to such fact to the Undated Tier 2 Noteholders in accordance with Condition 21 (Notices) and to the Registrar of Banks and the Fiscal Agent.

Any interest in respect of the Undated Tier 2 Notes not paid on any Interest Payment Date, together with any other interest in respect thereof not paid on any other Interest Payment Date, shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may, at the option of the Issuer but subject to the restrictions of this Condition 7(a) and subject to Condition 5(c)(iii) (Subordination), be paid in whole or in part at any time upon the expiration of not less than 14 days' notice to such effect given to the Undated Tier 2 Noteholders in accordance with Condition 21 (Notices), but all Arrears of Interest in respect of Undated Tier 2 Notes for the time being outstanding shall (subject to the restrictions of this Condition 7(a) and subject to Condition 5(c)(iii) (Subordination)) become due in full on whichever is the earlier of (i) the date fixed for any repayment pursuant to Condition 12(b) (Redemption for tax reasons), Condition 12(c) (Redemption for regulatory reasons) or 12(d) (Redemption at the option of the Issuer), or (ii) the commencement of a winding-up (other than pursuant to a Solvent Reconstruction) of the Issuer. If notice is given by the Issuer of its intention to pay the whole or any part of any Arrears of Interest in respect of the Undated Tier 2 Notes, the Issuer shall be obliged (subject to the restrictions of this Condition 7(a) and subject to Condition 5(c)(iii) (Subordination)) to do so upon the expiration of such notice. Where Arrears of Interest are paid in part, each part payment shall be in respect of the full amount of the Arrears of Interest accrued due to the relevant Interest Payment Date or consecutive Interest Payment Dates furthest from the date of payment. Arrears of Interest shall not themselves bear interest.

(b) Restrictions following non payment of interest on Undated Tier 2 Notes

If, on any Interest Payment Date (the "Relevant Interest Payment Date"), the Interest Amount in respect of any Undated Tier 2 Notes shall not have been paid in full pursuant to Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes), then from such Relevant Interest Payment Date until the date on which the full amount of such Arrears of Interest has been received by the Undated Tier 2 Noteholders and is no longer outstanding and no other Arrears of Interest remains unpaid, neither the Issuer nor the Controlling Company shall (and the Controlling Company shall procure that no member of the Nedbank Group shall) (a) declare or pay a distribution or dividend or pay any interest on Junior Securities or Parity Securities (other than (i) Mandatory Preference Shares or (ii) any dividend which has been declared on any Junior Securities or Parity Securities before the date of the Notice to Noteholders referred to in Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) or (iii) intra-group dividends (other than intra-group dividends in respect of (a) Non-Redeemable Non-Cumulative Preference Shares the proceeds of which qualify as Primary Share Capital, (b) Ordinary

Shares the proceeds of which qualify as Primary Share Capital and (c) hybrid-debt instruments (contemplated in Regulation 38(13) of the Regulations Relating to Banks) issued by the Issuer the proceeds of which qualify as Primary Share Capital) between wholly-owned Nedbank Group Subsidiaries and to Nedbank Group holding companies, which can be paid at any time), or (b) redeem, purchase, reduce or otherwise acquire any Junior Securities or Parity Securities or any securities of any of its Subsidiary undertakings benefiting from a guarantee from any member of the Nedbank Group ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, *pari passu* with or junior to the Undated Tier 2 Notes.

(c) Compulsory payment of interest on Undated Tier 2 Notes

On any Interest Payment Date on which: (i) a Regulatory Event has occurred and is continuing (provided that a certificate signed by two authorised officers of the Issuer or a written confirmation from the Registrar of Banks stating that a Regulatory Event has not occurred and is not continuing as at such Interest Payment Date shall be sufficient evidence for the purposes of this Condition 7(c) that a Regulatory Event has not occurred and is not continuing as at such Interest Payment Date and no Undated Tier 2 Noteholders shall be entitled to dispute the contents of such certificate or confirmation, as the case may be); (ii) the Issuer is in compliance with the Capital Regulations and the Solvency Condition; and (iii) the Registrar of Banks has not imposed a mandatory prohibition on the payment of interest, the Issuer shall not be permitted to exercise its right under Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) to defer any Interest Amount on an Interest Payment Date and shall be obliged to pay in respect of each Note the Interest Amount payable on such Interest Payment Date.

(d) Deferral of Principal and Interest on Tier 3 Notes

This Condition 7(d) applies to Tier 3 Notes only. If the Issuer's qualifying capital falls below or is likely to fall below the minimum amount prescribed by the Capital Regulations and as a consequence of this event the Registrar of Banks, pursuant to the Tier 3 Capital Regulations, requires the Issuer to defer the due date for payment of any principal (or any portion thereof) and/or any interest (or any portion thereof) payable in respect of such Tier 3 Notes (the "Deferred Payment"), the Issuer shall, by notice in writing (a "Deferral Notice") to the Tier 3 Noteholders in accordance with Condition 21 (Notices) and to the Registrar and the Fiscal Agent, defer the due date for payment of the Deferred Payment, until such date (the "Deferred Payment Date"), and subject to such conditions, as are prescribed by the Registrar of Banks. On the giving of the Deferral Notice, the due date for payment of the Deferred Payment shall be deferred to the Deferred Payment Date, and the Issuer shall not be obliged to make payment of the Deferred Payment on the date upon which the Deferred Payment would otherwise have become due and payable, and such deferral of payment shall not constitute a default under the Tier 3 Notes or for any other purpose and a Tier 3 Noteholder will have no claim in respect of any such Deferred Payment (save as set out below in this Condition 7(d)). The Issuer may not give a Deferral Notice except where the Registrar of Banks so requires in accordance with the Tier 3 Capital Regulations. Interest will continue to accrue on the outstanding amount of the Deferred Payment at the Rate of Interest applicable on the date upon which the Deferred Payment would otherwise have become due and payable, from and including such date to but excluding the Deferred Payment Date. All Deferred Payments (together with any interest accrued thereon) which remain unpaid shall become due and payable upon the earlier to occur of (i) the Deferred Payment Date, and (ii) the Issuer being placed into liquidation, administration or wound-up (other than pursuant to a Solvent Reconstruction). When more than one Deferred Payment remains unpaid, any payment in part thereof shall be made *pro rata* according to the proportion which each such Deferred Payment bears to the aggregate of all such Deferred Payments.

As of the date hereof, the obligations of the Controlling Company under this Condition 7 as applicable are enforceable by Noteholders pursuant to the Dividend Restriction Deed of Covenant dated 12 December 2008 entered into by the Issuer and the Controlling Company.

8 Fixed Rate Note Provisions

(a) Application

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

(b) Accrual of interest

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

(c) Fixed Coupon Amount

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

(d) Calculation of interest amount

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

9 Floating Rate Note and Index-Linked Interest Note Provisions

(a) Application

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

(b) Accrual of interest

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 13 (Payments). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest

in accordance with this Condition 9 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) Screen Rate Determination

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

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) ISDA Determination

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would

be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

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

(e) Index-Linked Interest

If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.

(f) Maximum or Minimum Rate of Interest

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

(g) Calculation of Interest Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(h) Calculation of other amounts

If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(i) Publication

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents, and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first

day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(j) Notifications etc.

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

10 Zero Coupon Note Provisions

(a) Application

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

(b) Late payment on Zero Coupon Notes

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

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

11 Dual Currency Note Provisions

(a) Application

This Condition 11 is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Rate of Interest

If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

12 Redemption and Purchase

(a) Scheduled redemption

- (i) Subject to Condition 12(e) (Redemption of Subordinated Notes), unless previously redeemed or purchased and cancelled, the Dated Tier 2 Notes, the Tier 3 Notes and the Unsubordinated Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 13 (Payments).
- (ii) The Undated Tier 2 Notes have no maturity date and (in each case without prejudice to the provisions of Condition 5(c)(v) (Solvency Claims) or Condition 15.3 (Events of Default relating to the Undated Tier 2 Notes)):
 - (1) are only redeemable, and shall be redeemed at their Early Termination Amount together with accrued interest, on a winding-up or administration (other than pursuant to a Solvent Reconstruction) of the Issuer subject to and in accordance with the provisions of Condition 5(c)(iii) (Subordination); or
 - (2) may be redeemed, substituted, varied, purchased (subject to the provisions of Condition 12(e) (Redemption of Subordinated Notes) and subject to compliance with the Solvency Condition) in accordance with the following provisions of this Condition 12.

(b) Redemption for tax reasons

The Notes may, subject to Condition 12(e) (Redemption of Subordinated Notes) and, in the case of Undated Tier 2 Notes, the Issuer satisfying the Solvency Condition, be redeemed at the option of the Issuer in whole, but not in part, if a Tax Event occurs and is continuing:

- (i) at any time (if neither the Floating Rate Note Provisions nor the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable and are applicable at the time of redemption),

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

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

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised officers of the Issuer stating that the

Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent advisers of recognised standing to the effect that a Tax Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 12(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 12(b).

(c) Redemption for regulatory reasons

Any Series of Subordinated Notes may (subject to Condition 12(e) (Redemption of Subordinated Notes) and, in the case of Undated Tier 2 Notes, the Issuer satisfying the Solvency Condition) be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if neither the Floating Rate Note Provisions nor the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable and are applicable at the time of redemption),

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

Prior to the publication of any notice of redemption pursuant to this Condition 12(c), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised officers of the Issuer stating that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) unless the Registrar of Banks has confirmed to the Issuer that the proceeds of the issue of the relevant Notes are not eligible to qualify as the relevant class of Eligible Capital of the Issuer on a solo and/or a consolidated basis, an opinion of independent advisers of recognised standing to the effect that a Regulatory Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 12(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 12(c).

(d) Redemption at the option of the Issuer

If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may (subject to Condition 12(e) (Redemption of Subordinated Notes) in the case of Subordinated Notes and, in the case of Undated Tier 2 Notes, the Issuer satisfying the Solvency Condition) be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) upon the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(e) Redemption of Subordinated Notes

Subject to the Capital Regulations and Condition 12(b) (Redemption for tax reasons) and Condition 12(c) (Redemption for regulatory reasons), Condition 12(d) (Redemption at the option of the Issuer) and Condition 12(j) (Purchase), Subordinated Notes may be redeemed, or purchased and cancelled at the option of the Issuer only and provided that:

- (i) Dated Tier 2 Notes shall have a minimum Maturity Period of five years and one day;
- (ii) Tier 3 Notes shall have a minimum Maturity Period of two years and one day;
- (iii) Undated Tier 2 Notes may only be redeemed pursuant to Condition 12(a) (Redemption at the option of the Issuer) after a minimum initial period of issue of five years; provided that in any case unless the Registrar of Banks determines that the Issuer is duly capitalised the Issuer may not redeem such Undated Tier 2 Notes unless such Undated Tier 2 Notes are replaced by the Issuer with instruments of similar or better quality;
- (iv) the Issuer has notified the Registrar of Banks of its intention to redeem, or purchase and cancel the relevant Subordinated Notes at least one month (or such other period, longer or shorter, as the Registrar of Banks may then require or accept) prior to the date scheduled for such redemption or purchase and cancellation and written approval of the same has been received from the Registrar of Banks;
- (v) such redemption is effected in accordance with conditions (if any) approved by the Registrar of Banks in writing; and
- (vi) both at the time when the notice of redemption is given and immediately following such redemption, 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 Registrar of Banks no longer so requires) as confirmed by an Independent Investment Bank or the Registrar of Banks.

(f) Partial redemption

If the Notes are to be redeemed in part only on any date in accordance with Condition 12(d) (Redemption at the option of the Issuer), each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date.

(g) Redemption at the option of Noteholders

This Condition 12(g) applies only to Unsubordinated Notes. If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 12(g), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit the Note Certificate relating to such Note with any Paying Agent together with a duly completed Put Option Notice in the form obtainable from any Paying Agent. No Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 12(g), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), the Notes evidenced by any Note Certificate so deposited become immediately due and payable or, upon due presentation of any Note Certificate on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Put Option, be returned to the Holder by uninsured first class mail (airmail if overseas) at the address specified by such Holder in the relevant Put Option Notice.

(h) No other redemption

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

(i) Early redemption of Zero Coupon Notes

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

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

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 12(i) or, if none is so specified, a Day Count Fraction of 30E/360.

(j) Purchase

Subject to Condition 12(e) (Redemption of Subordinated Notes) in the case of Subordinated Notes and, in the case of Undated Tier 2 Notes, compliance with the Solvency Condition, the Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(k) Cancellation

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

13 Payments

(a) Principal

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

(b) Interest

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

of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption).

(c) Payments subject to fiscal laws

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

(d) Payments on business days

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

(e) Partial payments

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

(f) Record date

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

14 Taxation

(a) Gross up

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (i) to a Holder which is liable to such Taxes in respect of such Note by reason of its having some connection with South Africa other than merely by holding such Note or by the receipt of amounts in respect of such Note; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) where presentation and surrender for payment is required pursuant to these Conditions, if presented and surrendered for payment by, or on behalf of, or held by a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note Certificate to another Paying Agent in a Member State of the EU; or
- (iv) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is presented and surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

(b) Taxing jurisdiction

If the Issuer becomes subject at any time to any taxing jurisdiction other than South Africa, references in these Conditions to South Africa shall be construed as references to South Africa and/or such other jurisdiction.

15 Events of Default

15.1 Events of Default relating to Unsubordinated Notes

This Condition 15.1 only applies to Unsubordinated Notes.

If any of the following events occurs and is continuing:

(a) Non-payment

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

(b) Breach of other obligations

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

(c) Cross-default of Issuer or Principal Subsidiary

- (i) any other present or future Financial Indebtedness of the Issuer or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
- (ii) any such Financial Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as

the case may be) the relevant Principal Subsidiary or (provided that no Event of Default, howsoever described, has occurred) any Person entitled to such Financial Indebtedness; or

- (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Financial Indebtedness;

provided that the amount of Financial Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in subparagraph (iii) above individually or in the aggregate exceeds U.S.\$15,000,000 (or its equivalent in any other currency or currencies); or

(d) Unsatisfied judgment

One or more judgment(s) or order(s) from which no further appeal is permissible under applicable law for the payment of any amount in excess of U.S.\$15,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) Security enforced

Any present or future Security Interest created by the Issuer or any Principal Subsidiary over all or a substantial part of its undertaking, assets and revenues for an amount at the relevant time in excess of U.S.\$15,000,000 (or its equivalent in any other currency or currencies) becomes enforceable and any step is taken to enforce it (including, but not limited to, the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person or analogous event) unless such enforcement is discharged within 45 days or the Issuer or Principal Subsidiary (as the case may be) is contesting such enforcement in good faith; or

(f) Insolvency etc.

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

(g) Winding-up etc.

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

(h) Analogous event

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

(i) Failure to take action etc.

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

(j) Unlawfulness

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

then any Unsubordinated Note may, by written notice from the Holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent (addressed to the Issuer), be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

15.2 Events of Default relating to Dated Subordinated Notes

This Condition 15.2 applies only to Dated Subordinated Notes.

- (a) If default shall be made in the payment of any principal or interest due on the Dated Subordinated Notes of the relevant Series for a period of five days or more after any date on which the payment of principal is due or 10 days or more after any date on which the payment of interest is due (as the case may be), any Dated Subordinated Noteholder of that Series may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but take no other action in respect of that default. In such proceedings or winding-up the claim of each Dated Subordinated Noteholder shall be for the Early Termination Amount together with accrued interest (if any) in respect of each Dated Subordinated Note.
- (b) If an order is made or an effective resolution is passed for the winding-up of the Issuer (other than pursuant to a Solvent Reconstruction), each Dated Subordinated Noteholder may, by written notice to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent (addressed to the Issuer), be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) (subject to Condition 5(b)(iii) (Subordination) in the case of Tier 3 Notes and Dated Tier 2 Notes) without further action or formality.
- (c) Without prejudice to paragraph (a) or (b) above, if the Issuer breaches any of its obligations under the Dated Subordinated Notes of the relevant Series (other than any obligation in respect of the payment of principal or interest on such Notes) then each Dated Subordinated 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 Series of Dated Subordinated Notes sooner than the same would otherwise have been payable by it.

15.3 Events of Default relating to Undated Tier 2 Notes

Notwithstanding any of the provisions below in this Condition 15.3, the right to institute winding-up proceedings is limited to circumstances where payment of principal or interest (as the case may be) has become due and payable. No principal, premium, interest or any other amount will be due unless the Solvency Condition is satisfied. Also, in the case of the payment of any Interest Amount, payment thereof will not be due if the Issuer has elected or is required to defer that payment pursuant to Condition 7(a) (Deferral of interest on the Undated Tier 2 Notes) or the Issuer is prohibited from making that payment pursuant to Condition 7(b) (Restrictions following non payment of interest on Undated Tier 2 Notes) or 7(c) (Compulsory payment of interest).

This Condition 15.3 applies only to Undated Tier 2 Notes.

- (a) If default shall be made in the payment of any principal or any interest (or any other amount in respect of the Undated Tier 2 Notes) due on the Undated Tier 2 Notes of the relevant Series for a period of five days or more after any date on which the payment of principal is due and payable or 10 days or more after any date on which the payment of interest is due and payable (as the case may be) each Undated Tier 2 Noteholder of that Series 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.
- (b) Without prejudice to paragraph (a) above, if the Issuer breaches any of its obligations under the Undated Tier 2 Notes of the relevant Series (other than any obligation in respect of the payment of principal or interest on such Notes) then each Undated Tier 2 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 such Series of Undated Tier 2 Notes sooner than the same would otherwise have been payable by it.

16 Prescription

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

17 Replacement of Notes

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

18 Agents and Registrar

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

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

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

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

19 Meetings of Noteholders; Modification

(a) Meetings of Noteholders

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

(b) Modification

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

20 Further Issues

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

21 Notices

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

22 Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “first currency”) in which the same is payable under these Conditions or such order or judgment into another currency (the “second currency”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

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

23 Rounding

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

calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24 Governing Law and Jurisdiction

(a) Governing law

The Notes, all matters arising from or connected with the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law save that the provisions of Conditions 5 (Status), 7(a) (Deferral of interest on the Undated Tier 2 Notes), 7(d) (Deferral of Principal and Interest on the Tier 3 Notes), 12(a)(ii) (Scheduled redemption) and 12(e) (Redemption of Subordinated Notes) are governed by, and shall be construed in accordance with, South African law.

(b) English courts

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

(c) Appropriate forum

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

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

Condition 23(b) (English courts) is for the benefit of the Noteholders only. As a result, nothing in this Condition 23 prevents any Noteholder from taking proceedings relating to a Dispute (“Proceedings”) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) Process agent

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Clifford Chance Secretaries Limited of 10 Upper Bank Street, London, E14 5JJ, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part 37 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES

The terms and conditions applicable to Credit Linked Notes shall comprise the Terms and Conditions applicable to Unsubordinated Notes set out herein under “Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes” (the “**General Conditions**”) and the additional Terms and Conditions set out below (the “**Credit Linked Conditions**”), in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Credit Linked Conditions, the Credit Linked Conditions set out below shall prevail. The applicable Final Terms shall specify whether the Notes are Single Name Credit Linked Notes, First-to-Default Credit Linked Notes, *Nth*-to-Default Credit Linked Notes, Linear Basket Credit Linked Notes or any other type of Credit Linked Notes. In the event of any inconsistency between (a) the General Conditions and/or the Credit Linked Conditions and (b) the applicable Final Terms, the applicable Final Terms shall prevail.

1 Redemption upon the occurrence of a Credit Event

- (a) If a Credit Event has occurred on any day during the Observation Period and the Conditions to Settlement are satisfied on or prior to the Conditions to Settlement End Date then:
- (i) subject to Condition 8 of these Credit Linked Conditions, interest shall cease to accrue on the Notes with effect from (A) the Interest Period Date immediately preceding the Event Determination Date or, if no Interest Period Date has occurred, the Interest Commencement Date, or (B) if “Alternative Interest Cessation Date” is stated as applying in the applicable Final Terms, the date specified in the relevant Credit Event Notice (which shall be no earlier than the date referred to in sub-paragraph (a)(i)(A) above), provided that, in each case, if the Credit Event is a Multiple Exercise Credit Event and/or the Notes are Linear Basket Credit Linked Notes, interest shall cease to accrue only on the relevant Applicable Proportion of the Specified Denomination of each Note; and
 - (ii) if the Calculation Agent determines that the related Event Determination Date has not been reversed pursuant to Condition 8 of these Credit Linked Conditions on or prior to the earlier to occur of the relevant Auction Final Price Determination Date, Valuation Date, Physical Settlement Date (or, if earlier, Delivery Date) or the Scheduled Observation End Date, as applicable, subject to Conditions 5, 7 and 8 of these Credit Linked Conditions, the Issuer’s obligation to redeem each Note at its Final Redemption Amount on the Final Payment Date in accordance with Condition 12 of the General Conditions shall cease and be replaced by an obligation to redeem each Note in whole (or, if the Credit Event is a Multiple Exercise Restructuring Credit Event and/or the Notes are Linear Basket Credit Linked Notes, in part) as follows:
 - (A) if “Cash Settlement” is specified as the Settlement Basis in the applicable Final Terms (or if Cash Settlement is specified as the Fallback Settlement Basis and Condition 4 of these Credit Linked Conditions requires that the Issuer redeems the Notes in accordance with Condition 2 of these Credit Linked Conditions), by payment on the relevant Cash Settlement Date of the Cash Settlement Amounts in accordance with Condition 2 of these Credit Linked Conditions;
 - (B) if “Physical Settlement” is specified as the Settlement Basis in the applicable Final Terms (or if Physical Settlement is specified as the Fallback Settlement Basis and Condition 4 of these Credit Linked Conditions requires that the Issuer redeems the Notes in accordance with Condition 3 of these Credit Linked Conditions), by Delivery of the

Deliverable Obligation Entitlements by the relevant Physical Settlement Date in accordance with Condition 3 of these Credit Linked Conditions;

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

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

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

2 Cash Settlement

- (a) Subject to Conditions 5, 6 and 8 of these Credit Linked Conditions, where “Cash Settlement” is the applicable Settlement Basis (or “Cash or Physical Settlement” or “Cash or Physical or Auction Settlement” is specified in the applicable Final Terms and Cash Settlement is elected by the Issuer, or Cash Settlement is specified as the Fallback Settlement Basis and Condition 4 of these Credit Linked Conditions requires that the Issuer redeems the Notes in accordance with this Condition 2), then on the relevant Cash Settlement Date the Issuer shall, subject as aforesaid, redeem:
 - (i) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Notes are not Linear Basket Credit Linked Notes, each Note in whole at the amount specified in sub-paragraph (b) below; or

- (ii) if the Credit Event is not a Multiple Exercise Restructuring Credit Event but the Note is a Linear Basket Credit Linked Note, a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Related Nominal Amount of the Reference Entity in respect of which the Credit Event occurred; or
 - (iii) if the Credit Event is a Multiple Exercise Restructuring Credit Event, a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Exercise Amount specified in the Credit Event Notice relating to the relevant Credit Event.
- (b) On any redemption of a Note pursuant to sub-paragraph (a) above, subject to Conditions 5, 6 and 8 of these Credit Linked Conditions, the Issuer shall redeem the Applicable Proportion of each Note at the Cash Settlement Amount on the Cash Settlement Date. The Cash Settlement Amount in respect of each Note shall be the amount specified as such in the applicable Final Terms or, if no such amount is specified, an amount determined by the Calculation Agent to be the greater of:
- (i) zero; and
 - (ii) an amount equal to:
 - (A) the Final Price of the Valuation Obligation(s); multiplied by
 - (B) an amount equal to the Applicable Proportion multiplied by the outstanding principal amount of such Note,

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

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

3 Physical Settlement

- (a) Subject to Conditions 5, 6 and 8 of these Credit Linked Conditions, where “Physical Settlement” is the applicable Settlement Basis (if “Cash or Physical Settlement” or “Cash or Physical or Auction Settlement” is specified in the applicable Final Terms and Physical Settlement is elected by the Issuer, or if Physical Settlement is specified as the Fallback Settlement Basis and Condition 4 of these Credit Linked Conditions requires that the Issuer redeem the Notes in accordance with this Condition 3), then

the Issuer shall, subject as aforesaid, first, on or prior to the Physical Settlement Date, deliver to the Noteholders a Notice of Deliverable Obligation(s) (and may, from time to time, deliver to Noteholders a NODO Amendment Notice, provided such NODO Amendment Notice is delivered on or prior to the relevant Physical Settlement Date) and, secondly, on the Physical Settlement Date redeem:

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

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

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

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

Amendment Notice) (each such date, a “Cut-Off Date”), a duly completed Asset Transfer Notice in accordance with Condition 3(f), the form of which may be obtained from the specified office of the Issuer, any Paying Agent or the Registrar, and the related Note Certificate(s). Upon receipt of such Asset Transfer Notice and the related Note Certificate(s) by the Issuer or any Paying Agent (as the case may be), copies thereof shall promptly be provided by the Issuer or such Paying Agent (as the case may be) to the Registrar.

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

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

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

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

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

which Delivery of the same would otherwise be made pursuant to the provisions of this sub-paragraph (h) or otherwise due to circumstances beyond the control of the Issuer.

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

(i)

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

(ii) If:

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

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

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

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

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

- (j) If, in accordance with sub-paragraph (g), (h) and (i) above, the Deliverable Obligation(s) comprising the Deliverable Obligation Entitlement in respect of any Note is Delivered to a Noteholder after the relevant Physical Settlement Date, then until Delivery of such Deliverable Obligation(s) is made to the relevant Noteholder, the Issuer or any person holding such assets on behalf of the Issuer shall continue to be the legal owner of those assets. None of the Issuer and any such other person shall (i) be under any obligation to deliver or procure delivery to such Noteholder or any subsequent transferee any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in its capacity as the holder of such assets, (ii) be under any obligation to exercise or procure the exercise of any or all rights (including voting rights) attaching or appertaining to such assets until the date of Delivery or (iii) be under any liability to such Noteholder or subsequent transferee for any loss, liability, damage, cost or expense that such Noteholder or subsequent transferee may sustain or suffer as a result, whether directly or indirectly, of that person not being the legal owner of such assets until the date of Delivery.

- (k) If the aggregate Deliverable Obligation Entitlements to which a Noteholder is entitled is comprised of Deliverable Obligations in an amount less than a multiple of a whole number of the Deliverable Obligation(s) at the relevant time, then (i) the Issuer shall not Deliver and the relevant Noteholder shall not be entitled to receive in respect of its Notes that fraction of any Deliverable Obligation comprised in such Deliverable Obligation Entitlement(s) which is less than a whole number (the “Fractional Entitlement”) and (ii) the Issuer shall pay to the relevant Noteholder a cash amount (to be paid at the same time as Delivery of the whole number of Deliverable Obligation(s) comprising the Deliverable Obligation Entitlement(s)) equal to the fair market value (as determined by the Calculation Agent) of such Fractional Entitlement.
- (l) The costs and expenses including any stamp, registration documentation or similar tax and any transfer or similar fee (the “Delivery Expenses”) of effecting any Delivery of any Deliverable Obligation Entitlement to any Noteholder and, if the applicable Final Terms specify that “Hedge Unwind Adjustment” shall apply, a pro rata share of the Hedge Unwind Costs (if any) shall, in the absence of any provision to the contrary in the applicable Final Terms, be borne by the Noteholder and shall, unless otherwise specified in the applicable Final Terms, at the option of each Noteholder as specified in the Asset Transfer Notice either be:
- (i) paid to the Issuer by such Noteholder prior to the Delivery of any Deliverable Obligation Entitlement to the Noteholder (and, for the avoidance of doubt, the Issuer shall not be required to Deliver any portion of the Deliverable Obligation Entitlement to such Noteholder until it has received such payment); or
 - (ii) deducted by the Issuer from any cash amount which may be payable to such Noteholder under these Credit Linked Conditions to the extent that any such cash amount is equal to or greater than Noteholders pro rata share of the applicable Delivery Expenses and Hedge Unwind Costs.

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

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

4 Auction Settlement

- (a) Subject to Conditions 5, 6 and 8 of these Credit Linked Conditions, where “Auction Settlement” is the applicable Settlement Basis specified in the applicable Final Terms (or if “Cash or Physical or Auction

Settlement” in the applicable Final Terms and Auction Settlement is elected by the Issuer) then on the Auction Cash Settlement Date, the Issuer shall, subject as aforesaid, redeem:

- (i) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and/or the Notes are not Linear Basket Credit Linked Notes, each Note in whole; or
 - (ii) if the Credit Event is not a Multiple Exercise Restructuring Credit Event but the Notes are Linear Basket Credit Linked Notes, a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Related Nominal Amount of the Reference Entity in respect of which the Credit Event occurred; or
 - (iii) if the Credit Event is a Multiple Exercise Restructuring Credit Event, a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Exercise Amount specified in the Credit Event Notice relating to the relevant Credit Event.
- (b) On any redemption of a Note pursuant to sub-paragraph (a) above, subject to Conditions 5 and 8 of these Credit Linked Conditions, the Issuer shall redeem the Applicable Proportion of each Note at the Auction Cash Settlement Amount on the Auction Cash Settlement Date. The Auction Cash Settlement Amount in respect of each Note shall be the amount determined by the Calculation Agent to be the greater of:
- (i) zero; and
 - (ii) an amount equal to:
 - (A) the Auction Final Price; multiplied by
 - (B) an amount equal to the Applicable Proportion multiplied by the outstanding principal amount of such Note,

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

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

hedging transactions entered into by the Issuer in respect of the Notes provided that upon making such determination the Issuer shall promptly give notice thereof to the Noteholders in accordance with Condition 21 of the General Conditions; or

- (v) an Event Determination Date was determined pursuant to sub-paragraph (b)(ii) of the definition of “Event Determination Date”,

then the Issuer shall, subject to the occurrence of a Credit Event on any day during the Observation Period and satisfaction of the Conditions to Settlement on or prior to the Conditions to Settlement End Date, notwithstanding that Auction Settlement is specified as applicable in the relevant Final Terms, redeem each Note in accordance with Condition 2 of these Credit Linked Conditions (if Cash Settlement is specified in the applicable terms as the Fallback Settlement Basis) or in accordance with Condition 3 of these Credit Linked Conditions (if Physical Settlement is specified in the applicable terms as the Fallback Settlement Basis).

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

5 Redemption Suspension

If, following the determination of an Event Determination Date in accordance with sub-paragraph (a) of the definition of “Event Determination Date” but prior to the relevant Final Payment Date, Cash Settlement Date, the relevant Physical Settlement Date, a Delivery Date or, to the extent applicable, a Valuation Date, as applicable, the Issuer determines that a Suspension Event has occurred, the timing requirements relating to notices of physical settlement and the timing requirements of Conditions 1, 2 and 3 of these Credit Linked Conditions, as applicable, or any other provision of these Credit Linked Conditions and the Notes that pertains to redemption and settlement, shall be suspended until the Suspension Event Cessation Date. During such suspension period, the Issuer shall not take any action in connection with the redemption and settlement of the Notes. The relevant timing requirements and redemption and settlement provisions, as applicable, that have previously tolled or been suspended shall resume on the Business Day following the relevant Suspension Event Cessation Date with the benefit of the full day notwithstanding when the tolling or suspension began in accordance with this Condition 5. Without prejudice to any amounts payable pursuant to Condition 8 of these

Credit Linked Conditions, no additional amounts shall be payable by the Issuer in connection with any such suspension.

6 Interest Payment Postponement

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

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

- (A) if the relevant Credit Event is not a Multiple Exercise Restructuring Credit Event and the Notes are not Linear Basket Credit Linked Notes, any Cash Settlement Amount or Deliverable Obligation Entitlement (as applicable) due in respect of each Note shall be reduced (subject to the minimum of zero) by the amount of interest paid in respect of each Note pursuant to sub-paragraph (c)(ii) above;
 - (B) if the relevant Credit Event is not a Multiple Exercise Restructuring Credit Event but the Note is a Linear Basket Credit Linked Note, any redemption amount due in respect of each Note in connection with such Credit Event, as determined pursuant to Condition 2(a)(ii) or Condition 3(a)(ii) of these Credit Linked Conditions (as applicable), shall be reduced (subject to the minimum of zero) by the amount equal to the Applicable Proportion, used in determining such redemption amount, of the amount of interest paid in respect of each Note pursuant to sub-paragraph (c)(ii) above; or
 - (C) if the Credit Event is a Multiple Exercise Restructuring Credit Event, any redemption amount due in respect of each Note in connection with such Credit Event, as determined pursuant to Condition 2(a)(iii) or Condition 3(a)(iii) of these Credit Linked Conditions (as applicable), shall be reduced (subject to the minimum of zero) by the amount equal to the Applicable Proportion, used in determining such redemption amount, of the amount of interest paid in respect of each Note pursuant to sub-paragraph (c)(ii) above.
- (d) For the avoidance of doubt, no additional amount in respect of interest and no adjustment shall be made to the amount of any interest paid pursuant to sub-paragraph (c)(ii) above. The Issuer shall endeavour to give notice to the Noteholders in accordance with the General Conditions as soon as reasonably practicable should any amount be withheld from the amounts payable upon redemption of each Note pursuant to sub-paragraph (c) above.

7 Final Payment Date Postponement

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

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

- (b) The payments of any accrued but unpaid interest scheduled to be paid on the Final Payment Date and/or the redemption of the Notes at maturity will not be paid and shall be postponed pursuant to the foregoing. No additional amount in respect of interest shall be payable in connection with the postponement of the redemption of the Notes and the postponement of the Final Payment Date. No interest shall accrue on any Note after the Final Payment Date (unless Condition 8(b) or 9(b) (as applicable) of the General Conditions applies and upon due presentation of a Note for redemption payment of principal is improperly withheld or refused by the Issuer) and, for the purposes of determining that Final Payment Date, provisions of Condition 7 of these Credit Linked Conditions shall not apply.
- (c) In such circumstances:
 - (i) with respect to a Potential Repudiation/Moratorium:
 - (A) if an Event Determination Date occurs on or prior to the last day of the Notice Delivery Period and is not reversed pursuant to Condition 8 of these Credit Linked Conditions, each Note shall be redeemed pursuant to Condition 2, 3 or 4 of these Credit Linked Conditions, as applicable; or
 - (B) if the Repudiation/Moratorium Extension Condition is satisfied and an Event Determination Date does not occur on or prior to the final day of the Notice Delivery Period and no other Final Payment Date Postponement Event(s) are outstanding, each Note shall be redeemed at its Final Redemption Amount on the second Business Day following the last day of the Notice Delivery Period;
 - (ii) with respect to a Potential Failure to Pay:
 - (A) if an Event Determination Date occurs on or prior to the last day of the Notice Delivery Period and is not reversed pursuant to Condition 8 of these Credit Linked Conditions, each Note shall be redeemed pursuant to Condition 2, 3 or 4 of these Credit Linked Conditions, as applicable; or
 - (B) if Grace Period Extension is specified as applicable in the applicable Final Terms and an Event Determination Date does not occur on or prior to the last day of the Notice Delivery Period and no other Final Payment Date Postponement Event(s) are outstanding, each Note shall be redeemed at its Final Redemption Amount on the second Business Day following the last day of the Notice Delivery Period; and
 - (iii) with respect to an Applicable Request or a Postponement Credit Event:
 - (A) if the Conditions to Settlement are satisfied on or prior to the Conditions to Settlement End Date and the related Event Determination Date is not reversed pursuant to Condition 8 of these Credit Linked Conditions, each Note shall be redeemed pursuant to Condition 2, 3 or 4 of these Credit Linked Conditions, as applicable; or
 - (B) if the Conditions to Settlement are not satisfied on or prior to the Conditions to Settlement End Date or the related Event Determination Date is reversed pursuant to Condition 8 of these Credit Linked Conditions, and the Conditions to Settlement have

not been satisfied in respect of any other Final Payment Date Postponement Event(s), each Note shall be redeemed at its Final Redemption Amount on the second Business Day following the Conditions to Settlement End Date.

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

8 Reversals and adjustments to Event Determination Dates

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

9 Succession Event

- (a) With respect to any Reference Entity (other than a Sovereign Reference Entity), the Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than 14 calendar days after the legally effective date of the relevant Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth in the definition of “Successor” have been met, or which entity qualifies under sub-paragraph (a)(vi) of the definition of “Successor”, as applicable, provided that the Calculation Agent will not make such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in the definitions of “Successor”, in sub-paragraph (a) of the definition of “Succession Event Resolution Request Date” and sub-paragraph (b)(i) of the definition of “Succession Event Resolution Request Date” are satisfied in accordance with the Rules (until such time, if any, as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event for the purposes of the certain credit derivative transactions has occurred, and in each case the Calculation Agent determines that such resolution is an Applicable Resolution. In calculating the percentages used to determine whether the relevant thresholds set forth in the definition of “Successor” have been met, or which entity qualifies under sub-paragraph (a)(vi) of such definition, the Calculation Agent shall use, with respect to each applicable Relevant Obligation included in such calculation, the amount of the liability with respect to such Relevant Obligation listed in the Best Available Information and shall notify the Issuer of such calculation. A copy of the notice of any determination of a Successor shall be given to Noteholders in accordance with Condition 21 of the General Conditions.
- (b) With respect to any Sovereign Reference Entity, the Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than 14 calendar days after the date of the occurrence of the relevant Succession Event), and with effect from the date of the occurrence of the Succession Event, each Sovereign and/or entity, if any, that qualifies under sub-paragraph (b) of the definition of “Successor”; provided that the Calculation Agent will not make such determination if, at such time, either (i) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraph (b) of the definition of “Successor” and sub-paragraphs (a) and (b)(i) of the definition of “Succession Event Resolution Request Date” are satisfied in accordance with the Rules (until such time, if any, as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (ii) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred and the Calculation Agent determines that such Resolution is an Applicable Resolution. A copy of the notice of any determination of a Successor shall be given to Noteholders in accordance with Condition 21 of the General Conditions.
- (c) Where the Notes are Single Name Credit Linked Notes:
- (i) Where a Succession Event has occurred and more than one Successor has been identified in accordance with these Credit Linked Conditions, each such Successor will be deemed to be a Reference Entity for the purposes of the Notes and, to the extent applicable, the Calculation Agent shall apportion any outstanding principal amounts or any other relevant calculation amounts equally in relation to each Successor.

- (ii) If one or more of the Successors to the Reference Entity have not assumed the Reference Obligation (if any) specified in the applicable Final Terms, the Calculation Agent may select a Substitute Reference Obligation in accordance with the definition of “Substitute Reference Obligation”.
 - (iii) Where a Credit Event occurs in respect of a Reference Entity after such a Succession Event, the provisions of the relevant Credit Linked Conditions shall be deemed to apply to the aggregate principal amount of the Notes represented by that Reference Entity only (the “Partial Principal Amount”) and all the provisions shall be construed accordingly. Each Note shall thereafter be redeemed in part (such redeemed part being equal to the relevant proportion of the Partial Principal Amount).
 - (iv) The Notes shall be deemed to be redeemed pro rata in an amount equal to the Partial Principal Amount only. The Notes in an amount equal to the Aggregate Nominal Amount less the Partial Principal Amount shall remain outstanding (the “Remaining Amount”) and interest (if applicable) shall accrue on the Remaining Amount as provided for in the General Conditions and the applicable Final Terms (adjusted in such manner as the Calculation Agent determines to be appropriate).
 - (v) The provisions of these Credit Linked Conditions shall apply to any subsequent Credit Event Notices delivered in respect of any of the other Reference Entities that are identified as a result of the Succession Event.
 - (vi) The applicable Final Terms may be amended and restated at such time to reflect the effect of a Succession Event without the consent of the Noteholders and the Noteholders are deemed to agree to this provision by the purchase of the Notes.
- (d) Where the Notes are First-to-Default Credit Linked Notes, N^{th} -to-Default Credit Linked Notes or Linear Basket Credit Linked Notes:
- (i) Where a Succession Event has occurred in respect of a Reference Entity (each such Reference Entity and any Reference Entity previously the subject of a Succession Event, a “Succession Event Reference Entity” and the Reference Entities unaffected by such Succession Event or any previous Succession Event, the “Non-Succession Event Reference Entities”) and more than one Successor has been identified by the Calculation Agent, each such Successor will be deemed to be a Reference Entity for the purposes of the Notes (in such respect, each a “Successor Reference Entity”) and, to the extent applicable, the Calculation Agent shall apportion any outstanding principal amounts, Related Nominal Amounts or any other relevant calculation amounts, as applicable, equally in relation to each Successor Reference Entity.
 - (ii) Following the occurrence of a Succession Event, satisfaction of the Conditions to Settlement following a Credit Event with respect to any of the Non-Succession Event Reference Entities will cause the Notes, except for Linear Basket Credit Linked Notes, to be redeemed in full in accordance with the provisions of these Credit Linked Conditions; provided that (A) in the case of N^{th} -to-Default Credit Linked Notes, satisfaction of the Conditions to Settlement following a Credit Event with respect to any of the Non-Succession Event Reference Entities will only cause the Notes to be redeemed in full as aforesaid where such Non-Succession Event Reference Entity is the N^{th} Reference Entity with respect to which the Conditions to Settlement have been satisfied, and (B) in the case of Linear Basket Credit Linked Notes, satisfaction of the Conditions to Settlement following a Credit Event with respect to any of the Non-Succession Event Reference Entities will only cause redemption of a portion of the principal amount of each Linear Basket Credit Linked Note equal to the Applicable Proportion

determined by reference to the Related Nominal Amount of the relevant Non-Succession Event Reference Entities with respect to which the Conditions to Settlement have been satisfied.

- (iii) Where a Credit Event occurs in respect of a Successor Reference Entity, the relevant provisions of these Credit Linked Conditions shall be deemed to apply to the principal amount of the Notes or Related Nominal Amount, as applicable, represented by the relevant Successor Reference Entity only (the “Partial Principal Amount”); provided that, in the case of N^{th} -to-Default Credit Linked Notes, such Successor Reference Entity is the N^{th} Reference Entity with respect to which the Conditions to Settlement have been satisfied, and all the provisions shall be construed accordingly. Subject as aforesaid, the Notes shall thereafter be redeemed in a proportion equal to the relevant proportion which the Partial Principal Amount forms of the Aggregate Nominal Amount of the Notes as of the Issue Date.
- (iv) Without prejudice to Condition 1(a) of these Credit Linked Conditions, following a partial redemption of the Notes pursuant to sub-paragraph (d)(iii) above, interest shall accrue on the remaining outstanding principal amount of the Notes immediately following the partial redemption as provided for in the General Conditions and these Credit Linked Conditions (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate).
- (v) The provisions of these Credit Linked Conditions shall apply to any subsequent Credit Event Notices delivered in respect of any other Successor Reference Entities formed as a result of one or more Succession Events and/or any of the Non-Succession Event Reference Entities. For the avoidance of doubt, the provisions of this sub-paragraph (d) shall apply to each Succession Event.
- (vi) Where the effect of the foregoing provisions would be to specify a Reference Entity more than once with respect to the Notes, that Reference Entity shall be deemed to be specified only once.
- (vii) Save as otherwise provided in the applicable Final Terms, where any Reference Entity (the “Surviving Reference Entity”) (other than a Reference Entity that is subject to a Succession Event) would be a Successor to any other Reference Entity (the “Legacy Reference Entity”) pursuant to a Succession Event through the application of the foregoing provisions, (A) if Fixed Number of Reference Entities is not specified as applicable in the applicable Final Terms, such Surviving Reference Entity shall be deemed a Successor to the Legacy Reference Entity or (B) if Fixed Number of Reference Entities is specified as applicable in the applicable Final Terms, such Surviving Reference Entity shall be deemed a Successor to the Legacy Reference Entity save that the principal amount of the Notes represented by such Reference Entity or Related Nominal Amount of such Reference Entity, as applicable, shall be equal to the principal amount of the Notes represented by the Surviving Reference Entity only or the Related Nominal Amount of such Surviving Reference Entity, as applicable, and the Calculation Agent shall select an additional entity to constitute a Reference Entity in respect of the principal amount of the Notes represented by the Legacy Reference Entity in respect of the related Nominal Amount relating to such Legacy Reference Entity (such entity, an “Additional Reference Entity”) such that the number of Reference Entities prior to the Succession Event is equal to the number of Reference Entities following the Succession Event. The Additional Reference Entity shall be of the same Transaction Type (as defined in the 2005 Matrix Supplement) with a comparable credit rating as the Legacy Reference Entity, as determined by the Calculation Agent in its sole and absolute discretion. Any such Additional Reference Entity will be deemed to be a Reference Entity for the purposes of the Notes and all references in these Credit Linked Conditions to a “Reference Entity” or “Reference Entities” shall be construed accordingly.

- (viii) If one or more Additional Reference Entities are selected, the Calculation Agent may select a Substitute Reference Obligation in respect of each such Additional Reference Entity in accordance with the definition of “Substitute Reference Obligation”.
- (ix) Save as otherwise provided in the applicable Final Terms, in the event that (A) the Issuer becomes a Successor to any Reference Entity as a result of the application of the foregoing provisions, (B) the Issuer and any Reference Entity become Affiliates or (C) the Issuer or a Reference Entity consolidates or amalgamates with, or merges into, or transfers all or substantially all its assets to, a Reference Entity or the Issuer (as applicable), then the Issuer shall forthwith give notice of such circumstance to Noteholders. In such event, the Issuer may, but shall not be obliged to, on giving not more than 30 nor less than 15 days’ notice to Noteholders (the “Seller Merger Notice”), redeem all but not some of the Notes at the Early Redemption Amount specified in the Seller Merger Notice.
- (x) The applicable Final Terms may be amended and restated at such time to reflect the effect of a Succession Event without the consent of the Noteholders and the Noteholders are deemed to agree to this provision by the purchase of the Notes.

10 Restructuring Credit Event

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

- (c) In respect of any subsequent Credit Event Notices delivered:
- (i) the Exercise Amount in connection with a Credit Event Notice describing a Credit Event other than a Restructuring Credit Event must be equal to the outstanding principal amount of the Notes or the Related Nominal Amount outstanding in respect of the relevant Reference Entity, as applicable, at such time (and not a portion thereof); and
 - (ii) the Exercise Amount in connection with a Credit Event Notice describing a Restructuring Credit Event must be an amount that is at least 1,000,000 units of the currency (or, if Japanese Yen, 100,000,000 units) in which the Notes are denominated or any integral multiple thereof or the entire outstanding principal amount of the Notes or the Related Nominal Amount outstanding in respect of the relevant Reference Entity, as applicable, at such time.
- (d) For the avoidance of doubt, (i) in the case of a First-to-Default Credit Linked Note, once a Restructuring Credit Event has occurred in respect of a Reference Entity, no further Credit Event Notices may be delivered in respect of any Reference Entity other than the Reference Entity that was the subject of the first occurring Restructuring Credit Event; (ii) in the case of an N^{th} -to-Default Credit Linked Note, if a Restructuring Credit Event has occurred in respect of the N^{th} Reference Entity, no further Credit Event Notices may be delivered in respect of any Reference Entity other than the N^{th} Reference Entity; and (iii) in the case of a Linear Basket Credit Linked Note, the fact that a Restructuring Credit Event has occurred in respect of a Reference Entity shall not preclude delivery of a Credit Event Notice in respect of any other Reference Entity.
- (e) If “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” is specified in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may only be (i) included in a Deliverable Obligation Entitlement and (ii) specified in the relevant Notice of Deliverable Obligation(s), Notice of Physical Settlement or specified in any NODO Amendment Notice or NOPS Amendment Notice, as applicable, if such Deliverable Obligation (A) is a Fully Transferable Obligation and (B) has a final maturity date not later than the applicable Restructuring Maturity Limitation Date.
- (f) If “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may only be (i) included in a Deliverable Obligation Entitlement and (ii) specified in the relevant Notice of Deliverable Obligation(s), Notice of Physical Settlement or specified in any NODO Amendment Notice or NOPS Amendment Notice, as applicable, if it (A) is a Conditionally Transferable Obligation and (B) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.
- (g) For the avoidance of doubt, if Restructuring is specified in the applicable Final Terms as being an applicable Credit Event and neither “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” nor “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms, the Issuer may not deliver multiple Credit Event Notices with respect to a Restructuring Credit Event. If a Restructuring Credit Event occurs, the Issuer may only deliver a single Credit Event Notice in respect of such Reference Entity and, subject to satisfaction of the Conditions to Settlement and the other provisions of these Credit Linked Conditions, each Note shall be redeemed in full (or, if the Notes are Linear Basket Credit Linked Notes, in part) pursuant to and in accordance with Condition 1(a) of these Credit Linked Conditions.
- (h) If the provisions of this Condition 10 apply in respect of the Notes, on redemption of part of each such Note, the Issuer shall procure that the amount and date of such partial redemption are noted on the

Register and New Certificates a new Note Certificate shall be issued to the Holder in respect of the balance of its holding not redeemed, provided that new Note Certificates shall only be issued against surrender of the existing Certificates to the Registrar. Within five business days of the surrender of a Note Certificate in accordance with this sub-paragraph (h), the Registrar will deliver a new Note Certificate in respect of the balance of holding not redeemed to the relevant Holder at its Specified Office or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this sub-paragraph (h), “business day” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office..

11 The Calculation Agent

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

Settlement Terms have been published with respect to a Reference Entity and a Credit Event and make a copy thereof available for inspection by Noteholders at the specified office of the Paying Agents.

- (d) The Calculation Agent shall, as soon as practicable after publication of the Auction Final Price in respect of an Applicable Auction, make available for inspection by Noteholders at the specified office of the Paying Agent a copy of the relevant Applicable Credit Derivatives Auction Settlement Terms and copies of the relevant publication of the Auction Final Price.

12 Deemed Agreement of Noteholders

By subscribing for, purchasing, acquiring or holding Notes each Noteholder shall be deemed to agree that no DC Party and no legal counsel or other third-party professional hired by a DC Party in connection with such DC Party's performance of its respective duties under the Rules and/or any Credit Derivatives Auction Settlement Terms, as applicable, shall be liable, whether for negligence or otherwise, to such Noteholder for any form of damages, whether direct, indirect, special, consequential or otherwise, that might arise in connection with such DC Party's performance of its duties, or any advice given by legal counsel or any other third-party professional hired by such DC Party in connection with such DC Party's performance of its respective duties, under the Rules and/or any Credit Derivatives Auction Settlement Terms, as applicable, except in the case of fraud or wilful misconduct on the part of such DC Party, legal counsel or other third-party professional, as applicable; provided that, notwithstanding the foregoing, legal counsel or any other third-party professional hired by a DC Party in connection with such DC Party's performance of its duties under the Rules and/or any Credit Derivatives Auction Settlement Terms, as applicable, may still be liable to such DC Party;

13 Modifications to the General Conditions

For the purposes of Credit Linked Notes:

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

14 Modifications to Credit Linked Conditions

If the Issuer adheres to any protocol published by ISDA after the Issue Date that sets out alternative settlement or valuation methods in relation to a Reference Entity (a "Protocol"), then the Issuer may adjust such terms of

these Credit Linked Conditions as it deems appropriate to reflect some or all of the relevant settlement, valuation and other provisions of such Protocol. These may include, without limitation, adjustments in relation to the determination of any Cash Settlement Amount, any Final Price, any Deliverable Obligation Entitlement or determining that Cash Settlement rather than Physical Settlement shall apply and vice versa. Nothing in this Condition 14 should be taken as requiring the Issuer to follow the terms of any Protocol.

15 Definitions

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

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

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

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

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

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

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

“Affiliate” means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose “control” of any entity or person means ownership of a majority of the voting power of the entity or person;

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

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

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

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

“Applicable DC Credit Event Announcement” means a DC Credit Event Announcement which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into

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

“Applicable DC No Credit Event Announcement” means a DC No Credit Event Announcement which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof which are the subject of the DC No Credit Event Announcement and the Credit Events, Reference Entities and Obligations thereof under the Notes and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes);

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

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

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

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

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

“Assignable Loan” means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a

member of the relevant lending syndicate without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;

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

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

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

“Auction Cash Settlement Date” means the fifth Business Day following the Auction Settlement Date determined in accordance with the Applicable Credit Derivatives Auction Settlement Terms or such other date specified in the applicable Final Terms, as determined by the Issuer;

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

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

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

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

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

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

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

“Bankruptcy” means, with respect to a Reference Entity, such Reference Entity (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (b) becomes insolvent or is unable to pay its debts or

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

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

“Best Available Information” means:

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

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

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

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

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

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

“Bond or Loan” means any obligation that is either a Bond or a Loan;

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

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

“Cash Settlement Date” means, subject to Condition 5 of these Credit Linked Conditions, (a) if the Cash Settlement Amount is not specified in the applicable Final Terms, the date that is five Business Days (or such other number of Business Days specified in the applicable Final Terms) following the calculation of the relevant Final Price or, (b) if the Cash Settlement Amount or the Final Price is specified in the applicable Final Terms, the date that is five Business Days (or such other number of Business Days specified in the applicable Final Terms) following the satisfaction of all Conditions to Settlement relevant to such Credit Event (or, if Cash Settlement is applicable pursuant to the Fallback Settlement Basis in accordance with Condition 4 of these Credit Linked Conditions);

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

“Conditionally Transferable Obligation” means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, provided, however, that a Deliverable Obligation other than Bonds will be a Conditionally Transferable Obligation

notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Deliverable Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for the purposes of this definition.

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

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

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

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

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

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

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

“Credit Event Backstop Date” means:

- (a) for the purposes of any event that constitutes a Credit Event (or, with respect to Repudiation/Moratorium, the event described in sub-paragraph (b)(ii) of the definition thereof) for the

purposes of certain credit derivatives transactions, as determined by a DC Resolution, provided such DC Resolution is an Applicable Resolution, the date that is 60 calendar days prior to the Credit Event Resolution Request Date, provided that the Calculation Agent determines that the DC Resolution is an Applicable Resolution and the Credit Event Resolution Request Date relates to an Applicable Request; or

- (b) otherwise, the date that is 75 calendar days prior to the earlier of:
 - (i) the first date on which both the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Issuer to the Calculation Agent and are effective during the Notice Delivery Period; and
 - (ii) in circumstances where (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of “Credit Event Resolution Request Date” are satisfied in accordance with the Rules in relation to an Applicable Request, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, provided that such Resolution is an Applicable Resolution and (C) the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer and are effective not more than 14 calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Credit Event Resolution Request Date.

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

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

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

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

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

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

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

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

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

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

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

“Dealer” means a dealer (other than the Issuer or any Affiliate of the Issuer, unless otherwise specified in the applicable Final Terms) in obligations of the type of Obligation(s) for which Quotations are to be obtained, as selected by the Calculation Agent;

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

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

Qualifying Guarantees, “Deliver” shall mean to Deliver both the Qualifying Guarantee and the Underlying Obligation. “Delivery” and “Delivered” shall be construed accordingly;

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

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

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

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

Characteristic “Transferable” is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Deliverable Obligation Category); or (c) any of the Deliverable Obligation Characteristics “Assignable Loan”, “Consent Required Loan” or “Direct Loan Participation” is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Deliverable Obligation Category;

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

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

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

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

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

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

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

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

- (a) each amount of interest in respect of each Note that would not have been paid (if any) on any Interest Payment Date to Noteholders had the earlier Event Determination Date been the date originally determined as the Event Determination Date; and
- (b) interest accrued on each such amount on a daily basis at the applicable Overnight Rate as determined by the Calculation Agent for the period from, and including, the Interest Payment Date on which the

relevant interest amount was paid to, but excluding, the date on which the Notes are redeemed. For the avoidance of doubt, such interest will be compounded on a daily basis;

“Eligible Transferee” means:

- (a) any:
 - (i) bank or other financial institution;
 - (ii) insurance or reinsurance company;
 - (iii) mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in sub-paragraph (c)(i) below); and
 - (iv) registered or licensed broker or dealer (other than a natural person or proprietorship),provided, however, in each case, that such entity has total assets of at least USD500,000,000;
- (b) an Affiliate of an entity specified in sub-paragraph (a) above;
- (c) each of a corporation, partnership, proprietorship, organisation, trust or other entity:
 - (i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special-purpose vehicle) that (A) has total assets of at least US\$ 100,000,000 or (B) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least USD 100,000,000;
 - (ii) that has total assets of at least USD 500,000,000; or
 - (iii) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support or other agreement by an entity described in sub-paragraph (a), (b), (c)(ii) above and sub-paragraph (d) below; and or
- (d) a Sovereign, Sovereign Agency or Supranational Organisation;

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

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

“Event Determination Date” means, with respect to a Credit Event:

- (a) subject to sub-paragraph (b) below, if neither an Applicable DC Credit Event Announcement nor an Applicable DC No Credit Event Announcement has occurred, the first date on which the Calculation Agent determines that both the Credit Event Notice and, if Notice of Publicly Available Information is

specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Issuer to the Calculation Agent and are effective during either:

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

- (V) the Credit Event Notice is delivered by the Issuer to the Calculation Agent and is effective on or prior to the relevant Exercise Cut-off Date; or
- (ii) the first date on which the Credit Event Notice is delivered by the Issuer to the Calculation Agent and is effective during the Notice Delivery Period or the period from, and including, the date on which ISDA publicly announces the occurrence of the relevant Applicable DC Credit Event Announcement to, and including, the date that is 14 calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date) and is an Applicable Request as determined by the Calculation Agent), if either:
 - (A) each of the following applies:
 - (I) “Event Determination Date Version A” is specified in the applicable Final Terms;
 - (II) the relevant Credit Event is not a Restructuring;
 - (III) “Auction Settlement” is not specified as the Settlement Basis in the applicable Final Terms (or “Cash or Physical or Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms and Auction Settlement is not elected by the Issuer); and
 - (IV) the Trade Date occurs following the relevant Applicable DC Credit Event Announcement; or
 - (B) each of the following applies:
 - (I) “Event Determination Date Version B” is specified in the applicable Final Terms; and
 - (II) either (y) “Auction Settlement” is not specified as the Settlement Basis in the applicable Final Terms (or “Cash or Physical or Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms and Auction Settlement is not elected by the Issuer); or (z) if “Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms (or “Cash or Physical or Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms and Auction Settlement is elected by the Issuer), the Credit Event Notice is delivered by the Issuer to the Calculation Agent and is effective on a date that is later than the relevant Exercise Cut-off Date,

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

- (1) no Physical Settlement Date, if applicable, or Cash Settlement Date, Auction Cash Settlement Date or Final Payment Date has occurred on or prior to the date on which the Applicable DC Credit Event Announcement occurs;
- (2) if any Valuation Date or Delivery Date, as applicable, has occurred as of the date on which the Applicable DC Credit Event Announcement occurs, an Event Determination Date shall be deemed to have occurred only with respect to the portion of the Aggregate Nominal Amount of the Notes outstanding or the Related Nominal Amount outstanding in respect of the Reference Entity to which such Event Determination Date relates, if any, with respect to which no Valuation Date or Delivery Date, as applicable, has occurred; and

- (3) no Credit Event Notice specifying a Restructuring as the only Credit Event has previously been delivered by the Issuer to the Calculation Agent, (aa) unless the Restructuring specified in such Credit Event Notice is also the subject of the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date or (bb) unless, and to the extent that, the Exercise Amount specified in any such Credit Event Notice was less than the Aggregate Nominal Amount of the Notes then outstanding (or, in the case of Linear Basket Credit Linked Notes, the Related Nominal Amount then outstanding in respect of the relevant Reference Entity).

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

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

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

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

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

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

“Extension Date” means, the latest to occur of:

- (a) the Scheduled Observation End Date;
- (b) the Grace Period Extension Date if:

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

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

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

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

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

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

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

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

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

“Fully Transferable Obligation” means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this definition. For the purposes of determining whether a Deliverable Obligation satisfies the requirements of the definition of Fully Transferable Obligation, such determination shall be made as of the Delivery Date for the Deliverable Obligation, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by Issuer;

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

“Grace Period” means:

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

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

“Grace Period Extension Date” means if (a) “Grace Period Extension” is specified as applying in the applicable Final Terms and (b) a Potential Failure to Pay occurs on or prior to the Scheduled Observation End

Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), the date that is five Business Days following the day falling after the number of days in the Grace Period after the date of such Potential Failure to Pay;

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

“Hedge Unwind Costs” means, (a) if “Hedge Unwind Adjustment” is specified as applying in the applicable Final Terms, the sum of all costs, expenses (including loss of funding), taxes and duties incurred by (or on behalf of) the Issuer in connection with the redemption of the Notes and the termination, settlement and re-establishment of any related Hedging Arrangement following the occurrence of a Credit Event; or (b) if “Hedge Unwind Adjustment” is not specified as applying in the applicable Final Terms, zero;

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

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

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

“Interest Resumption Date” shall have the meaning specified in Condition 8 of these Credit Linked Conditions;

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

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

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

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

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

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

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

“Market Value” means, with respect to a Valuation Obligation on a Valuation Date, (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (d) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and subject to sub-paragraph (b) of the definition of “Quotation” below), an amount determined by the Calculation Agent on the next Business Day on which at least two Full Quotations or a Weighted Average Quotation is obtained; and (f) if two or more Full Quotations are not obtained within the additional 10 Business Day period set forth in sub-paragraph (b) of the definition of “Quotation”, the Market Value shall be determined as provided in such sub-paragraph (b);

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

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

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

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

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

“Movement Option” means, if either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation

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

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

“Multiple Holder Obligation” means an Obligation that (a) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (b) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to 66⅔ is required to consent to the event which constitutes a Restructuring Credit Event, provided that any Obligation that is a Bond shall be deemed to satisfy the requirement in sub-paragraph (b) above;

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

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

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

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

“Not Contingent” means any obligation having as of the Delivery Date and all times thereafter an outstanding principal balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy the Not Contingent Deliverable Obligation Characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements

of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (a) to convert to exchange such obligation or (b) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date;

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

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

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

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

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

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

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

“Notice of Deliverable Obligation(s)” means a notice from the Issuer to Noteholders that contains a detailed description of each Deliverable Obligation comprised in the Deliverable Obligation Entitlement(s) that the Issuer expects to Deliver in respect of the Notes (which will reflect the Deliverable Obligation(s) specified in

the most recent Notice of Physical Settlement or NOPS Amendment Notice delivered by the Issuer to the Calculation Agent), including the Outstanding Amount of each such Deliverable Obligation and, if available and applicable, the CUSIP or ISIN number (or, if such identifying number is not available or applicable, the rate and tenor of each such Deliverable Obligation). The Issuer may, from time to time, notify Noteholders (each such notification, a “NODO Amendment Notice”) that the Issuer is replacing, in whole or in part, one or more Deliverable Obligations specified in the Notice of Deliverable Obligations or a prior NODO Amendment Notice, as applicable with one or more Replacement Deliverable Obligation(s) (to the extent the relevant Deliverable Obligation has not been Delivered as of the date such NODO Amendment Notice is effective) or the detailed description(s) thereof including the relevant Replaced Deliverable Obligation Outstanding Amount(s). Each such NODO Amendment Notice must be effective on or prior to the Physical Settlement Date (determined without reference to any such change resulting from such NODO Amendment Notice). Notwithstanding the foregoing, the Issuer may correct any errors or inconsistencies in the detailed description of each Deliverable Obligation contained in the Notice of Deliverable Obligations or any NODO Amendment Notice, as applicable, by notice to the Noteholders prior to the relevant Delivery Date, it being understood that such notice of correction shall not constitute a NODO Amendment Notice. A Notice of Deliverable Obligations or a NODO Amendment Notice shall be subject to the requirements regarding notices contained in Condition 21 of the General Conditions;

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

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

- (a) subject to sub-paragraph (b) below, the later of:
 - (i) the 30th calendar day (subject to adjustment in accordance with any applicable Business Day Convention) after the Event Determination Date; and
 - (ii) the 10th calendar day after either (A) the date of the relevant DC Credit Event Announcement, if any, or (B) the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in sub-paragraphs (a) and (b) of the definition of “Credit Event Resolution Request Date”, if any, as applicable; or
- (b) if “Physical Settlement” is applicable pursuant to the Fallback Settlement Method and:
 - (i) the relevant Credit Event is not a Restructuring (or, if such Credit Event is a Restructuring, neither “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” nor “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms), the 30th calendar day after the Auction Cancellation Date or the No Auction Announcement Date, as applicable; or
 - (ii) the relevant Credit Event is a Restructuring and either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms, either:
 - (A) the 30th calendar day after:
 - (I) a No Auction Announcement Date occurring pursuant to sub-paragraph (a) of the definition of “No Auction Announcement Date”, if any; or
 - (II) a No Auction Announcement Date occurring pursuant to sub-paragraph (c) of the definition of “No Auction Announcement Date”, if any, in circumstances where no Parallel Auction will be held; or
 - (III) the Auction Cancellation Date, if any, as applicable; or
 - (B) the Relevant City Business Day immediately following the later of the Parallel Auction Final Price Determination Date, if any (or, if more than one should occur, the last Parallel Auction Final Price Determination Date), and the Parallel Auction Cancellation Date, if any (or, if more than one should occur, the last Parallel Auction Cancellation Date), as applicable, in circumstances where either:
 - (I) a No Auction Announcement Date occurs pursuant to sub-paragraph (b) of the definition of “No Auction Announcement Date” and the Issuer has not exercised any Movement Option; or
 - (II) a No Auction Announcement Date occurs pursuant to sub-paragraph (c) of the definition of “No Auction Announcement Date” in circumstances where one or more Parallel Auctions will be held,

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

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

“Notice of Publicly Available Information” means an irrevocable notice from the Issuer to the Calculation Agent that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. In relation to a Repudiation/Moratorium Credit Event, the Notice of Publicly Available Information must cite Publicly Available Information confirming the occurrence of both sub-paragraphs (a) and (b) of the definition of “Repudiation/Moratorium”. The notice given must contain a copy, or a description in reasonable detail, of the relevant Publicly Available Information. If a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. A copy of any Notice of Publicly Available Information shall be delivered to the Noteholders as soon as reasonably practicable and shall be subject to the requirements regarding notices contained in Condition 21 of the General Conditions;

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

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

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

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

“Obligation Acceleration” means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a

result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations;

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

“Obligation Characteristics” means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance, as specified in the applicable Final Terms; provided that, if the applicable Final Terms specifies the Obligation Category as being Reference Obligations Only, then no Obligation Characteristics shall be applicable, provided that, if the Obligation Characteristic “Listed” is specified in the applicable Final Terms, the Final Terms shall be construed as though Listed had been specified as an Obligation Characteristic with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category;

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

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

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

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

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

“Outstanding Principal Balance” means:

- (a) with respect to any Accreting Obligation, the Accreted Amount thereof;
- (b) with respect to any Exchangeable Obligation that is not an Accreting Obligation, the outstanding principal balance of such obligation excluding any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities into which such obligation is exchangeable; and
- (c) with respect to any other Obligation, the outstanding principal balance of such Obligation;

“Overnight Rate” means the overnight rate for deposits in the relevant currency as determined by the Calculation Agent, in good faith having regard to any then existing market practice;

“Parallel Auction” means “Auction” as defined in the relevant Parallel Auction Settlement Terms;

“Parallel Auction Cancellation Date” means “Auction Cancellation Date” as defined in the relevant Parallel Auction Settlement Terms;

“Parallel Auction Final Price Determination Date” means “Auction Final Price Determination Date” as defined in the relevant Parallel Auction Settlement Terms;

“Parallel Auction Settlement Date” means “Auction Settlement Date” as defined in the relevant Parallel Auction Settlement Terms;

“Parallel Auction Settlement Terms” means, following the occurrence of a Restructuring, if either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such Restructuring in accordance with the Rules, and for which the deliverable obligation terms are the same as the Deliverable Obligation provisions applicable to the Notes and the Calculation Agent determines that the related Auction would not be an Applicable Auction for the purposes of the Notes;

“Partial Cash Settlement Amount” and “Partial Cash Settlement Date” shall each have the meaning specified in Condition 3(i)(iii) of these Credit Linked Conditions;

“Partial Principal Amount” has the meaning set out in Condition 9(c)(iii) of these Credit Linked Conditions;

“Payment” means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;

“Payment Requirement” means the amount as may be specified as such in the applicable Final Terms or its equivalent in the Obligation Currency or, if a Payment Requirement is not so specified in the applicable Final Terms, U.S.\$1,000,000 or its equivalent in the Obligation Currency, in each case as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable;

“Permitted Currency” means (a) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership) or (b) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Cooperation and Development and has a local currency long-term debt rating of either “AAA” or higher assigned to it by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, “Aaa” or higher assigned to it by Moody’s Investors Service, Inc. or any successor to the rating business thereof or “AAA” or higher assigned to it by Fitch Ratings or any successor to the rating business thereof;

“Physical Settlement Date” means, subject to Condition 5 of these Credit Linked Conditions, the date determined by the Issuer that is:

- (i) the number of Business Days specified in the applicable Final Terms after the date of delivery of the Notice of Physical Settlement; or
- (ii) if such number of Business Days is not so specified, (a) 30 Business Days after the date of delivery of the Notice of Physical Settlement or (b) two Business Days following the last day of the longest Physical Settlement Period, if later;

“Physical Settlement Period” means, subject to Condition 5 of these Credit Linked Conditions, the number of Business Days specified as such in the Final Terms or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, the longest number of Business Days for settlement in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation Agent;

“Potential Failure to Pay” means the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations,

without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure;

“Potential Repudiation/Moratorium” means the occurrence of an event described in sub-paragraph (a) of the definition of “Repudiation/Moratorium”;

“Publicly Available Information” means information that reasonably confirms any of the facts relevant to the determination that the Credit Event or Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or the Repudiation/Moratorium Extension Notice has occurred and which (a) has been published in or on not less than two internationally recognised published or electronically displayed news sources, regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if the Issuer or any of its Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless the Issuer or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent, facility agent, agent bank or paying agent for an Obligation; (b) is information received from or published by (i) the relevant Reference Entity or (ii) a trustee, fiscal agent, administrative agent, clearing agent, facility agent, agent bank or paying agent for an Obligation; (c) is information contained in any petition or filing instituting a proceeding described in sub-paragraph (d) of the definition of “Bankruptcy” against or by a Reference Entity; or (d) is information contained in any order, decree, notice or filing however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative or judicial body, provided that:

- (i) in relation to any information of the type described in sub-paragraphs (b), (c) and (d) above, each Noteholder may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the Calculation Agent has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the Noteholders; and
- (ii) Publicly Available Information need not state (A) in relation to a Downstream Affiliate, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity and (B) that such occurrence (I) has met the Payment Requirement or Default Requirement, (II) is the result of exceeding any applicable Grace Period or (III) has met the subjective criteria specified in certain Credit Events;

“Qualifying Affiliate Guarantee” means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity;

“Qualifying Guarantee” means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the “Underlying Obligation”) for which another party is the obligor (the “Underlying Obligor”). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation. In the event that an Obligation or a Deliverable Obligation is a Qualifying Guarantee, the following will apply:

- (a) For the purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.

- (b) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in the applicable Final Terms, (i) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (ii) the laws of England and the laws of the State of New York shall not be a Domestic Law.
- (c) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
- (d) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (e) The terms “outstanding principal balance” and “Due and Payable Amount” (as they are used in various other Conditions, including, without limitation, in the definition of “Partial Cash Settlement Amount” and “Quotation Amount”), when used in connection with Qualifying Guarantees are to be interpreted to be the then “outstanding principal balance” or “Due and Payable Amount”, as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee;

“Qualifying Participation Seller” means any participation seller that meets the requirements specified in the applicable Final Terms. If no such requirements are specified, there shall be no Qualifying Participation Seller;

“Quotation” means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the following manner:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the 10th Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation.
- (b) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the 15th Business Day following the applicable Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Dealer at the Valuation Time on such 15th Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Dealers at the Valuation Time on such 15th Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.
- (c)

- (i) If “Include Accrued Interest” is specified in the applicable Final Terms in respect of Quotations, such Quotations shall include accrued but unpaid interest;
 - (ii) if “Exclude Accrued Interest” is specified in the applicable Final Terms in respect of Quotations, such Quotations shall not include accrued but unpaid interest; and
 - (iii) if neither “Include Accrued Interest” nor “Exclude Accrued Interest” is specified in the applicable Final Terms in respect of Quotations, the Calculation Agent shall determine, based on the then current market practice in the market of the Reference Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (d) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the outstanding principal balance for the purposes of determining the Final Price;

“Quotation Amount” means the amount specified as such in the applicable Final Terms (or its equivalent in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained) provided that, if no such sum is specified, the Quotation Amount shall be the (a) an amount equal to the Aggregate Nominal Amount of the Notes (or, in the case of a Linear Basket Credit Linked Notes, the Related Nominal Amount of the relevant Reference Entity), or (b) in the case of a Restructuring (if applicable), an amount equal to the relevant Exercise Amount;

“Quotation Method” means that only bid quotations shall be requested from Dealers in obtaining Quotations;

“Reference Entity” or “Reference Entities” means the entity or entities specified as such in the applicable Final Terms, and any Successor either (a) as determined by the Calculation Agent on or following the Trade Date or (b) identified by the Calculation Agent by reference to a public announcement by ISDA on or following the Trade Date that the relevant Credit Derivatives Determinations Committee has Resolved, in respect of a Succession Event Resolution Request Date, a Successor in accordance with the Rules;

“Reference Obligation” means (a) each obligation (if any) specified as such or of a type described in the applicable Final Terms and (b) any Substitute Reference Obligation;

“Reference Obligations Only” means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;

“Related Nominal Amount” means, in respect of a Reference Entity, the amount specified as such in the applicable Final Terms;

“Relevant City Business Day” has the meaning given to that term in the Rules;

“Relevant Currency” has the meaning set out in the applicable Final Terms, provided that, if no such currency is specified, the Relevant Currency shall be the Specified Currency (as defined in these Credit Linked Conditions);

“Relevant Obligations” means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation

of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case;

“Relevant Proportion” means, in respect of a Note, an amount (expressed as a percentage) equal to the principal amount outstanding of such Note as at the relevant Event Determination Date divided by the Aggregate Nominal Amount of all Notes outstanding as at the relevant Event Determination Date;

“Remaining Amount” has the meaning set out in Condition 9(c)(iv) of these Credit Linked Conditions;

“Repudiation/Moratorium” means the occurrence of both the following events:

- (a) an authorised officer of a Reference Entity or a Governmental Authority (i) disaffirms, disclaims, repudiates or rejects, in whole, or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement or (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether *de facto* or *de jure*, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and
- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date;

“Repudiation/Moratorium Evaluation Date” means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)): (a) if the Obligations to which such Potential Repudiation/ Moratorium relates include Bonds, the date that is the later of (i) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (ii) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, if the expiration date of any applicable Grace Period in respect of such payment date) and (b) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium, provided that, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Scheduled Observation End Date unless the Repudiation/Moratorium Extension Condition is satisfied;

The “Repudiation/Moratorium Extension Condition” is satisfied if:

- (a) the Calculation Agent determines that ISDA has publicly announced pursuant to a valid request that was made, in accordance with the Rules, and effectively received on or prior to the date that is 14 calendar days after the Scheduled Observation End Date that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity and that such event occurred on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and such Resolution constitutes an Applicable Resolution; or
- (b) otherwise by the delivery by the Calculation Agent to the Issuer of a Repudiation/Moratorium Extension Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, a Notice of Publicly Available Information that are each effective on or prior to the date that is 14 calendar days after the Scheduled Observation End Date.

In all cases, the Calculation Agent may determine that the Repudiation/Moratorium Extension Condition has not been satisfied, or is not capable of being satisfied, if, or to the extent that, ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or

prior to the date that is 14 calendar days after the Scheduled Observation End Date, that the relevant Credit Derivatives Determinations Committee has Resolved that either (a) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the relevant Reference Entity or (b) an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity but that such event occurred after the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), in each case provided that the Calculation Agent determines such Resolution is an Applicable Resolution;

“Repudiation/Moratorium Extension Notice” means an irrevocable notice (which may be in writing (including by facsimile and/or email) and/or by telephone) from the Issuer to the Calculation Agent in accordance with these Credit Linked Conditions that describes a Potential Repudiation/Moratorium that occurred on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)). A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not to be continuing on the date the Repudiation/Moratorium Extension Notice is delivered. A copy of each Repudiation/Moratorium Extension Notice shall be given to Noteholders in accordance with Condition 21 of the General Conditions;

“Resolve”, “Resolved”, “Resolves” and “Resolving” mean, with respect to a Credit Derivatives Determinations Committee, the making of a specific determination in accordance with the relevant Rules (and each such determination, a “DC Resolution”);

“Restructured Bond or Loan” means an Obligation that is a Bond or Loan and in respect of which the relevant Restructuring has occurred;

“Restructuring” means:

- (a) with respect to one or more Obligations, and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs, is agreed between the Reference Entity or a Governmental Authority and the holder or holders of such Obligation or is announced (or otherwise decreed) by the Reference Entity or a Governmental Authority in a form that is binding upon a Reference Entity, and such event is not provided for under the terms of such Obligation in effect as of the later of (i) the relevant Credit Event Backstop Date and (ii) the date as of which such obligation is issued or incurred:
 - (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
 - (ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
 - (iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
 - (iv) a change in the ranking in priority of payment of any Obligation, causing the subordination of such Obligation; or
 - (v) any change in the currency or composition of any payment of interest or principal that is not a Permitted Currency.

- (b) Notwithstanding the provisions of sub-paragraph (a) above, none of the following shall constitute a Restructuring:
- (i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
 - (ii) the occurrence of, agreement to or announcement of any of the events described in sub-paragraphs (a)(i) to (v) above, due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
 - (iii) the occurrence of, agreement to or announcement of any of the events described in sub-paragraphs (a)(i) to (v) above, in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.
- (c) For the purposes of sub-paragraphs (a) and (b) above, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in sub-paragraph (a) above shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in sub-paragraph (b) above shall continue to refer to the Reference Entity.
- (d) Unless Multiple Holder Obligation is specified as not applicable in the applicable Final Terms, then, notwithstanding anything to the contrary in sub-paragraph (a), (b) or (c) above, the occurrence of, agreement to or announcement of any of the events described in sub-paragraphs (a)(i) to (v) above shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation;

“Restructuring Credit Event” has the meaning given to such term in Condition 10(a) of these Credit Linked Conditions;

“Restructuring Date” means the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring;

“Restructuring Maturity Limitation Date” means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Observation End Date, provided that, in circumstances where the Scheduled Observation End Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity date of any Restructured Bond or Loan occurs prior to the 2.5-year Limitation Date (such Restructured Bond or Loan, a “Latest Maturity Restructured Bond or Loan”) and the Scheduled Observation End Date occurs prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan.

In the event that the Scheduled Observation End Date is later than (a)(i) the final maturity date of the Latest Maturity Restructured Bond or Loan, if any, or (ii) the 2.5-year Limitation Date, and, in either case, no Enabling Obligation exists or (b) the 20-year Limitation Date, the Restructuring Maturity Limitation Date will be the Scheduled Observation End Date;

“Rules” means, with respect to a Credit Derivatives Determinations Committee, the Credit Derivatives Determinations Committees Rules as published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof;

“Scheduled Observation End Date” means, the date specified as such in the applicable Final Terms which date shall not be subject to adjustment in accordance with any Business Day Convention unless otherwise specified in the applicable Final Terms;

“Settlement Basis” means Cash Settlement, Physical Settlement and/or Auction Settlement, as specified in the applicable Final Terms or Credit Event Notice;

“Settlement Date” means the Auction Settlement Date, the Cash Settlement Date or the Physical Settlement Date, as applicable;

“Single Name Credit Linked Notes” means any Series of Notes in respect of which the Issuer purchases credit protection from Noteholders in respect of one Reference Entity alone;

“Sovereign” means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) thereof;

“Sovereign Agency” means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign;

“Sovereign Reference Entity” means a Reference Entity determined to be a Sovereign Reference Entity by the Calculation Agent;

“Sovereign Restructured Deliverable Obligation” means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the Deliverable Obligation Category specified in the Final Terms, and, subject as set out in the definition of Deliverable Obligation Category, having each of the Deliverable Obligation Characteristics, if any, specified in the Final Terms, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Deliverable Obligation Category or Deliverable Obligation Characteristics after such Restructuring;

“Specified Currency” means, for the purposes of the definitions of “Obligation Characteristic” and “Deliverable Obligation Characteristic” only, the currency or currencies specified as such in the applicable Final Terms (or, if Specified Currency is selected as an Obligation Characteristic or Deliverable Obligation Characteristic in the applicable Final Terms and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be referred to collectively, if applicable, in the applicable Final Terms as the “Standard Specified Currencies”);

“Standard Partial Cash Settlement Specifications” means, for the purposes of determining the Final Price in relation to the Alternative Cash Settlement Amount pursuant to Condition 3(i)(iii) of these Credit Linked Conditions only, the following terms shall be defined as follows (notwithstanding the definitions of such terms in this Condition 15):

- (a) “Indicative Quotation” means, in accordance with the Quotation Method, each quotation obtained from a Dealer at the Valuation Time for (to the extent reasonably practicable) an amount of the Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation, as the case may be, equal to the Quotation Amount, which reflects such Dealer’s reasonable assessment of the price of such Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation, as the case may be, based on such factors as such Dealer may consider relevant, which may include historical prices and recovery rates;
- (b) “Market Value” means, with respect to an Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation (as applicable) on a Valuation Date: (i) if more than three Full Quotations

are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the same highest and lowest values (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (ii) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (iii) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (iv) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (v) if Indicative Quotations are specified as applying in the applicable Final Terms and exactly three Indicative Quotations are obtained, the Indicative Quotation remaining after disregarding the highest and lowest Indicative Quotations (and, if more than one such Indicative Quotations have the same highest or lowest value, then one of such highest or lowest Indicative Quotations shall be disregarded); (vi) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained), then an amount as determined by the Calculation Agent on the next Business Day on which at least two Full Quotations or a Weighted Average Quotation or, if applicable, three Indicative Quotations are obtained; and (vii) if fewer than two Full Quotations are obtained, no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) on the same Business Day on or prior to the 10th Business Day following the Valuation Date, the Market Value shall be any Full Quotation obtained from a Dealer at the Valuation Time on such 10th Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation (as applicable) obtained from Dealers at the Valuation Time on such 10th Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day;

- (c) “Quotation” means each Full Quotation, the Weighted Average Quotation and, if Indicative Quotations are specified as applying in the applicable Final Terms, each Indicative Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:
- (i) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the 10th Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Dealers, and, if two or more Full Quotations are not available, a Weighted Average Quotation. If two or more such Full Quotations or a Weighted Average Quotation are not available on any such Business Day and Indicative Quotations are specified as applying in the applicable Final Terms, the Calculation Agent shall attempt to obtain three Indicative Quotations from five or more Dealers.
 - (ii) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation (or, if Indicative Quotations are specified as applying in the applicable Final Terms, three Indicative Quotations) on the same Business Day on or prior to the 10th Business Day following the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Dealer at the Valuation Time on such 10th Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation obtained from Dealers at the Valuation Time on such 10th

Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.

- (iii) The Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (iv) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for purposes of determining the Final Price;
- (d) “Quotation Amount” is deemed to be, with respect to each type or issue of Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation (as applicable), an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained), as applicable, of such Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation;
- (e) “Reference Obligation” is deemed to be each Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation (as applicable);
- (f) “Valuation Date” is deemed to be the date that is two Business Days after the Latest Permissible Physical Settlement Date;
- (g) “Valuation Method” is deemed to be the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date, unless fewer than two Full Quotations are obtained (or, if applicable, fewer than three Indicative Quotations are obtained) and no Weighted Average Quotation applies, in which case “Valuation Method” is deemed to be Market Value;
- (h) “Valuation Time” is the time specified as such in the applicable Final Terms, or, if no time is so specified, 11.00 a.m. in the principal trading market for the relevant Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation (as applicable);
- (i) “Weighted Average Quotation” means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the relevant Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation (as applicable) with an Outstanding Principal Balance of as large a size as available but less than the Quotation Amount that in aggregate are approximately equal to the Quotation Amount;

“Subordination” means, with respect to an obligation (the “Subordinated Obligation”) and another obligation of the Reference Entity to which such obligation is being compared (the “Senior Obligation”), a contractual, trust or similar arrangement providing that (a) upon the liquidation, dissolution, reorganisation or winding-up of the Reference Entity claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (b) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. “Subordinated” will be construed accordingly. For the purposes of determining whether Subordination exists

or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;

“Substitute Reference Obligation” means one or more obligations of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if “All Guarantees” is specified as applying in the applicable Final Terms, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations, identified by the Calculation Agent in accordance with the following procedures:

- (a) In the event that (i) a Reference Obligation is redeemed in whole or (ii) in the opinion of the Calculation Agent (A the aggregate amount due under any Reference Obligation has been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments), (B) any Reference Obligation is an underlying Obligation with a Qualifying Guarantee of the Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms, or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity, the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation.
- (b) Any Substitute Reference Obligation shall be an Obligation that (i) ranks *pari passu* in priority of payment with such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the date as of which such Reference Obligation was issued or incurred, and not reflecting any change in ranking in priority of payment after such date), (ii) preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent, of the delivery and payment obligations of the Issuer and (iii) is an obligation of the relevant Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if “All Guarantees” is specified as applying in the applicable Final Terms, as provider of a Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations. The Calculation Agent shall notify the Noteholders of any selection of a Substitute Reference Obligation or Substitute Reference Obligations. Provided that for the purposes of this definition, where the Reference Obligation specified in the applicable Final Terms is a subordinated obligation and such obligation is redeemed in full on or prior to the Trade Date, the ranking in priority of payment of the Reference Obligation for the purposes of this definition shall be that of such Reference Obligation as of the date on which such Reference Obligation was redeemed in full.
- (c) If there is more than one Reference Obligation, any of the events set forth under sub-paragraph (a) above has occurred with respect to one or more but not all of the Reference Obligations, and the Calculation Agent determines in accordance with sub-paragraph (a) above that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If there is more than one Reference Obligation, any of the events set forth under sub-paragraph (a) above has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines in accordance with sub-paragraph (a) above that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.

- (e) If (A) there is more than one Reference Obligation, any of the events set forth in sub-paragraph (a) above has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines in accordance with sub-paragraph (a) above that no Substitute Reference Obligation is available for any of the Reference Obligations or (B) there is only one Reference Obligation, any of the events set forth in sub-paragraph (a) above has occurred with respect to the Reference Obligation and the Calculation Agent determines in accordance with sub-paragraph (a) above that no Substitute Reference Obligation is available for that Reference Obligation, then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the Extension Date. If (A) either (I) Cash Settlement is specified as the Settlement Basis in the applicable Final Terms (or is applicable pursuant to the Fallback Settlement Basis in accordance with Condition 4 of these Credit Linked Conditions) and the Cash Settlement Amount is determined by reference to a Reference Obligation or (II) either Auction Settlement or Physical Settlement is specified as the Settlement Basis in the applicable Final Terms (or, in the case of Physical Settlement, is applicable pursuant to the Fallback Settlement Basis in accordance with Condition 4 of these Credit Linked Conditions) and, in each case, the Reference Obligation is the only Deliverable Obligation and (B) on or prior to the Extension Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), a Substitute Reference Obligation has not been identified, as of the end of the day on the Extension Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), the Issuer shall redeem the Notes on the second Business Day following the Extension Date in accordance with Condition 12(a) of the General Conditions (as modified by these Credit Linked Conditions).
- (f) For the purposes of identification of a Reference Obligation, any change in the Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligations into a different Obligation;

“succeed” means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (a) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (b) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to the definition of “Successor” shall be made, in the case of an exchange offer, on the basis of the outstanding principal balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the outstanding principal balance of Bonds for which Relevant Obligations have been exchanged;

“Succession Event” means (a) with respect to a Reference Entity that is not a Sovereign, an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement or (b) with respect to a Reference Entity that is a Sovereign, an event such as an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other event that results in any direct or indirect successor(s) to such Reference Entity, as determined by the Calculation Agent. Notwithstanding the foregoing, “Succession Event” shall not include an event (i) in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event or (ii) with respect to which the legally effective date (or, in the case of a Reference Entity that is a Sovereign, the date of occurrence) has occurred prior to the applicable Succession Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the

relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time));

“Succession Event Backstop Date” means:

- (a) for the purposes of any event that constitutes a Succession Event for the purposes of certain credit derivative transactions, as determined by DC Resolution, the date that is 90 calendar days prior to the relevant Succession Event Resolution Request Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), provided that the Calculation Agent determines that such DC Resolution constitutes an Applicable Resolution; or
- (b) otherwise, the date that is 105 calendar days prior to the earlier of (i) the date on which the Succession Event Notice is effective and (ii) in circumstances where (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of “Succession Event Resolution Request Date” are satisfied in accordance with the Rules, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (C) the Succession Event Notice is delivered by the Calculation Agent to the Issuer not more than 14 calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Succession Event Resolution Request Date, provided that the Calculation Agent determines that such Resolutions constitute Applicable Resolutions.

The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention unless otherwise specified in the applicable Final Terms;

“Succession Event Notice” means an irrevocable notice from the Calculation Agent (which may be in writing (including by facsimile and/or email) and/or by telephone) to the Issuer that describes a Succession Event that occurred on or after the relevant Succession Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)).

A Succession Event Notice must contain a description in reasonable detail of the facts relevant to the determination, pursuant to the definition of Successor, of (a) whether a Succession Event has occurred and (b) if relevant, the identity of any Successor(s);

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

- (a) whether an event that constitutes a Succession Event for the purposes of certain credit derivatives transactions has occurred with respect to the relevant Reference Entity; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, (i) with respect to a Reference Entity that is not a Sovereign, the legally effective date of such event or (ii) with respect to a Reference Entity that is a Sovereign, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective, provided that the Calculation Agent determines that such request and the Resolution constitute an Applicable Request and an Applicable Resolution;

“Successor” means:

- (a) in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined by the Calculation Agent as set forth below:
- (i) if one entity directly or indirectly succeeds to 75 per cent. or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor for (A) the entire Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event or (B) if the Notes are Linear Basket Credit Linked Notes, the entire Related Nominal Amount of that original Reference Entity outstanding as at the date of the Succession Event;
 - (ii) if only one entity directly or indirectly succeeds to more than 25 per cent. (but less than 75 per cent.) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25 per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than 25 per cent. of the Relevant Obligations will be the sole Successor for the (A) the entire Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event or (B) if the Notes are Linear Basket Credit Linked Notes, the entire Related Nominal Amount of the original Reference Entity outstanding as at the date of the Succession Event;
 - (iii) if more than one entity each directly or indirectly succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25 per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than 25 per cent. of the Relevant Obligations will each be a Successor in respect of a portion of the Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event or, if the Notes are Linear Basket Credit Linked Notes, in respect of a portion of the Related Nominal Amount of the original Reference Entity outstanding as at the date of the Succession Event subject to and in accordance with Condition 9 of these Credit Linked Conditions;
 - (iv) if one or more entities each directly or indirectly succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than 25 per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor in respect of a portion of the Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event or, if the Notes are Linear Basket Credit Linked Notes, in respect of a portion of the Related Nominal Amount of the original Reference Entity outstanding as at the date of the Succession Event subject to and in accordance with Condition 9 of these Credit Linked Conditions;
 - (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity for the purposes of the Notes will not be changed in any way as a result of the Succession Event; and
 - (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor; and

- (b) with respect to a Sovereign Reference Entity, each entity as determined by the Calculation Agent which becomes a direct or indirect successor to such Reference Entity by way of a Succession Event, irrespective of whether any such successor assumes any of the obligations of such Reference Entity;

“Supranational Organisation” means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development;

“Suspension Event” means the Calculation Agent determines that a public announcement has been made by ISDA that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules and such announcement relates to a Reference Entity and Credit Event under the Notes;

“Suspension Event Cessation Date” means, with respect to a Suspension Event, the date on which the Calculation Agent determines that ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved (a) the matters described in the definition of Suspension Event or (b) not to determine such matters;

“Trade Date” means the date specified as such in the applicable Final Terms;

“Transferable” means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction provided that none of the following shall be considered contractual, statutory or regulatory restrictions:

- (a) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
- (b) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;

“Undeliverable Loan Obligations”, “Undeliverable Obligations” and “Undeliverable Participations” shall each have the meaning specified in Condition 3(i)(ii) of these Credit Linked Conditions;

“Underlying Obligation” has the meaning set out in the definition of “Qualifying Guarantee”;

“Underlying Obligor” has the meaning set out in the definition of “Qualifying Guarantee”;

“Valuation Date” means:

- (a) if “Single Valuation Date” is specified in the applicable Final Terms, subject to Condition 5 of these Credit Linked Conditions, the date that is the number of Business Days specified in the Final Terms (or, if the number of Business Days is not so specified, five Business Days) following the satisfaction of all Conditions to Settlement (or, if “Cash Settlement” is applicable pursuant to the Fallback Settlement Basis in accordance with Condition 4 of these Credit Linked Conditions, the date that is the number of Business Days specified in the applicable Final Terms (or, if the number of Business Days is not so specified, five Business Days) following the relevant Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable); and
- (b) if “Multiple Valuation Dates” is specified in the applicable Final Terms, subject to Condition 5 of these Credit Linked Conditions, each of the following dates:

- (i) the date that is the number of Business Days specified in the Final Terms (or, if the number of Business Days is not so specified, five Business Days) following the satisfaction of all Conditions to Settlement (or, if “Cash Settlement” is applicable pursuant to the Fallback Settlement Basis in accordance with Condition 4 of these Credit Linked Conditions, the date that is the number of Business Days specified in the applicable Final Terms (or, if the number of Business Days is not so specified, five Business Days) following the relevant Auction Cancellation Date, if any, or No Auction Announcement Date, if any, as applicable); and
- (ii) each successive date that is the number of Business Days specified in the Final Terms (or, if the number of Business Days is not so specified, five Business Days) after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When “Multiple Valuation Dates” is specified in the applicable Final Terms, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the Final Terms (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

If neither “Single Valuation Date” nor “Multiple Valuation Dates” is specified in the applicable Final Terms, Single Valuation Date shall apply;

“Valuation Method” means Market, Highest, Average Market, Average Highest, Blended Market, Blended Highest, Average Blended Market or Average Blended Highest, as specified in the applicable Final Terms or, if not specified, as otherwise determined in accordance with Condition 2(c) of these Credit Linked Conditions;

“Valuation Obligation” means one or more obligations, as selected by the Issuer in its sole and absolute discretion, provided such obligation(s) are either a Reference Obligation and/or would constitute a Deliverable Obligation as at the Valuation Date;

“Valuation Time” means such time as is specified in the applicable Final Terms or, if no time is specified, 11:00 a.m. in the principal trading market for the relevant Valuation Obligation;

“Voting Shares” shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity; and

“Weighted Average Quotation” means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Valuation Obligation(s) with an aggregate outstanding principal balance of as large a size as available but less than the Quotation Amount (but of a size equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount) that in the aggregate are approximately equal to the Quotation Amount.

TERMS AND CONDITIONS OF THE TIER 1 NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Tier 1 Note in definitive form issued under the Programme. The terms and conditions applicable to any Tier 1 Note in global form will differ from those terms and conditions which would apply to the Tier 1 Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.

1 Introduction

(a) Programme

Nedbank Limited (the “Issuer”) has established a Euro Medium Term Note Programme (the “Programme”) for the issuance of up to U.S.\$2,000,000,000 in aggregate principal amount of notes (the “Notes”).

(b) Final Terms

Notes issued under the Programme are issued in series (each a “Series”) and each Series may comprise one or more tranches (each a “Tranche”) of Notes. Each Tranche is the subject of a written final terms (the “Final Terms”) which supplements these terms and conditions (the “Conditions”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) Deed of Covenant

The Notes are constituted by a deed of covenant dated 12 December 2008 (the “Deed of Covenant”) entered into by the Issuer.

(d) Agency Agreement

The Notes are the subject of an agency agreement dated 24 May 2010 (the “Agency Agreement”) between the Issuer, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the “Registrar”, which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon as fiscal agent (the “Fiscal Agent”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the “Paying Agents”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the “Agents” are to the Registrar, the Fiscal Agent and the Paying Agents and any reference to an “Agent” is to any one of them.

(e) The Notes

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

(f) Summaries

Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The Noteholders (as defined below) are bound

by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Covenant and any ISIS Calculation Agency Agreement (if entered into) applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available and any applicable ISIS Calculation Agency Agreement will be available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2 Interpretation

(a) Definitions

In these Conditions the following expressions have the following meanings:

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

“Additional Conditions” means, in relation to any issue of Notes, the proceeds of which are intended by the Issuer to qualify as Primary Share Capital, such conditions, in addition to the conditions specified in the applicable Capital Regulations, as may be prescribed by the Registrar of Banks for the proceeds of the issue of such Notes to qualify as Primary Share Capital, pursuant to the approval granted by the Registrar of Banks for the issue of such Notes, as specified in the Final Terms;

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

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

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

“Banks Act” means the South African Banks Act, 1990;

“Business Day” means:

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

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

- (i) “Following Business Day Convention” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “Modified Following Business Day Convention” or “Modified Business Day Convention” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “Preceding Business Day Convention” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

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

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

“Calculation Amount” has the meaning given in the relevant Final Terms;

“Capital Regulations” means, at any time, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in South Africa in relation to banks registered under the Banks Act and licensed to conduct the business of a bank in South Africa (including the Additional Conditions (if any)) (or if the Issuer becomes domiciled in a jurisdiction other than South Africa, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in such other jurisdiction in relation to banks registered in, and licensed to conduct the business of a bank in, such other jurisdiction);

“Controlling Company” means Nedbank Group Limited and/or any other company which is a “controlling company” in relation to the Issuer as contemplated by the Banks Act;

“Dated Secondary Capital” means the proceeds of the issue of debt instruments contemplated in section 1(1) of the Banks Act that are term debt instruments which proceeds are intended, upon issue of such term debt instruments, to qualify as Secondary Capital in accordance with the Dated Tier 2 Capital Regulations;

“Dated Tier 2 Capital Regulations” means Regulation 38(14)(b) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which Dated Tier 2 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Secondary Capital;

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

- (i) if “Actual/Actual (ICMA)” is so specified, means:
- (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) where the Calculation Period is longer than one Regular Period, the sum of:
 - (x) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (y) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if “Actual/Actual” or “Actual/Actual (ISDA)” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “Actual/365 (Fixed)” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “Actual/360” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is so specified, means the number of days in the Calculation period divided by 360 calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

“Deposit” means a “deposit” as defined in the Banks Act;

“Depositor” means any Person having a claim against the Issuer in respect of a Deposit;

“Dispute” has the meaning given to it in Condition 24(b) (English Courts);

“Early Redemption Amount (Regulatory)” means the Make Whole Redemption Price;

“Early Redemption Amount (Tax)” means, in respect of any Note, in relation to an Early Redemption Amount (Tax) to be paid as a result of an event as described in paragraph (a) of the definition of “Tax Event”, its principal amount plus accrued interest (if any) to the date fixed for redemption and, as a result of any event described in paragraph (b) of the definition of “Tax Event”, the Make Whole Redemption Price;

“Early Termination Amount” means, in respect of any Note, its principal amount or such other amount as may be specified in or determined in accordance with, these Conditions or the relevant Final Terms;

“Eligible Capital” means Notes that are treated on issue by the Registrar of Banks for inclusion in the Primary Share Capital, Undated Secondary Capital, Dated Secondary Capital or Tertiary Capital, as the case may be, of the Issuer or the Controlling Company on a solo and/or consolidated basis, in accordance with the Capital Regulations;

“Extraordinary Resolution” has the meaning given in the Agency Agreement;

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

“First Optional Redemption Date” has the meaning given in the relevant Final Terms;

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

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

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

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

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

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

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

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

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

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

“ISDA Rate” has the meaning given to it in Condition 8(d) (ISDA Determination);

“ISIS” means the mechanism set out in Condition 10 (Interest Satisfied via Issue of Shares Mechanism);

“ISIS Amount” means the whole or any part of any Interest Amount the payment of which the Issuer has elected to settle using the ISIS in accordance with Condition 10 (Interest Satisfied via Issue of Shares Mechanism);

“ISIS Business Day” means a day on which commercial banks and foreign exchange markets settle payments generally in London and Johannesburg;

“ISIS Calculation Agency Agreement” means any agreement entered into or to be entered into between the Issuer and the ISIS Calculation Agent in respect of the appointment of the ISIS Calculation Agent to perform the functions expressed to be performed by the ISIS Calculation Agent under these Conditions;

“ISIS Calculation Agent” means the Independent Investment Bank appointed on the terms of an ISIS Calculation Agency Agreement, selected by the Issuer, but acting for and on behalf of the Noteholders, for the purposes of performing the functions expressed to be performed by it under these Conditions;

“Issue Date” has the meaning given in the relevant Final Terms;

“JSE” means the securities exchange operated in South Africa by JSE Limited in accordance with the South African Securities Services Act, 2004;

“Junior Securities” means:

- (i) the Ordinary Shares or the ordinary shares in the issued share capital of the Controlling Company; or
- (ii) any other securities issued by the Issuer or any other member of the Nedbank Group which rank or are expressed to rank junior to the Notes; or
- (iii) any securities issued by a member of the Nedbank Group, where the terms of the securities benefit from a guarantee or support agreement entered into by the Issuer or any other member of the Nedbank Group which ranks or is expressed to rank junior to the Notes;

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

“Make Whole Redemption Price” has the meaning given thereto in the relevant Final Terms;

“Mandatory Preference Shares” means any class of preference shares (i) the terms of which do not allow the relevant issuer’s board of directors to cancel, defer, pass or eliminate any distribution or dividend payment at its discretion and (ii) which are not treated on issue by the Registrar of Banks for inclusion in the Eligible Capital of the relevant issuer;

“Margin” has the meaning given in the relevant Final Terms;

“Market Disruption Event” means the occurrence or existence of any of the following events or sets of circumstances:

- (i) the trading in the Controlling Company’s ordinary shares or securities generally on any internationally recognised exchange on which the securities issued by the Issuer or any member of the Nedbank Group are traded has been suspended or the settlement of such trading generally shall have been materially disrupted;
- (ii) a general moratorium shall have been declared on commercial banking activities or securities settlement systems in South Africa, the United States or the United Kingdom; or
- (iii) there shall have occurred an outbreak or escalation of hostilities, any terrorist attacks or calamity or crisis, or any change or development involving or likely to involve a prospective change in national or international financial, political or economic conditions in any country,

which in any such case prevents, or to a material extent restricts, the ability of the Issuer to utilise the ISIS for the purpose referred to in Condition 10 (Interest satisfied via Issue of Shares Mechanism);

“Maximum Redemption Amount” has the meaning given in the relevant Final Terms;

“Minimum Redemption Amount” has the meaning given in the relevant Final Terms;

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

“Non-Redeemable Non-Cumulative Preference Shares” means non-redeemable non-cumulative preference shares in the issued share capital of the Issuer;

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

“Optional Redemption Amount” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“Ordinary Shares” means ordinary shares in the issued share capital of the Issuer;

“Parity Securities” means:

- (i) any securities issued by the Issuer or any other member of the Nedbank Group the proceeds of which qualify as Primary Share Capital; or
- (ii) any other securities issued by the Issuer or any other member of the Nedbank Group which rank or are expressed to rank equally as to payments with the Notes; or
- (iii) any securities issued by a member of the Nedbank Group where the terms of the securities benefit from a guarantee or support agreement entered into by the Issuer or any other member of the Nedbank Group which ranks or is expressed to rank equally as to payments with the Notes;

“Payment Business Day” means:

- (i) if the Specified Currency is euro, any day which is:

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

“Payment Ordinary Shares” has the meaning given in Condition 10 (Interest Satisfied via Issue of Shares Mechanism);

“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;

“Primary Share Capital” means “primary share capital” as defined in the Banks Act;

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

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

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

“Qualifying Primary Share Capital Securities” means securities whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:

- (i) have terms not materially less favourable to a holder of the 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) include a ranking at least equal to that of the Notes, (2) have the same interest, dividend or distribution rate or rate of return and Interest Payment Dates from time to time applying to the Notes, (3) preserve any existing rights under these Conditions to any accrued

interest which has not been satisfied, (4) have the same redemption dates as the Notes, (5) be issued in an amount at least equal to the total number of Notes multiplied by the Specified Denomination, (6) comply with the then current requirements of the SARB in relation to Primary Share Capital and (7) if not issued by the Issuer, then have the benefit of a guarantee by the Issuer; and

- (ii) are listed on the London Stock Exchange, the Luxembourg Stock Exchange, the JSE or any other internationally recognised exchange;

“Qualifying Secondary Capital Securities” means securities whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:

- (i) have terms not materially less favourable to a holder of the 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 Notes, (2) have the same interest, dividend or distribution rate or rate of return and Interest Payment Dates from time to time applying to the Notes, (3) preserve any existing rights under these Conditions to any accrued interest which has not been satisfied, (4) have the same redemption dates as the Notes, (5) be issued in an amount at least equal to the total number of Notes multiplied by the Specified Denomination, (6) comply with the then current requirements of the SARB in relation to Secondary Capital and (7) if not issued by the Issuer, then have the benefit of a guarantee by the Issuer; and
- (ii) are listed on the London Stock Exchange, the Luxembourg Stock Exchange, the JSE, BESA or any other internationally recognised exchange;

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

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

“Redemption Amount” means, as appropriate, the Early Redemption Amount (Regulatory), the Early Redemption Amount (Tax), the Optional Redemption Amount, the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

“Reference Banks” has the meaning given in the relevant Final Terms or, if none, four major banks selected (after consultation with the Issuer, if reasonably practicable) by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” has the meaning given in the relevant Final Terms;

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

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

“Regular Period” means:

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

“Regulations Relating to Banks” means the Regulations Relating to Banks published under Government Notice R3 in Government Gazette 30629 of 1 January 2008, issued under section 90 of the Banks Act;

“Regulatory Change” means a change in, or amendment to, the Capital Regulations or any change in the application of or official or generally published guidance or interpretation of the Capital Regulations, which change or amendment becomes, or would become, effective on or after the Issue Date;

“Regulatory Event” means an event which is deemed to have occurred if the proceeds of the issue of the Notes would, as a result of a Regulatory Change, no longer be eligible to qualify (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) for inclusion in the Primary Share Capital of the Issuer or the Controlling Company on a solo and/or consolidated basis;

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

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

“Relevant Interest Payment Date” has the meaning given to it in Condition 6(c) (Restrictions following non payment of interest);

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

“Relevant Time” has the meaning given in the relevant Final Terms;

“Reserved Matter” means any proposal to change any date fixed for payment of interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any

such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“SARB” means the South African Reserve Bank;

“Secondary Capital” means “secondary capital” as defined in the Banks Act;

“Senior Creditors” means:

- (i) creditors of the Issuer who are unsubordinated creditors of the Issuer; or
- (ii) creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors, whether subordinated or unsubordinated, of the Issuer other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders;

“Shortfall Interest Amount” has the meaning given to it in Condition 10(a) (Interest Satisfied via Issue of Shares Mechanism);

“Solvency Claims” has the meaning given in Condition 5(d) (Solvency Claims);

“Solvency Condition” has the meaning given in Condition 5(c) (Solvency Condition);

“Solvent Reconstruction” means the event where an order is made or an effective resolution is passed for the winding-up or administration 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 outstanding Notes are assumed by the successor entity to which all, or substantially all, of the property, assets and undertaking of the Issuer are transferred or where an arrangement with similar effect not involving bankruptcy or insolvency is implemented;

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

“Specified Currency” has the meaning given in the relevant Final Terms;

“Specified Denomination(s)” has the meaning given in the relevant Final Terms, save that the minimum denomination of any Note to be admitted to trading on a regulated market within the European Economic Area or offered to the public in circumstances which require the publication of a prospectus under EU Directive 2003/71/EC will be EUR50,000 (or its equivalent in another currency at the Issue Date of such Notes);

“Specified Office” has the meaning given in the Agency Agreement;

“Specified Period” has the meaning given in the relevant Final Terms;

“Subordinated Debt” means, any subordinated debt issued by the Issuer, the proceeds of which subordinated debt qualify as Secondary Capital or Tertiary Capital of the Issuer;

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

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

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

“Tax Event” means an event where, (a) as a result of a Tax Law Change, (i) the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 14 (Taxation); or (ii) in respect of the Issuer’s obligation to make any payment of interest 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, or (b) other than as a result of a Tax Law Change, the Issuer’s treatment of the interest payable by it on the 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, and in each case the Issuer cannot avoid the foregoing in connection with the Notes 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 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;

“Tertiary Capital” means “tertiary capital” as defined in the Banks Act;

“Ultimate Owner” means, at any given time, the ultimate holding company of the Nedbank Group at that time;

“Undated Secondary Capital” means the proceeds of the issue of hybrid-debt instruments that combine features of equity instruments and debt instruments contemplated in section 1(1) of the Banks Act which proceeds are intended, upon issue of such hybrid-debt instruments, to qualify as Secondary Capital in accordance with the Undated Tier 2 Capital Regulations; and

“Undated Tier 2 Capital Regulations” means Regulation 38(14)(a) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which Undated Tier 2 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Secondary Capital.

(b) Interpretation

In these Conditions:

- (i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 14 (Taxation), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include payment of any Interest Amount, any additional amounts in respect of interest which may be payable under Condition 14 (Taxation) and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement;
- (iv) if an expression is stated in Condition 2(a) (Definitions) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and

- (v) any reference to the Agency Agreement or the Deed of Covenant shall be construed as a reference to the Agency Agreement or the Deed of Covenant, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3 Form, Denomination and Title

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

4 Register, Title and Transfers

(a) Register

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

(b) Transfers

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

(c) Registration and delivery of Note Certificates

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

(d) No charge

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

(e) Closed periods

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

(f) Regulations concerning transfers and registration

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

5 Status

(a) Status of the Notes

The Notes constitute direct, unsecured and, in accordance with Condition 5(b) (Subordination), subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. The Notes rank *pari passu* with all subordinated debt issued by the Issuer the proceeds of which qualify as Primary Share Capital and all Non-Redeemable Non-Cumulative Preference Shares issued by the Issuer the proceeds of which qualify as Primary Share Capital in accordance with the Capital Regulations and senior in respect of the rights and claims of the holders of Ordinary Shares.

(b) Subordination

The claims of the Noteholders entitled to be paid amounts due in respect of the Notes (including amounts raised by way of the issuance of Ordinary Shares in accordance with Condition 10 (Interest Satisfied via Issue of Shares Mechanism)) are subordinated to the claims of Depositors, Senior Creditors and the holders of Subordinated Debt and, accordingly in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, administration or wound-up:

- (i) no Noteholder shall be entitled to prove or tender to prove a claim in respect of the Notes;
- (ii) no amount due under the Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which a Noteholder might otherwise have under the laws of any jurisdiction in respect of the Notes nor shall any amount due under the Notes be payable to any Noteholder; and
- (iii) subject to applicable law, a 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 Notes owed to it by the Issuer and each Noteholder shall, by virtue of its subscription, purchase or holding of any 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 Notes owed by the Issuer to a Noteholder; and (bb) any amount owed to the Issuer by such Noteholder, such Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its winding-up or administration (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to hold in trust for the Depositors, the 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 dissolution, insolvency, administration or winding-up have been paid or discharged in full.

(c) Solvency Condition

Payments in respect of the principal of and interest on the Notes (including payment of additional amounts pursuant to Condition 14(a) (Gross up)) are, in addition to the right of the Issuer to elect not to pay interest in accordance with Condition 6 (Interest payments on the Notes), conditional upon the Issuer being solvent at the time of payment by the Issuer, and, no principal of or interest on the Notes (including amounts raised by way of the issuance of Ordinary Shares in accordance with Condition 10 (Interest Satisfied via Issue of Shares Mechanism)) shall be due and payable in respect of the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 5, the Issuer shall be solvent if (1) it is able to pay its debts owed to Depositors, Senior Creditors and the holders of Subordinated Debt as they fall due and (2) its Assets exceed its Liabilities to Depositors, Senior Creditors and the holders of Subordinated Debt (the “Solvency Condition”). A report as to the solvency of the Issuer made by two directors of the Issuer or, if the Issuer is in winding-up, its liquidator or, if in administration, its administrator shall, in the absence of manifest error, be treated and accepted by the Issuer and the Noteholders as correct and sufficient evidence of such solvency.

(d) Solvency Claims

Amounts representing any payments of principal in respect of which the Solvency Condition is not satisfied on the date upon which the same would otherwise be due and payable (“Solvency Claims”) will be payable by the Issuer (i) in a winding-up or administration of the Issuer and (ii) subject to satisfying the Solvency Condition, on any redemption pursuant to Condition 11 (Reorganisation), Condition 12(b) (Redemption for tax reasons), Condition 12(c) (Redemption for regulatory reasons), Condition 12(d) (Redemption at the option of the Issuer) provided that in the event that, prior to any winding-up or administration of the Issuer, the Issuer shall again be solvent and would be solvent immediately after the making of such payment of Solvency Claims, then the Issuer shall promptly notify the Noteholders in accordance with Condition 21 (Notices), the Registrar and the Fiscal Agent of such fact and the Solvency Claims shall, subject to satisfying the Solvency Condition, be due and payable on the 16th Business Day after the Issuer shall have given such notice. A Solvency Claim shall not bear interest unless and only so long as the Issuer shall be solvent once again, in which case interest shall accrue on any such Solvency Claim from (and including) the date on which the Issuer is so solvent again to (but excluding) the date on which such Solvency Claim is paid. Any such interest shall accrue at a rate equal to the then applicable Rate of Interest determined in accordance with Condition 7 (Fixed Rate Note Provisions) or Condition 8 (Floating Rate Note Provisions). In the event that the Issuer shall be so solvent once again, the Issuer may not declare or pay a dividend (in accordance with Condition 6(c) (Restrictions following non payment of interest)) from the date that the Issuer is so solvent again until the date on which the Solvency Claim and any relevant interest on the Solvency Claim is paid. For the avoidance of doubt, if the Issuer would otherwise not be solvent for the purposes of the above, any sums which would otherwise be payable in respect of the Notes will be available to be put towards the losses of the Issuer.

(e) Capital Regulations and Additional Conditions

In order for the proceeds of the issuance of the Notes to qualify as Primary Share Capital, the Notes must comply with the applicable Capital Regulations, including the Additional Conditions (if any) prescribed by the Registrar of Banks in respect of a particular Tranche of Notes. The Additional

Conditions (if any) prescribed by the Registrar of Banks in respect of the Notes will be specified in the applicable Final Terms or a supplement to the Prospectus.

6 Interest payments on the Notes

(a) Non payment of interest

Interest payments on the Notes will not be cumulative. The Issuer shall be obliged to pay interest on each Interest Payment Date unless:

- (i) subject to Condition 6(b) (Compulsory payment of interest) below, it elects not to pay the relevant Interest Amount on such Interest Payment Date and it promptly notifies the Noteholders on or prior to such Interest Payment Date of such election in accordance with Condition 21 (Notices);
- (ii) it is in breach of either of the Capital Regulations or the Solvency Condition on the Business Day prior to such Interest Payment Date or would be in breach of the Capital Regulations or the Solvency Condition if the relevant Interest Amount were paid on such Interest Payment Date; or
- (iii) at any time the Registrar of Banks imposes a mandatory prohibition on the payment by the Issuer of such Interest Amount.

If the Issuer is not obliged to pay the relevant Interest Amount in respect of an Interest Period in accordance with this Condition 6(a) then any such failure to pay such Interest Amount shall not constitute a default by the Issuer or any other breach of obligations under the Notes or for any other purpose and a Noteholder will have no claim in respect of any such non-payment.

(b) Compulsory payment of interest

On any Interest Payment Date on which (i) a Regulatory Event has occurred and is continuing (provided that a certificate signed by two authorised officers of the Issuer or a written confirmation from the Registrar of Banks stating that a Regulatory Event has not occurred and is not continuing as at such Interest Payment Date shall be sufficient evidence for the purposes of this Condition 6(b) that a Regulatory Event has not occurred and is not continuing as at such Interest Payment Date and no Noteholders shall be entitled to dispute the contents of such certificate or confirmation, as the case may be), (ii) the Issuer is in compliance with the Capital Regulations and the Solvency Condition and (iii) the Registrar of Banks has not imposed a mandatory prohibition on the payment of interest, the Issuer shall, subject to the Issuer's right to redeem the Notes pursuant to Condition 12(c) (Redemption for regulatory reasons), not be permitted to exercise its right under Condition 6(a)(i) (Non payment of interest) to elect not to pay any Interest Amount on an Interest Payment Date and shall be obliged to pay in respect of each Note the Interest Amount payable on such Interest Payment Date.

(c) Restrictions following non payment of interest

If, on any Interest Payment Date (the "Relevant Interest Payment Date"), the Interest Amount in respect of the Notes shall not have been paid in full pursuant to Condition 6(a) (Non payment of interest), then from such Relevant Interest Payment Date until the date on which the Issuer next pays in full the Interest Amount due and payable on any succeeding Interest Payment Date on all outstanding Notes, neither the Issuer nor the Controlling Company shall (and the Controlling Company shall procure that no member of the Nedbank Group shall): (a) declare or pay a distribution or dividend or pay any interest on Junior Securities or Parity Securities (other than (i) Mandatory Preference Shares or (ii) any dividend which has been declared on any Junior Securities or Parity Securities before the

date of the Notice to Noteholders referred to in Condition 6(a) (Non payment of interest) or (iii) intra-group dividends (other than intra-group dividends in respect of (a) Non-Redeemable Non-Cumulative Preference Shares the proceeds of which qualify as Primary Share Capital and (b) Ordinary Shares the proceeds of which qualify as Primary Share Capital) between wholly-owned Nedbank Group Subsidiaries and to Nedbank Group holding companies, which can be paid at any time); or (b) redeem, purchase, reduce or otherwise acquire any Junior Securities or Parity Securities or any securities of any of its Subsidiary undertakings benefiting from a guarantee from any member of the Nedbank Group ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, *pari passu* with or junior to the Notes.

As of the date hereof, the obligations of the Controlling Company under this Condition 6 as applicable are enforceable by Noteholders pursuant to the Dividend Restriction Deed of Covenant dated 12 December 2008 entered into by the Issuer and the Controlling Company.

7 Fixed Rate Note Provisions

(a) Application

This Condition 7 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Accrual of interest

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 5 (Status), 6 (Interest payments on the Notes) and 13 (Payments). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) Fixed Coupon Amount

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

(d) Calculation of interest amount

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

8 Floating Rate Note Provisions

(a) Application

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

(b) Accrual of interest

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 5 (Status), 6 (Interest payments on the Notes) and 13 (Payments). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) Screen Rate Determination

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

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) ISDA Determination

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

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

(e) Maximum or Minimum Rate of Interest

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

(f) Calculation of Interest Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) Calculation of other amounts

If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(h) Publication

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

(i) Notifications etc.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9 Dual Currency Note Provisions

(a) Application

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

(b) Rate of Interest

If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10 Interest Satisfied via Issue of Shares Mechanism

(a) Interest Satisfied via Issue of Shares Mechanism (ISIS)

The Issuer may elect (an “ISIS Election”) to satisfy the payment of any Interest Amount in full or in part through the operation of the ISIS in accordance with this Condition 10. In the absence of, or save to the extent of, an ISIS Election, payments must, subject to Conditions 6(a)(ii) and (iii) (Non payment of interest) be satisfied in accordance with Condition 13 (Payments).

Each ISIS Amount when due to be satisfied in accordance with these Conditions, will be satisfied by the Issuer only through the issue of Ordinary Shares in accordance with this Condition 10. The Issuer shall appoint an ISIS Calculation Agent (if it has not already done so) and notify the Noteholders, the Controlling Company, the Registrar, the Fiscal Agent and the ISIS Calculation Agent not less than 30 days prior to the relevant Interest Payment Date that it shall endeavour to satisfy an Interest Amount through the ISIS.

The payment of any relevant ISIS Amount will only be made by operation of the ISIS to the extent the proceeds raised in connection with the issue of the Payment Ordinary Shares (as defined below) are received no more than six months before the relevant Interest Payment Date.

(b) Issue of Ordinary Shares

If the payment of any ISIS Amount is to be satisfied through the issue of Ordinary Shares in accordance with the provisions of this Condition 10 then:

- (i) the ISIS Calculation Agent will determine the number of Ordinary Shares (the “Payment Ordinary Shares”) that will have a market value as near as practicable to, but not less than, the relevant ISIS Amount to be satisfied in accordance with this Condition 10;
- (ii) the ISIS Calculation Agent shall be required to agree in the ISIS Calculation Agency Agreement to use reasonable endeavours to procure subscribers for any Payment Ordinary Shares and the ISIS Calculation Agency Agreement shall also provide that the Controlling Company or its nominee shall have first option to subscribe for such Payment Ordinary Shares and the Issuer shall procure that the ISIS Calculation Agent does use such reasonable endeavours; and
- (iii) by or before the close of business on the seventh ISIS Business Day prior to the relevant Interest Payment Date the Issuer will allot and issue to the subscribers procured by the ISIS Calculation Agent such number of Payment Ordinary Shares for which the ISIS Calculation Agent has procured subscribers for and the ISIS Calculation Agent shall receive the cash proceeds of the subscription for such Payment Ordinary Shares from the relevant subscribers. The ISIS Calculation Agent shall further be required to agree in the ISIS Calculation Agency Agreement to convert the proceeds of such sale, allotment and issue into the Specified Currency, if necessary, at prevailing market exchange rates and to pay such proceeds as it holds in respect of the relevant ISIS Amount on its due date to the Fiscal Agent for the purpose of paying such proceeds to the Noteholders.
- (iv) If the Issuer is unable to raise the necessary amounts through the operation of the ISIS to satisfy the payment in full of the relevant ISIS Amount on the relevant Interest Payment Date for any reason (including, but not limited to, the occurrence of a Market Disruption Event) then the Issuer shall make payment to the Noteholders on a *pro rata* basis of the amount as is raised through operation of the ISIS on the relevant Interest Payment Date.

In respect of any Interest Amount due on the relevant Interest Payment Date which cannot be satisfied by payment of the ISIS Amount (the “Shortfall Interest Amount”) then, provided that the Issuer is not required to pay such Shortfall Interest Amount in accordance with Condition 6(b) (Compulsory payment of interest), the Issuer may elect not to pay such Shortfall Interest Amount in accordance with Condition 6(a)(i) (Non payment of interest).

The Issuer shall promptly notify the Noteholders in accordance with Condition 21 (Notices) (which notice shall be irrevocable) that the Issuer is not obliged to pay such Shortfall Interest Amount. Any such failure to pay such Shortfall Interest Amount shall not constitute a default of the Issuer or any other breach of obligations under the Notes or for any other purpose and a Noteholder will have no claim in respect of any such non-payment.

11 Reorganisation

If, following any take-over offer or any reorganisation, restructuring or scheme of arrangement, the Controlling Company ceases to be the Ultimate Owner or ceases to hold directly or indirectly a majority

position in the share capital of the Issuer, then the Issuer shall be under no obligation, but shall use reasonable commercial endeavours to take such steps to replicate the ISIS in the context of the capital structure of the new Ultimate Owner. If such replicated ISIS cannot, in the opinion of the Issuer, be effected 30 days prior to a particular Interest Payment Date then the Issuer shall no longer be able to elect pursuant to Condition 10 (Interest Satisfied via Issue of Shares Mechanism) to satisfy the payment of such Interest Amount in full or in part through the operation of the ISIS.

12 Redemption and Purchase

(a) No maturity date

The Notes have no maturity date and (in each case without prejudice to the provisions of Condition 15 (Events of Default)):

- (i) are only redeemable, and shall be redeemed at their Early Termination Amount together with accrued interest, on a winding-up or administration (other than pursuant to a Solvent Reconstruction) of the Issuer subject to and in accordance with the provisions of Condition 5(b) (Subordination); or
- (ii) may only be redeemed, substituted, varied, purchased (subject to the provisions of Condition 5(c) (Solvency Condition)) in accordance with the following provisions of this Condition 12.

(b) Redemption for tax reasons

The Notes may, subject to the Solvency Condition and to Condition 12(e) (Conditions to Redemption), be redeemed at the option of the Issuer in whole, but not in part, if a Tax Event occurs and is continuing:

- (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and are applicable at the time of redemption), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 21 (Notices) and to the Registrar and Fiscal Agent, at their Early Redemption Amount (Tax) together with interest accrued (if any) to the date fixed for redemption,

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

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or prior to the date of making a payment in respect of which it would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts or prior to the date of making a payment in respect of which it would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised officers of the Issuer stating that the

Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent advisers of recognised standing to the effect that a Tax Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 12(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 12(b).

(c) Redemption for regulatory reasons

The Notes may, subject to the Solvency Condition and to the requirements of Condition 12(e) (Conditions to Redemption), be redeemed at the option of the Issuer in whole, but not in part:

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

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

Prior to the publication of any notice of redemption pursuant to this Condition 12(c), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) unless the Registrar of Banks has confirmed to the Issuer that the proceeds of the issue of the relevant Notes are not eligible to qualify as the Primary Share Capital of the Issuer on a solo and/or a consolidated basis, an opinion of independent advisers of recognised standing to the effect that a Regulatory Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 12(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 12(c).

(d) Redemption at the option of the Issuer

The Notes may, subject to the Solvency Condition and the requirements of Condition 12(e) (Conditions to Redemption), be redeemed at the option of the Issuer in whole, but not in part, on the First Optional Redemption Date and on any Interest Payment Date thereafter at the Optional Redemption Amount plus accrued interest (if any) to such date upon the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes).

(e) Conditions to Redemption and Purchase

Notes may be redeemed, or purchased and cancelled by the Issuer pursuant to Condition 12(b) (Redemption for tax reasons), Condition 12(c) (Redemption for regulatory reasons), or Condition 12(d) (Redemption at the option of the Issuer) or Condition 12(i) (Purchase) provided that:

- (i) Notes may only be redeemed pursuant to Condition 12(d) (Redemption at the option of the Issuer) after a minimum initial period of issue of five years; provided that in any case unless the Registrar of Banks determines that the Issuer is duly capitalised the Issuer may not redeem such Notes unless such Notes are replaced by the Issuer with instruments of similar or better quality;
- (ii) the Issuer has notified the Registrar of Banks of its intention to redeem, or purchase and cancel the Notes at least one month (or such other period, longer or shorter, as the Registrar of Banks

may then require or accept) prior to the date scheduled for redemption or purchase and cancellation and written approval has been received from the Registrar of Banks;

- (iii) such redemption or purchase is effected in accordance with conditions (if any) approved by the Registrar of Banks in writing; and
- (iv) both at the time when the notice of redemption is given and immediately following such redemption 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 Registrar of Banks no longer so requires) as confirmed by an Independent Investment Bank or the Registrar of Banks to be appropriate.

(f) Substitution or Variation instead of Redemption

If a Tax Event or Regulatory Event has occurred and is continuing, then the Issuer may instead of giving notice to redeem, subject to the Solvency Condition and Condition 12(g) (Conditions to Substitution or Variation) (but without any requirement for the consent or approval of the Noteholders) and having given not less than 60 nor more than 90 days' notice to the Fiscal Agent, the ISIS Calculation Agent (if any) and, in accordance with Condition 21 (Notices), the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain, Qualifying Primary Share Capital Securities or become Qualifying Secondary Capital Securities, and subject to the following provisions of this Condition 12(f) and subject to the issue of the certificate of the two directors referred to in the definition of Qualifying Primary Share Capital Securities or (as the case may be) Qualifying Secondary Capital Securities and subject further to the receipt by the Issuer of the opinion of the Independent Investment Bank referred to therein or the Registrar of Banks such substitution or variation shall be effected.

Upon expiry of such notice, the Issuer shall vary the terms of or substitute, as the case may be, the Notes in accordance with this Condition 12(f).

In connection with any substitution or variation in accordance with this Condition 12(f), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(g) Conditions to Substitution or Variation

Notes may only be substituted or varied by the Issuer pursuant to Condition 12(f) (Substitution or Variation Instead of Redemption) provided that:

- (i) the Issuer has notified the Registrar of Banks of its intention to substitute or vary the Notes at least one month (or such other period, longer or shorter, as the Registrar of Banks may then require or accept) prior to the date scheduled for substitution or variation and written approval has been received from the Registrar of Banks; and
- (ii) both at the time when the notice of substitution or variation is given and immediately following such substitution or variation, as the case may be, 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 Registrar of Banks no longer so requires) as confirmed by an Independent Investment Bank or the Registrar of Banks to be appropriate.

(h) No other redemption, substitution or variation

The Issuer shall not be entitled to redeem, substitute or vary the terms of the Notes otherwise than as provided in paragraphs (a) to (g) above.

(i) Purchase

Subject to Condition 12(e) (Conditions to Redemption and Purchase) and subject to the Solvency Condition, the Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(j) Cancellation

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

13 Payments

(a) Principal

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

(b) Interest

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

(c) Payments subject to fiscal laws

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

(d) Payments on business days

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

Business Day or (B) a cheque mailed in accordance with this Condition 13(d) arriving after the due date for payment or being lost in the mail.

(e) Partial payments

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

(f) Record date

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

14 Taxation

(a) Gross up

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (i) to a Holder which is liable to such Taxes in respect of such Note by reason of its having some connection with South Africa other than merely by holding such Note or by the receipt of amounts in respect of such Note; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) where presentation and surrender for payment is required pursuant to these Conditions, if presented and surrendered for payment by, or on behalf of, or held by a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note Certificate to another Paying Agent in a Member State of the EU; or
- (iv) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is presented and surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

(b) Taxing jurisdiction

If the Issuer becomes subject at any time to any taxing jurisdiction other than South Africa, references in these Conditions to South Africa shall be construed as references to South Africa and/or such other jurisdiction.

15 Events of Default

Notwithstanding any of the provisions in this Condition 15, the right to institute winding up proceedings is limited to circumstances where payment has become due and payable. No principal, premium, interest or any other amount will be due unless the Solvency Condition is satisfied. Also, in the case of any Interest Amount, payment thereof will not be due if the Issuer has elected not to pay interest or prohibited from paying interest pursuant to Condition 6 (Interest payments on the Notes).

- (a) If default shall be made in the payment of any principal or any interest (or any other amount in respect of the Notes) due on the Notes of the relevant Series for a period of seven days or more after any date on which such payment became due and payable each 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.
- (b) Without prejudice to Condition 15(a) above, if the Issuer breaches any of its obligations under the Notes of the relevant Series (other than any obligation in respect of the payment of principal or interest on such Notes) then each 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 such Series of Notes sooner than the same would otherwise have been payable by it.

16 Prescription

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

17 Replacement of Notes

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

18 Agents and Registrar

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

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the

appointment of any Agent and to appoint a successor registrar, fiscal agent or Calculation Agent and additional or successor paying agents and transfer agents; *provided, however, that*:

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

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

19 Meetings of Noteholders; Modification

(a) Meetings of Noteholders

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

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) Modification

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

manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

20 Further Issues

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

21 Notices

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

22 Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “first currency”) in which the same is payable under these Conditions or such order or judgment into another currency (the “second currency”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

23 Rounding

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

24 Governing Law and Jurisdiction

(a) Governing law

The Notes, all matters arising from or connected with the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law save that the provisions of Conditions 5 (Status), 6(a) (Non payment of interest), 12(a) (No maturity date) and 12(e) (Conditions to Redemption) are governed by, and shall be construed in accordance with, South African law.

(b) English courts

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

(c) Appropriate forum

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

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

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

(e) Process agent

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Clifford Chance Secretaries Limited of 10 Upper Bank Street, London, E14 5JJ, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in registered form. Consequently, in relation to any Tranche of Notes represented by a Global Note Certificate, references in the Terms and Conditions of the Notes to “Noteholders” are references to the registered holder of the relevant Global Note Certificate which, for so long as the Global Note Certificate is registered in the name of a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, or a nominee of DTC will be that depository or common depository or nominee.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system as being entitled to an interest in a Global Note Certificate (each an “Accountholder”) must look solely to Euroclear, Clearstream, Luxembourg, DTC and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment or delivery of any Deliverable Obligation Entitlement (as defined in the Credit Linked Conditions), as the case may be, made by the Issuer to the registered holder of such Global Note Certificate and in relation to all other rights arising under the Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note Certificate will be determined by the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments or deliveries of any Deliverable Obligation Entitlement, as the case may be, due under the Notes and such obligations of the Issuer will be discharged by payment or delivery to the registered holder of the Global Note Certificate.

Exchange of Rule 144A Global Note Certificates for Regulation S Global Note Certificates

Beneficial interests in the Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time.

Beneficial interests in the Rule 144A Global Notes Certificates may only be held through DTC at any time. By acquisition of a beneficial interest in a Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a “qualified institutional buyer” (in reliance on, and as defined by, Rule 144A) and that, if in the future it determines to transfer such beneficial interest in accordance with the procedures and restrictions contained in the Agency Agreement.

Beneficial Interests in the relevant Global Note Certificate will be subject to certain restrictions on transfer set forth in such relevant Global Note Certificates and in the Agency Agreement, and with respect to the Rule 144A Global Note Certificate, as set forth in Rule 144A. The Rule 144A Global Note Certificate will bear the legends regarding such restrictions set forth in “Transfer Restrictions”. Beneficial interests in the Rule 144A Global Note Certificate, may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that the transfer is being made in accordance with Regulations S.

Any beneficial interest in the Rule 144A Global Note Certificate, that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate will, upon transfer, cease to be an interest in the Rule 144A Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of further Notes, but the Registrar may require payment of a sum sufficient to cover any tax of other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in either of the Global Note Certificates will not be entitled to receive physical delivery of Individual Note Certificates.

Exchange of Global Note Certificates for Individual Note Certificates

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure the prompt delivery (free of charge to the registered holder) of such Individual Note Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the Global Note Certificate to the registered holder of the Global Note Certificate against the surrender of the Global Note Certificate to or to the order of the Registrar within 30 days of the registered holder requesting such exchange.

If:

- (a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the registered holder of a Global Note Certificate has duly requested exchange of the Global Note Certificate for Individual Note Certificates; or
- (b) a Global Note Certificate (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the registered holder of the Global Note Certificate in accordance with the terms of the Global Note Certificate on the due date for payment,

then the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the registered holder of the Global Note Certificate will have no further rights thereunder (but without prejudice to the rights which the registered holder of the Global Note Certificate or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system as being entitled to an interest in a Global Note Certificate will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the registered holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system.

Conditions applicable to Global Note Certificates

Each Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note Certificate. The following is a summary of certain of those provisions:

Payments/Deliveries

All payments or deliveries, as the case may be, in respect of the Global Note Certificate will be made against presentation for endorsement of the Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest or delivery of any Deliverable Obligation Entitlement (in the case of certain Credit Linked Notes), as applicable, is made in respect of the Global Note Certificate, the Issuer shall procure that the payment or delivery, as the case may be, is noted in a schedule thereto.

Record Date

Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before

the due date for such payment (the “Record Date”) where “Clearing System Business Day” means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Exercise of put option

In order to exercise the option contained in Condition 12(g) (Redemption at the option of Noteholders) of the Ordinary Conditions the registered holder of the Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note Certificate and put option notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option

In connection with an exercise of the option contained in Condition 12(d) (Redemption at the option of the Issuer) of the Ordinary Conditions or Condition 12(d) (Redemption at the option of the Issuer) of the Tier 1 Conditions in relation to some only of the Notes, the Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg.

Notices

Notwithstanding Condition 21 (Notices) of the Ordinary Conditions or Condition 21 (Notices) of the Tier 1 Conditions, while all the Notes are represented by a Global Note Certificate and the Global Note Certificate is deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (Notices) of the Ordinary Conditions or Condition 21 (Notices) of the Tier 1 Conditions on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Physical settlement of Credit Linked Notes

Any Deliverable Obligation Entitlement in respect of Credit Linked Notes will be delivered at the risk of the relevant Accountholder, in the manner provided below on the applicable Delivery Date.

Delivery of the Deliverable Obligation Entitlement(s) will (subject as provided below) be made against presentation or surrender, as the case may be, of the relevant Global Note Certificate at the specified office of any Paying Agent outside the United States. A record of each delivery made against presentation or surrender of such Global Note Certificate will be made on such Global Note Certificate on behalf of the Issuer by the Paying Agent to which such Global Note Certificate is presented for the purpose of making such delivery, and such record shall be prima facie evidence that the delivery in question has been made.

The holder of a Global Note Certificate shall be the only person entitled to receive delivery of the relevant Deliverable Obligation Entitlement(s) in respect of Credit Linked Notes represented by such Global Note Certificate and the Issuer will be discharged by delivery to, or to the order of, the holder of such Global Note Certificate in respect of each amount so delivered. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system as the beneficial holder of a particular nominal amount of Credit Linked Notes represented by such Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system as the case may be, for his share of each delivery so made by the Issuer to, or to the order of, the holder of such Global Note Certificate. No person other than the holder of such Global Note Certificate shall have any claim against the Issuer in respect of any deliveries due on that Global Note Certificate.

For the avoidance of doubt, each Asset Transfer Notice must be delivered to the Issuer via the relevant clearing system by such method of delivery as the relevant clearing system shall have approved. After delivery of a valid Asset Transfer Notice, no transfers of the Notes specified therein which are represented by a Global Note Certificate may be effected by any relevant clearing system. In addition to information required pursuant to Condition 3(k) of the Credit Linked Conditions, such Asset Transfer Notice must specify the number of the Accountholder's account at the relevant clearing system to be debited with such Notes and irrevocably instruct and authorise the relevant clearing system to debit the relevant Noteholder's account with such Notes on the due date for redemption in whole or in part of the Notes.

DESCRIPTION OF NEDBANK LIMITED

Overview

Nedbank Limited (the “Issuer” or the “Bank”), one of the four leading banks in South Africa (measured by total assets), is a widely held public company and a registered bank that, itself and through its subsidiaries, provides a wide range of financial services in South Africa and Southern Africa. As at 31 December 2009, the Bank had total assets of R545 billion (R547 billion as at 31 December 2008). The Bank's profit attributable to equity holders of the parent, Nedbank Group Limited (“Group Limited”, together with its subsidiaries, the “Group”), amounted to R3.8 billion for the year ended 31 December 2009, decreasing from R6.1 billion as at 31 December 2008.

The Bank focuses on Southern Africa and offers a wide range of wholesale and retail banking services through four main business clusters, namely Nedbank Capital, Nedbank Corporate, Nedbank Retail and Business Banking and, Nedbank Bancassurance and Wealth Management. The principal services offered by the Bank comprise business, corporate and retail banking, property finance, investment banking, private banking, foreign exchange and securities trading. The Bank also generates income from private equity, credit card issuing and processing services, custodial services, unit trust administration, asset management services and bancassurance.

The Bank's non-redeemable, non-cumulative, non-participating preference shares are listed on the JSE Limited (“JSE”). The holding company of the Bank, Group Limited, is a registered bank controlling company that holds 100 per cent. of the issued ordinary shares of the Bank and is listed on the JSE. The ultimate parent company of the Group is Old Mutual plc (“Old Mutual”), a public company with liability limited by shares and incorporated in England and Wales (registration number 3591559).

The Bank's headquarters are in Sandown, Johannesburg, with large operational centres in Durban and Cape Town. Banking facilities of the Bank include 438 full service branches, 1,874 ATMs and 379 self-service terminals providing a range of banking services. Clients also have the ability to transact at 3,027 point of sale devices which are enabled for cashback. Facilities are located throughout South Africa and other Southern African countries. Services are offered through the Bank's 10 subsidiary and/or affiliated banks, as well as through branches and representative offices in certain key global financial centres that serve to meet the international banking requirements of the Bank's South African-based multinational clients. The Bank also offers full-service internet banking to all clients.

The Bank holds a full banking licence granted by the South African Registrar of Banks (the “Registrar of Banks”) under the Banks Act, 1990 (the “Banks Act”) and is an authorised financial services provider under the Financial Advisory and Intermediary Services Act, 2002, as well as an authorised credit provider under the National Credit Act, 2005. The Bank is an authorised dealer in foreign exchange in terms of the Exchange Control Regulations under the Currency and Exchanges Act, 1933. It is a central securities depository participant in Strate Limited (the authorised central securities depository for the electronic settlement of all financial instruments in South Africa), and is a full member of the JSE, under the Securities Services Act, 2004.

The Bank's registered office is located at 135 Rivonia Road, Sandown, 2196, PO Box 1144, Johannesburg, 2000, South Africa. The telephone number is +27 (011) 294 4444.

The Bank is registered as a public company with limited liability with registration number 1951/000009/06 under the Companies Act, 1973 (the “Companies Act”).

History

The Bank can trace its origins back to the late nineteenth century. In 1999, the South African Mutual Life Assurance Society, Group Limited's majority shareholder at the time, was demutualised and Old Mutual group was formed with a registered office in the United Kingdom, a primary listing on the London Stock Exchange plc ("LSE") and a secondary listing, *inter alia*, on the JSE as Old Mutual. In August 1999, Nedcor Investment Bank ("NIB") was listed on the JSE and the Namibian Stock Exchange, with Nedcor Limited maintaining a majority shareholding. Edward Nathan & Friedland, a South African law firm, was acquired by NIB in 1999.

In 2000, Nedcor Bank Limited acquired FBC Fidelity Bank Limited and integrated the Peoples Bank and Nedenterprises divisions into that entity. FBC Fidelity Bank Limited later changed its name to Peoples Bank Limited. Peoples Bank Limited then changed its name to Peoples Mortgage Limited in 2005 after the cessation of banking activities and the return of its banking licence.

In July 2002, Nedcor Limited acquired BoE Limited, which at that time owned the sixth largest bank in South Africa by assets, BoE Bank Limited (source: SARB DI900 Report, July 2002). The NIB minority shares were acquired by Nedcor Bank Limited in October 2002 and NIB was delisted. Nedcor Bank Limited changed its name to Nedbank Limited in November 2002.

On 1 January 2003, following approval from the Registrar of Banks, Nedbank Limited acquired all the assets of Cape of Good Hope Bank Limited, the banking operations of Nedcor Investment Bank Limited and the banking operations of BoE Bank Limited.

On 31 October 2004, Nedcor Limited sold Edward Nathan & Friedland.

Nedcor Limited was renamed the Nedbank Group Limited with effect from 13 May 2005.

On 16 September 2009, the Bank announced that an agreement had been reached with Imperial Financial Holdings Limited ("IFH"), a 100 per cent. held subsidiary of Imperial Holdings Limited, pursuant to which the Bank will, subject to the fulfilment of certain conditions, acquire IFH's shareholding of the ordinary shares in Imperial Bank Limited ("Imperial Bank") (the "Acquisition"), thereby constituting Imperial Bank as a wholly owned subsidiary of the Bank.

Imperial Bank focuses mainly on motor vehicle finance, which it markets through its Motor Finance Corporation brand. In addition, it also offers property, medical and supplier asset finance.

It is intended that following the Acquisition (which is anticipated to be finalised during the first or second quarter of 2010), the Bank will, subject to the approval of the Registrar of Banks, amalgamate the businesses of Imperial Bank with the Bank's relevant existing businesses ("the amalgamation") in accordance with section 54 of the Banks Act and invoke section 440K of the Companies Act to acquire the remaining preference shares.

Strategy

The Bank seeks to achieve the following medium- to long-term targets:

- return on Equity ("RoE") (excluding goodwill) of 5 per cent. above the weighted average cost of equity ("CoE");
- an efficiency ratio of below 50 per cent.;
- an impairment ratio of between 0.55 per cent. and 0.85 per cent. of average advances; and

- an economic capital solvency level so as to withstand a 1 in a 1,000 year type event.

The Bank follows the Group's overall strategy, including the following key strategic decisions:

- to embrace the public sector by providing a full range of services to public sector entities;
- to maintain market leadership in corporate social investment and to further develop this;
- to become a full-spectrum bank that seeks to be a leader in most market segments;
- to grow Nedbank Retail;
- to obtain a leadership position in business banking;
- to update Information Technology (“IT”) infrastructure, applications and systems continually;
- to employ the best people across the whole business;
- to expand the Bank's presence in Africa;
- to establish a boutique international wholesale presence and capability;
- to focus on bancassurance and synergies with Old Mutual companies;
- to build the Bank's brand, with Old Mutual endorsement; and
- to grow the Bank's share of economic profit in the South African market through strategic interventions across all businesses.

The Bank's strategic focus areas for 2010 to 2012

The Bank has a rolling three-year plan in place which is updated annually and against which performance is measured on a monthly basis. The current three-year plan includes the following key strategic focus:

Deliver sustainable financial outperformance

- The Bank is shifting its focus towards achieving peer related financial performance with (i) a target of RoE (excluding goodwill) greater than 5 per cent. above the Bank's monthly weighted average cost of ordinary shareholders' equity and (ii) growth in diluted headline earnings per share of at least the average of the Consumer Price Index excluding interest rates on mortgage bonds plus Gross Domestic Product growth plus 5 per cent..

Invest for growth

- Grow Retail – this strategic shift will see the Bank taking advantage of opportunities in the emerging mass and middle markets as well as supporting the transformation of the South African economy. The strategy remains focused on becoming South Africa's fastest-growing retail bank.
- Take the lead in business banking – the Bank has historically been strong in this market, but there is still opportunity to grow. The strategy is to leverage the high-return, high-growth and high-loyalty characteristics of the business banking market.
- Implement a three-tiered African strategy – Africa is a rapidly growing market and the Bank aims to unlock this growth opportunity. The three-tiered African strategy is built on improving and growing existing businesses, pursuing low-cost entry into new countries through selected banking solutions and making targeted acquisitions; and

- Become the public sector bank of choice – the Bank will continue to improve its market share and image in this segment by building relationships and developing appropriate solutions across the full spectrum of banking services.

Enhance productivity and execution

- The Bank will increase its focus on efficient execution to improve client services.

Manage risk as an enabler

- A continued focus on sound capital and liquidity management and managing credit through the challenging credit cycle.
- Closely maintain sound risk principles where business is required to focus on increased innovation to achieve growth of non-interest revenue.
- As an enabler to business, one of the ongoing objectives of the central risk function is to embrace new and existing legislation and internalise and operationalise regulations into the course of normal business operations.
- Continued adoption of best practices for risk management – business requires enabling risk practices to drive growth and to be able to compete effectively. In addition, best practices such as Basel II will assist the Bank to produce superior returns through capital and risk optimisation.

Accelerate transformation

- Accelerate transformation – transformation is a business imperative and the Group needs to respond to South Africa's changing demographics. Delivering key projects and initiatives to meet Financial Sector Charter (“FSC”), Department of Trade and Industry and economic empowerment targets will remain focus areas.

Grow stakeholder relations

- Build an innovative staff culture as a competitive advantage – a differentiated corporate culture can build a sustainable long-term competitive advantage and will help to attract and retain talented staff. The Bank has management and leadership development programmes to enable development;
- Become employer of choice – market competition for talent is increasing;
- Empower the Bank's clients – this involves delivering affordable and responsible banking solutions through low-cost channels, which, along with a focus on consumer education, will become especially important in the mass- and middle-market segments;
- Build the Nedbank brand – more brand-building work will be done, specifically in the mass market where additional marketing efforts will be required to support the Bank's sales and growth efforts. The focus on establishing the Bank as the “caring bank” that provides smart solutions will continue;
- Maintain shareholder and management alignment – significant work has been done in leveraging the combined strength of the Bank, Old Mutual South Africa and Mutual & Federal. Further opportunities exist to extract synergies already identified;
- Ensure ongoing relations with shareholders – it is essential that they are kept informed of the Bank's activities and objectives;
- Grow regulator and government relationships – in an environment of increasing regulation and compliance the Bank will capitalise on opportunities to engage with policymakers and participate in policy development;

- Lead as a corporate citizen – social and environmental issues are important to clients and stakeholders; and
- Focus on clients' needs – the Bank will continue listening to its clients, understanding their needs and delivering.

Competition

In South Africa, there are currently 13 registered banks with local control, six registered banks with foreign control, 14 branches of foreign banks, two mutual banks and 43 representative offices of foreign banks. As at 31 December 2009, the South African banking sector had total assets of R2,962 billion according to statistics published by the South African Reserve Bank (the “SARB”) (source: SARB BA900 Report, December 2009).

The Bank's principal competitors are ABSA Bank Limited, FirstRand Bank Limited and The Standard Bank of South Africa Limited. Apart from the Bank, these represent the largest banks in South Africa. The following table sets out total assets and capital and reserves for each as at 31 December 2009:

	Total Assets	Capital and Reserves
	<i>(Rm)</i>	
Standard Bank Limited.....	802,344	43,250
ABSA Bank Limited	648,602	45,168
FirstRand Bank Limited.....	548,333	35,266
Nedbank Group Ltd.....	508,178	33,560

(source: SARB BA900 Report, December 2009)

Competitive Strengths

Strong corporate and investment banking franchise

The Bank offers a wide range of commercial, investment and retail banking products, thereby diversifying its revenue sources. The Bank is one of the four major South African banks and has a 20 per cent. market share in deposits and a 19 per cent. market share in loans and advances (source: SARB BA900 Report, December 2009). The Bank is also a leading player in commercial property finance with a 33 per cent. market share (source: SARB BA900 Report, December 2009). Despite having a smaller retail franchise than its peers, the Bank's 20 per cent. share of the deposit market is in line with its peers with relatively larger retail franchises. Nedbank Capital is regularly ranked amongst the top three South African banks in corporate finance and mergers and acquisitions as measured by Dealmaker magazine. The Bank also holds the largest share of card acquiring transactions based on point of sale devices deployed and transactions processed.

Leader in sustainability matters

The Bank is widely recognised for its achievements and contribution to corporate social responsibility in South Africa and environmental issues. Major successes include Financial Times awards in 2007 and 2008 for emerging markets sustainable bank of the year for the Middle East and Africa, the Ask Afrika Trust Barometer Green award in 2009 for the company with the most respected green initiatives, inclusion in the Dow Jones Sustainability and JSE SRI indices for six consecutive years (2004-2009), being the first African bank to implement the Equator Principles and being the first signatory to the United Nations Environmental Programme Finance Initiative. The Bank holds a leadership position in both corporate social investment (through innovative programmes such as the Client Local Hero programme) and in the environmental space

through the Bank's partnership with the WWF, the offering of Green affinity accounts, the adoption of the Equator Principles and internal progress around waste management and water and energy savings initiatives.

Risk management capabilities and adoption of Basel II

The Bank's management has placed significant focus on risk management and compliance with Basel II. SARB has approved the use of the AIRB approach for credit risk for the Bank, which recognises the application of best practice credit risk management techniques within the Bank. The Bank also applies an economic capital framework to measure risk within the organisation and this comprehensive framework forms the basis of its economic profit based incentive schemes.

Client focus and service

The implementation of service initiatives (including CMAT (Client Management Assessment Tool) and the Ask Once service promise) has ensured that the Bank has remained highly rated in client management and services.

Affordable banking

The Bank remains one of the most affordable banks in the South African mass market after a series of price decreases. Products such as the Transactor and Mzansi accounts are leading innovations from a price perspective.

Corporate Structure

The Bank's authorised share capital is 30,000,000 ordinary shares with a par value of R1 each and 1,000,000,000 non-redeemable non-cumulative preference shares with a par value of R0.001 per share. As at 31 December 2009, the Bank had an issued share capital of 27,240,023 ordinary shares with a par value of R1 each and non-redeemable non-cumulative preference shares of 349,082,721 with a par value of R0.001 per share which are listed on the JSE under share code NBKP.

The Bank's issued shares are 100 per cent. held by Group Limited. The Group is controlled by its ultimate parent company, Old Mutual, which has a primary listing on the LSE. The relationship with Old Mutual is governed by means of a relationship agreement between Group Limited and Old Mutual (the "Relationship Agreement").

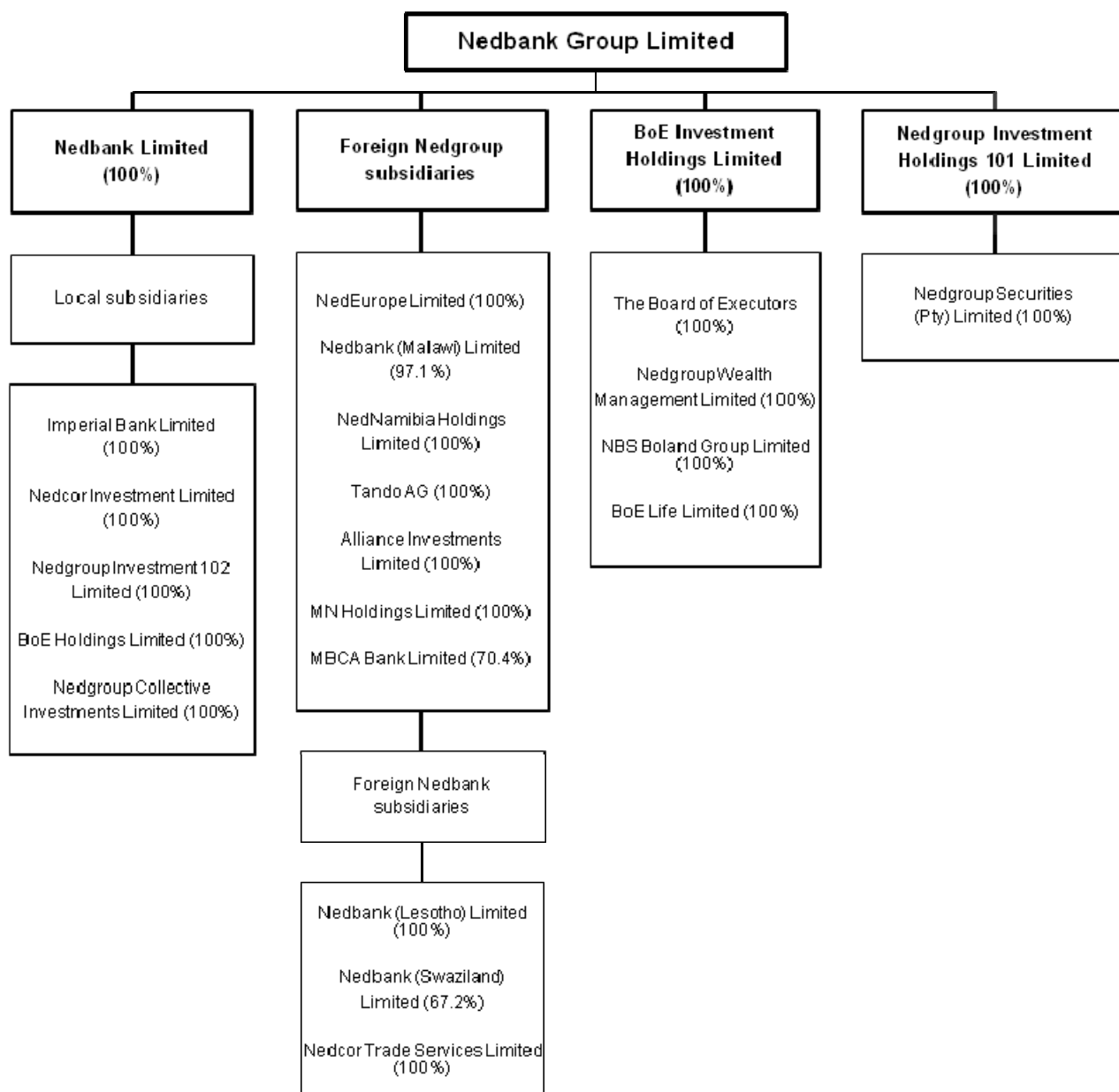
The Relationship Agreement sets out, amongst other things, that the Group will consult with Old Mutual and have regard to Old Mutual's strategic plans in devising its own strategy (including any material acquisitions or disposals or the raising of any significant amount of capital, whether Tier 1, Tier 2 or Tier 3), which should be consistent and aligned with that of Old Mutual and designed to maximise the long-term shareholder value of both entities and that the Group will update its strategic plan and business plan annually to accord with Old Mutual's three year planning cycle. The Relationship Agreement also sets out that the Group will report to Old Mutual in a timely fashion in relation to a number of matters including appropriate financial and operational information on its activities for the purposes of business planning, monthly management accounts, monthly asset liability committee reports, interim and full year accounts, forecasting and quarterly reforecasting and for such other financial planning, group treasury, regulatory, accounting, accounting reconciliation or management information purposes as Old Mutual may reasonably require.

The Relationship Agreement includes provisions in respect of material changes to the terms of employment of directors and some other senior employees and to actively seek to identify, develop and exploit synergies, joint ventures, coordination of product design and opportunities for secondment of personnel and sharing of knowledge and expertise with other businesses in the Old Mutual group, for the mutual benefit of both

parties. There are also details in relation to the maintenance of the Old Mutual shareholding if new shares are issued.

Major subsidiary companies

As at 31 December 2009, the following companies were the major active subsidiaries of the Bank:



As at 31 December 2009, the major shareholders of Group Limited, which own 100 per cent. of the Bank, were as follows:

	Holdings as at 31 December	Percentage as at 31 December	
	2009	2009	2008
Old Mutual Life Assurance Company (South Africa) Limited and associates (SA).....	260,336,704	52.21	53.89
Nedbank Group treasury shares	62,937,839	12.63	12.63
Lazard Asset Management (US)	29,913,320	6.00	3.14
Public Investment Corporation (SA).....	28,817,152	5.78	5.02
Coronation Fund Managers (SA)	14,007,444	2.81	0.60
Sanlam Investment Management (SA).....	10,955,128	2.20	2.94
BlackRock Incorporated (US and UK)	5,960,039	1.20	0.08
Prudential Portfolio Managers (SA).....	5,102,506	1.02	0.94

Business of the Bank

The Bank is the major operating subsidiary of the listed entity Group Limited. The Bank is one of the four largest banking groups in South Africa by total assets.

In the financial year ended 31 December 2009, the Bank comprised 95 per cent. of the assets of the Group (R545 billion out of R571 billion) and 89 per cent. of the headline earnings of the Group (R 3,823 million out of R4,277 million). The Bank is a universal bank providing retail, investment banking and corporate banking services through its four client facing clusters, Nedbank Capital, Nedbank Corporate, Nedbank Retail and Business Banking and, Nedbank Bancassurance and Wealth. Following the announcement of the Acquisition on 16 September 2009, Imperial Bank will, subject to the approval of the Registrar of Banks, be amalgamated into the Bank's four client facing clusters. The Bank focuses on Southern Africa with the Bank positioned to be a bank for all customers from a retail and wholesale banking perspective. Each of its divisions is discussed in more detail below. The Bank also has six support functions, which are Group Strategy and Corporate Affairs, Group Risk and Capital Management, Group Technology, Enterprise Governance and Compliance, Group Human Resources and Employment Equity and Group Finance.

Nedbank Corporate

Overview

Nedbank Corporate comprises the client-focused businesses which are Business Banking, Corporate Banking, Property Finance, Nedbank Africa and the specialist businesses of Transactional Banking and Shared Services. These businesses focus mainly on providing lending, deposit-taking and transactional banking solutions and execution services to the wholesale banking client base of the Bank.

Nedbank Corporate is well-placed to grow and optimise business opportunities in the private and public sector markets, by leveraging its client base and providing solutions through experienced teams.

Nedbank Corporate provides corporate and business banking, including commercial and industrial property finance solutions, to small, medium and large corporates. Included in the cluster are the Bank's African operations servicing both retail and corporate market segments in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe, which are all self-run, full-service operations.

In the financial year ended 31 December 2008, Nedbank Corporate contributed 27 per cent. (R1,564 million) of the Group's headline earnings. In the financial year ended 31 December 2009, Nedbank Corporate contributed 36 per cent. (R1,534 million) of the Group's headline earnings.

Operations

The cluster comprises the following client-focused businesses:

- Corporate Banking, which services companies with an annual turnover in excess of R400 million and generates business through lending, transactional banking, structuring and advisory fee income opportunities, wholesale funding, treasury execution, custodial services and global trade activities.
- Business Banking, which services companies with an annual turnover of up to R400 million and is differentiated from its competitors by its decentralised, accountable business model and client-centric approach.
- Property Finance, which specialises in commercial and industrial property finance in the medium to large corporate market. The division may also take equity shares in property developments in partnership with selected clients.
- Nedbank Africa, which offers banking operations for retail and wholesale products on behalf of the Bank in Lesotho and Swaziland and on behalf of the Group's other operations in Malawi, Namibia and Zimbabwe. Although these subsidiaries are self-run, full-service operations, the operations are able to leverage off the South African divisions for skills and systems platforms and, when needed, are able to draw on the larger funding resources of the Bank.

Nedbank Corporate also includes the following specialist businesses:

- Nedbank Investor Services, which provides custodial services to entities trading on the JSE and facilitates share-lending activities.
- Transactional Banking, which provides product development and support, and specialist transactional banking solutions and services to Business Banking and Corporate Banking clients, working closely with the relationship banking teams.
- Corporate Shared Services, which provides transaction execution services for local and foreign payment and trade activities and client service centres.

Strategy

Nedbank Corporate's strategy is to offer a personalised relationship-based banking service by understanding clients' needs and delivering banking solutions to wholesale banking clients through its teams of highly qualified, experienced professionals.

Focus areas

Nedbank Corporate adopts a consistent set of principles in terms of efficient deployment of capital, risk propensity and decision making, pricing, marketing and rewards to enhance its returns on economic capital employed. This approach is based on the similarities of the market segments in which it operates, specifically the specialist relationship management philosophy, service standards and decentralised credit decision making, which relies on detailed personal knowledge of its clients and their business.

Nedbank Corporate is committed to focusing on client acquisition and retention through service standards, innovative solutions, reducing problem incidence and improving problem resolution. Through this, Nedbank Corporate aims to improve its primary banker status with its customers and to expand in mid-market segments (property finance, corporate and business banking). Furthermore, it aims to deliver solutions for its customers, manage client value and work collaboratively with other Bank clusters and Old Mutual to support customer service and cross-sell.

Historically, the Bank has had little infiltration into the government sector. In the last three years the focus on this sector has been successful and the Bank has won some significant clients in this sector and this remains an area where the Bank sees opportunities for further growth.

Nedbank Capital

Overview

Nedbank Capital provides comprehensive merchant and investment banking solutions to institutional and corporate clients. It has offices in South Africa and London and is currently applying for licenses to establish representative offices in Kenya, Angola and Nigeria.

The London branch is a full-service office, which was originally established to help the Bank raise funding. The branch has grown steadily and is now increasingly sourcing and carrying out its own business and is no longer just supporting the Bank in South Africa.

In the financial year ended 31 December 2009, Nedbank Capital contributed 32 per cent. (R1,349 million) of the Group's headline earnings.

Operations

Nedbank Capital has the following client facing business units:

- Investment Banking;
- Specialised Finance;
- Treasury;
- Equity Capital Markets;
- Debt Capital Markets;
- Global Markets;
- London Operation; and
- Nedcor Securities (Pty) Limited (“Nedcor Securities”) (which is a separate legal entity held within the Group but not part of the Bank).

The Investment Banking Division houses the Bank's corporate finance, private equity and sector-focused bankers who originate transactions across the entire Nedbank Capital product spectrum. Investment Banking's primary services are private equity and advisory, which focus on corporate restructuring, Black Economic Empowerment (“BEE”) initiatives, stock exchange listings, disposals, privatisations and capital raisings. The division includes a dedicated mergers and acquisitions research team and a unit providing JSE sponsor services to companies relating to their continuing regulatory obligations.

Specialised Finance provides tailored debt financing solutions through a range of industry focused teams, namely energy project finance, mining and resources, infrastructure project finance, acquisition and leveraged finance and structured trade and commodity finance. The division's target is to provide solutions to South

Africa's top 200 corporates and leading institutions, as well as entities undertaking major infrastructure and mining projects in Africa.

Debt Capital Markets deals with securitisation, credit derivatives, the asset-backed conduit and bond origination businesses and provides interest rate solutions.

Equity Capital Markets, the equity derivatives operation, provides hedging and structuring services to corporate, institutional and retail clients. This division exploits the synergies between trading and structuring equities and facilitates BEE transactions.

Global Markets focuses on providing the Bank's client base with currency, interest rate derivative and bond-related products as well as proprietary trading in the various markets.

Investment Banking includes the Group's corporate finance, private-equity and coverage teams.

Specialised Finance provides debt-financing solutions with a portfolio of services, including project finance, leveraged debt, acquisition finance, structured trade and commodity finance and structured financial solutions. The division also has three sectoral specialist teams that serve as Nedbank Capital's knowledge hub in energy, infrastructure, and mining and resources. In addition, the division covers retail, healthcare and diversified industrials.

Treasury is the Group's funding interface with financial and investment markets, locally and internationally. All the Group's local and foreign currency funding requirements are executed and managed through this unit.

Nedcor Securities is the institutional equities business of the Group. It provides research, sales and trading services to major institutions.

Strategy

Nedbank Capital's strategy includes: operating an integrated investment banking business model by leveraging its combination of industry and product expertise with a single client interface; international expansion of products and offices in Africa and London; working collaboratively with other Bank divisions and Old Mutual; expanding product ranges and business ventures and leveraging the London platform. Centres of excellence focus on specific industries, enabling Nedbank Capital to innovate and deliver customised solutions.

Focus areas

Nedbank Capital focuses specifically on the following sectors: energy, resources, African partnerships, infrastructure, BEE and industrials. Nedbank Capital also aims to leverage off Old Mutual capabilities.

Nedbank Capital also has a focus on the public sector and expanding African operations through a three-tiered approach, which includes full service banking in selected Southern African countries, participation in global trade opportunities in the whole of Africa and the selective acquisition or expansion into Southern, Eastern and Western hubs of Africa.

Nedbank Retail and Business Banking

Overview

Nedbank Retail provides full-service retail banking and wealth management services to individuals and small businesses. The cluster comprises retail banking services; Nedbank Private Bank; retail consumer banking; retail small business services; home loans; personal loans; Nedbank card; retail bancassurance and wealth management, retail vehicle and asset finance and transactional and investment products.

Nedbank Retail is South Africa's fourth largest retail bank, but owns the second highest share of the deposit market. As at 31 December 2009, Nedbank Retail held 17 per cent. of the South African home loans market; 14 per cent. of the South African vehicle and asset market; 13 per cent. of the South African credit card market; and 20 per cent. of the South African short term deposit market (source: SARB BA900 Report, December 2009). As at 31 December 2009, it had 4.8 million clients in South Africa and in the United Kingdom through the London branch.

Nedbank Retail provides financial services to individuals and small businesses through various transactional, credit card and debit cards, lending, investment and insurance products. The clients that Nedbank Retail serves are broadly grouped into five primary segments, namely the high-net-worth, affluent, middle, mass and small-business segments. Clients are classified based on a combination of income and net asset worth.

In the financial year ended 31 December 2009, Nedbank Retail contributed a 4 per cent. (R156 million) reduction in the Group's headline earnings.

Operations

The Nedbank Retail business operating model is organised around its product and client segment areas, overlaid by servicing and delivery channels. Three client facing segments underpin its business: private banking, consumer banking (which includes the mass- and middle-market segments) and small business services.

Retail Shared Services provides support to the Retail cluster, including human resources, finance, projects, strategic planning and business intelligence services.

Retail Risk is responsible for the monitoring of compliance and all risks, including credit and operational risks, and for providing legal services to the cluster. This function reports directly to the head of Retail.

Retail Marketing provides marketing support to the business divisions and assists in coordinating marketing activities across the broader Group.

Nedbank Retail operates through 438 full-service branches and clients have access to 1,874 ATMs, 379 self-service terminals providing a range of banking services as well as to approximately 3,027 point of sale devices which are enabled for cashback. The Bank also offers full-service internet banking as standard for all clients.

Strategy

The short-term strategy is to continue to build on the strong foundation for growth and to leverage off the strong deposit base. Specific focus areas include growing total shareholder return, measured on an economic profit basis through a combination of high quality sales and focusing on customer value management and risk management. Nedbank Retail aims to further enhance productivity and execution so as to provide a better banking service to its customers.

Nedbank Bancassurance and Wealth

Overview

Nedbank Bancassurance and Wealth provides services across Retail, Business and Corporate Banking as well as the high-net-worth segment and independent financial adviser market. The businesses within Bancassurance and Wealth encompass life assurance, short-term insurance, financial planning, stockbroking, insurance brokerage, private banking, fiduciary services and asset management.

Operations

Bancassurance and Wealth comprises four divisions:

Bancassurance

- Nedgroup Life Assurance Company – provides credit life protection for death, disability and retrenchment as well as simple savings and investment products;
- Nedbank Group Insurance Brokers – facilitates and brokers a variety of short-term insurance products into the Nedbank client base; and
- Nedgroup Insurance Company – provides short-term insurance, including homeowner's insurance and personal accident cover.

Asset Management

- Nedgroup Investments – supplies a range of South Africa and offshore best-of-breed unit trusts and investment solutions; and
- BoE Private Clients and Fairbairn Private Bank – provides both active asset management and investment solutions to the high-net-worth market.

Wealth Management (Africa)

- BoE Private Clients – offers a fully integrated spectrum of services, including investment management, financial and retirement planning, private lending facilities, call, notice and fixed-term deposits, tax and estate planning, and transactional banking;
- Fiduciary and trust services – provides high-net-worth trust and fiduciary services; and
- Nedbank Financial Planning – provides professional advice on financial and assurance products.

Wealth Management (Europe and Middle East)

- Fairbairn Private Bank – offers private banking, investment and corporate services, with offices in the United Kingdom and Middle East, on the Isle of Man and Jersey, and in South Africa; and
- International Fiduciary and Trust Services – provides trust management services for the Old Mutual Group, the high-net-worth segment and the independent financial adviser market.

Imperial Bank Limited

Overview

Imperial, which was incorporated in 1996, is a niche bank engaged primarily in asset-based financing. The Bank provided funding for Imperial, as well as risk management support, which included having representatives on Imperial's credit committee and asset and liability committee.

On 16 September 2009, the Bank announced that an agreement had been reached, pursuant to which Imperial Bank would be incorporated as a wholly owned subsidiary of the Bank.

Imperial predominantly provided asset-based finance, with most assets derived from vehicle finance through its largest division, Motor Finance Corporation. In addition Imperial derived revenues from selected niche markets: Property Finance; Supplier Asset Finance; and Medical Finance.

Operations

Motor Finance Corporation provided finance to the general public for the acquisition of passenger vehicles.

Property Finance provided finance for residential developments and commercial and industrial properties.

Supplier Asset Finance focused on financing office equipment for the business community and on providing asset-based finance to the aviation, transport and material handling sectors.

Medical Finance provided asset-based financial products to the medical and dental markets in South Africa, delivering service to the target market across the country and making finance available for residential properties, motor vehicles, equipment, practice needs and project finance for large medical installations and medical facilities by way of mortgage loans, instalment sale facilities and loans.

Following the Acquisition, Imperial Bank's various operations will be incorporated entirely into the Bank's existing operations and client facing clusters. However, Imperial Bank's vehicle finance operations (which will be fully incorporated into the Bank's vehicle finance operations) will continue to operate under the name Motor Finance Corporation.

Loan Portfolio

The Bank extends advances to individuals and to the corporate, commercial and public sectors. Advances made to individuals are mostly in the form of mortgages, instalment credit, overdrafts, personal loans and credit card borrowings. The Bank's main activity is in the corporate and commercial sector, where advances are made to a large cross-section of businesses, predominantly in finance and service areas, manufacturing and building and property finance sectors.

As at 31 December 2009, the Bank's total gross loans and advances to customers amounted to R454 billion (R441 billion as at 31 December 2008), an increase of 3 per cent..

As at 31 December 2009, loans and advances to individuals represented approximately 39 per cent. of the Bank's total gross loans (compared to 52 per cent. as at 31 December 2008).

Loans portfolio by category of loans and advances

The following table sets out the composition of the Bank's advances by category of loan or advance (net of impairment) as at 31 December 2009 and 2008:

	As at 31 December	
	2009	2008
	(Rm)	
Mortgage loans.....	221,448	213,148
Home loans	145,388	140,387
Commercial mortgages	76,060	72,761
Net finance lease and instalment debtors	63,337	60,575
Credit cards	7,314	7,225
Other loans and advances.....	161,922	160,120
Properties in possession	886	791
Overdrafts	9,203	10,990
Term loans.....	66,669	62,395
Personal loans	9,184	6,947
Other term loans.....	57,485	55,448
Overnight loans	12,420	15,760

	As at 31 December	
	2009	2008
Other loans to clients.....	45,686	50,480
Foreign client lending	6,522	8,369
Remittances in transit.....	46	108
Other loans	39,118	42,003
Preference shares and debentures.....	16,571	15,605
Factoring accounts	2,179	394
Deposits placed under reverse repurchase agreements.....	8,026	2,630
Trade, other bills and bankers' acceptances	282	1,075
Loans and advances before impairments.....	454,021	441,068
Impairment of advances	(9,618)	(7,646)
Total loans and advances	444,403	433,422
Comprises:		
– loans and advances to clients	446,645	431,921
– loans and advances to banks.....	7,376	9,147
Loans and advances before impairments	454,021	441,068

The following table sets out the composition of the Bank's loans and advances by sector as at 31 December 2009 and 2008:

	As at 31 December	
	2009	2008
	<i>(Rm)</i>	
Individuals.....	177,125	227,828
Financial services, insurance and real estate	98,374	100,151
Banks.....	7,376	9,147
Manufacturing.....	27,559	18,164
Building and property development.....	10,018	5,647
Transport, storage and communication	28,153	8,074
Retailers, catering and accommodation.....	9,887	7,179
Wholesale and trade	8,081	8,376
Mining and quarrying.....	21,224	16,682
Agriculture, forestry and fishing	4,448	3,000
Government and public sector.....	14,922	3,130
Other Services	46,854	33,690

As at 31 December	
2009	2008
454,021	441,068

The following table sets out the composition of the Bank's loans and advances by geographical location as at 31 December 2009 and 2008:

As at 31 December		
2009	2008	
<i>(Rm)</i>		
South Africa	441,428	431,722
Other African countries	6,136	3,579
Europe	3,660	2,288
Asia	1,753	2,121
United States of America.....	659	715
Other	385	643
	454,021	441,068

Contingent Liabilities

As at 31 December		
2009	2008	
<i>(Rm)</i>		
Guarantees on behalf of clients	27,827	25,154
Confirmed letters of credit and discounting transactions	1,476	3,117
Unutilised facilities and other	42,710	46,216
	72,013	74,487

The Bank in the ordinary course of business enters into transactions that expose the Bank to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made, or it is considered improbable that an outflow would result, are reported as contingent liabilities. This is in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Historically a number of Bank companies entered into structured finance transactions with third parties using their tax bases. In the majority of these transactions the underlying third party contractually agreed to accept the risk of any tax being imposed by the South African Revenue Service (“SARS”), although the obligation to pay rested in the first instance with the Bank companies. It would only be in limited cases, for example, where the credit quality of a client became doubtful or where the client specifically contracted out of the re-pricing

of additional taxes, that the recovery from a client could be less than the liability arising on assessment, in which case provisions would be made.

Net finance lease and instalment debtors

	As at 31 December	
	2009	2008
	<i>(Rm)</i>	
Gross finance lease and instalment debtors:		
No later than one year	11,572	12,057
Later than one year and no later than five years.....	55,896	44,045
Later than five years.....	191	10,742
	67,659	66,844
Unearned future income on finance lease and instalment debtors	(4,322)	(6,269)
Net finance lease and instalment debtors	63,337	60,575
Net finance lease and instalment debtors:		
No later than one year	10,007	10,126
Later than one year and no later than five years.....	53,169	39,771
Later than five years.....	161	10,678
	63,337	60,575

Impairment of advances

The following table sets out the composition of the Bank's impairment of advances as at 31 December 2009 and 2008:

	As at 31 December	
	2009	2008
	<i>R(m)</i>	
Opening balance.....	7,646	5,911
Specific impairment	5,408	3,977
Portfolio impairment	2,238	1,934
Income statement impairment charge (net of recoveries).....	6,659	4,755
Specific impairment	6,942	4,451
Portfolio impairment	(283)	304
Recoveries.....	435	349
Amounts written off/other transfers	(5,122)	(3,369)
Specific impairments.....	(5,102)	(3,369)

	As at 31 December	
	2009	2008
	<i>R(m)</i>	
Portfolio impairment	(20)	
Total impairments.....	9,618	7,646
Specific impairment	7,683	5,408
Portfolio impairment	1,935	2,238
Total advances.....	454,021	441,068

Credit risk is managed across the Bank through the Board-approved Group Credit Risk Management Framework (“GCRF”). The GCRF includes four levels of credit assessment and approval:

- Tier One: individual mandates, regional credit committees or a combination thereof;
- Tier Two: credit committees at the national level;
- Tier Three: approval from certain executives within the group (i.e. the Chief Financial Officer (the “CFO”), the Chief Risk Officer (the “CRO”), the head of the applicable cluster and the Chief Credit Officer (the “CCO”); and
- Tier Four: approval from the Bank's large exposure approval committee, a sub-committee of the Board.

In all credit granting, the Bank strives to achieve:

- diligence in the assessment of credit;
- limited use of individual mandates which are restricted to a R12.0 million maximum and subject to periodic senior reviews;
- independently chaired credit committees that seek consensus for approval decisions (Tier 2);
- ratings for all credit granted;
- grouping or aggregation of exposures in line with Basel II and regulatory requirements;
- lending limited to acknowledged areas of experience and expertise of the Bank; and
- emphasis on pricing in all risk decisions.

During origination of or the review of advances or a portfolio of advances, several indicators of risk are considered in the assessment. The borrower risk is encapsulated in the Nedbank Group Rating (the “NGR”) and provides a probability of default (“PD”). The level of mitigation against the advances is measured through the loss given default (“LGD”). The product of the PD and LGD provides an expected loss for the advances also used to determine the Nedbank Transaction Rating (“NTR”). The NGR and NTR determine the estimated

capital consumption and this, in turn, is used to price the asset, ensuring an appropriate risk-return relationship.

Management

As at 31 December 2009, the Group board has a unitary structure comprising 18 directors. The Bank's board (the "Board") has the same structure and composition, but separate board meetings are held.

Altogether 53 per cent. of the directors are black generic in terms of the FSC definitions as at 31 December 2009, when applying the FSC's exclusion proviso. This exclusion proviso applies to the three Board members appointed by the majority shareholder Old Mutual.

Four of the fourteen non-executive directors, including the Chairman, are not considered independent since they either serve as directors on the Board of the Group's ultimate holding company, Old Mutual, or are employees of Old Mutual. The three Board appointments in terms of the BEE transaction, MA Enus-Brey, GT Serobe and the Chairman, RJ Khoza, are also not considered independent because of their relationship with Group Limited's BEE partners.

The directors come from diverse backgrounds and bring to the Board a wide range of experience in commerce, industry and banking. The non-executive directors and the strong independent composition of the Board provides for independent and objective input into the decision making process, thereby ensuring that no one director holds unfettered decision making powers. The directors have access to management, whenever required.

The directors who, in compliance with the terms of the articles of association of the Bank, retired by rotation and were subsequently re-elected at the annual general meeting ("AGM") on 19 May 2009 are: Dr RJ Khoza and Prof MM Katz and Messrs MA Enus-Brey, JB Magwaza, ME Mkwanazi and ML Ndlovu and Ms GT Serobe. Mr A de VC Knott-Craig was appointed on 1 January 2009 and, in compliance with the articles of association of the company, was re-elected at the annual general meeting. During the 2009 financial year and on the dates specified the following changes occurred:

- 31 March 2009: Ms R Harris resigned as a non-executive director;
- 1 August 2009: the appointments of Ms WE Lucas-Bull and Messrs PJ Moleketi and MI Wyman as independent non-executive directors;
- 5 August 2009: the appointment of Mr GW Dempster as an executive director and Chief Operating Officer;
- 1 September 2009: the appointment of Ms RK Morathi as executive director and Chief Financial Officer, and the change of Mr MWT Brown's designation from Chief Financial Officer to Chief Executive-designate;
- 16 October 2009: Mr M L Ndlovu resigned as an independent non-executive director;
- 19 November 2009: the retirements of independent non-executive directors Prof MM Katz and Messrs JB Magwaza and ME Mkwanazi; and
- 1 December 2009: the appointment of Mr DI Hope and Mr JVF Roberts as non-executive directors.

Name	Position as director
CJW Ball	Senior independent non-executive director
TA Boardman	Chief Executive – executive director
MWT Brown	Chief Executive-designate – executive director
TCP Chikane	Independent non-executive director
GW Dempster	Chief Operating Officer – executive director
MA Enus-Brey	Non-executive director
B de L Figaji	Independent non-executive director
DI Hope (New Zealand)	Non-executive director
RM Head (British)	Non-executive director
RJ Khoza	Chairman – non-executive director
A de VC Knott-Craig	Independent non-executive director
WE Lucas-Bull	Independent non-executive director
NP Mnxasana	Independent non-executive director
PJ Moleketi	Independent non-executive director
RK Morathi	Chief Financial Officer – executive director
JVF Roberts (British)	Non-executive director
GT Serobe	Non-executive director
MI Wyman (British)	Independent non-executive director

The business address of the members of the Board is the Bank's registered office. Further information about each of the current members of the Board and their activities can be found in the group reports section of the 2009 audited group annual report which is incorporated by reference.

Conflicts of Interest

Two of the Bank's non-executive directors namely Julian Roberts, Group Chief Executive, and Don Hope, Head of Strategy Development, serve as executive officers of companies within Old Mutual. The persons therefore also owe duties in that capacity to those companies as well as to the Bank. The Bank engages in transactions with some of these companies, including transactions in the ordinary course of business. A potential conflict of interest therefore exists since Julian Roberts and Don Hope are non-executive directors of the Bank but also owe duties to companies with which the Bank has entered into contracts.

In respect of potential conflicts of interest that may arise in the future, the Bank has processes for the management of such conflicts such that it does not expect that any actual conflict of interest would arise.

Other than as described above, there is no potential conflict of interests between any duties which the members of the Board owe to the Bank and their private interests or other duties.

Committees

The Committee structure is designed to assist the Board in the discharge of its duties and responsibilities.

The current Committees are:

- the Board Strategic Innovation Management Committee;

- the Group Audit Committee;
- the Group Credit Committee;
- the Group Directors' Affairs Committee;
- the Group Finance and Oversight Committee;
- the Group Remuneration Committee;
- the Group Risk and Capital Management Committee; and
- the Group Transformation and Sustainability Committee.

In addition, the Executive Credit Committee has been established as a subcommittee of the Group Credit Committee.

All the board committees are formed at Group level, but address both Bank and Group matters. Each committee has formal written terms of reference that are reviewed on an annual basis and effectively delegated in respect of certain of the Board's responsibilities, which are monitored by the Board to ensure that the committees retain effective coverage of and control over the operations of the Group. The directors are required to confirm that the committees functioned in accordance with these terms of reference during the financial year.

Board Strategic Innovation Management Committee

The Board Strategic Innovation Management Committee has the broad responsibility of monitoring all issues pertaining to IT, both operational and strategic, in as much as these may impact the business, financial, performance, risk profile and IT strategies of the Bank. This committee aims to ensure alignment of the prioritisation and magnitude of IT development spend and investment with overall Bank strategy and direction. The members of the Board Strategic Innovation Management Committee are A de VC Knott-Craig (chair); CJW Ball; TCP Chikane and PJ Moleketi.

Group Audit Committee

The primary roles of the Group Audit Committee are to assist the Board in its evaluation and review of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the Bank in the day-to-day management of its business, and to introduce measures to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the Group. The members of the Group Audit Committee are CJW Ball (chair), TCP Chikane, PJ Moleketi, NP Mnxasana and MI Wyman.

Group Credit Committee

The primary roles of the Group Credit Committee are to approve credit policies and philosophy, set credit limits and guidelines, confirm that procedures are in place to manage and control credit risk, approve the adequacy of interim and year-end provisions and ensure that the quality of the Bank's credit portfolio is in accordance with these requirements by monitoring credit risk information, processes and disclosure. This primary role comprises a monitoring function. An important secondary role of this committee is the approval of advances above sanctioned and regulatory authority levels. The members of the Group Credit Committee are WE Lucas-Bull (chair), CJW Ball, MA Enus-Brey, B de L Figaji and GT Serobe.

Group Directors' Affairs Committee

The primary roles of the Group Directors' Affairs Committee are to consider, monitor and report to the Board on strategic risk, reputational and compliance risk, compliance with the King Report on Corporate

Governance of 2002, which sets out principles of good corporate governance for South African Companies and organisations (“King II”), and the corporate governance provisions of the Banks Act, as well as the regulations issued thereunder, and also to act as a nominations committee for Board appointments. The members of the Group Directors' Affairs Committee are RJ Khoza (chair); CJW Ball, MA Enus-Brey, TCP Chikane, B de L Figaji, A de VC Knott-Craig, WE Lucas-Bull and JVF Roberts.

Group Finance and Oversight Committee

The chairmen of the Group Audit, Credit, Risk and Capital Management and Strategic Innovation Management Committees, as well as RM Head (non-executive director), are members of this committee, with the Chief Risk Officer attending by invitation. Its primary functions are to be a Board discussion forum, to consider the full spectrum of risks in the Bank and to ensure that the Board and the various committees address the risks effectively. The members of the Group Finance and Oversight Committee are currently CJW Ball (chair); MA Enus-Brey; A de VC Knott-Craig, WE Lucas-Bull and RM Head.

Group Remuneration Committee

The Group Remuneration Committee consists of non-executive directors only and is chaired by an independent non-executive director. The Group Remuneration Committee is authorised to approve the aggregate of adjustments to the remuneration of employees below executive director and divisional director level. The committee individually approves adjustments to the total remuneration of members of the Group Executive Committee (“Group Exco”), which comprises the CEO and the heads of the three business facing and six support clusters. The Board, following recommendations made by the Group Remuneration Committee, individually approves adjustments to executive directors' total remuneration. This committee is also charged with the supervision of the Group Employee Incentive Scheme and is involved in executive officer succession policy. The committee considers remuneration in its totality in an integrated and holistic manner, thereby assisting the Board in discharging its corporate governance duties related to remuneration strategy, structure and costs. The members of the Group Remuneration Committee are B de L Figaji (chair); CJW Ball, RM Head and NP Mnxasana.

Group Risk and Capital Management Committee

Under the Banks Act, a risk committee is required to assist the Board in: evaluating the adequacy and efficiency of risk policies, procedures, practices and controls; identifying the build up and concentration of risk; developing risk mitigation techniques; ensuring formal risk assessment; identifying and monitoring key risks; facilitating and promoting communication through reporting structures; and ensuring the establishment of an independent risk management function and other related functions. In addition, this committee also oversees the Bank's policies and procedures to ensure compliance with Basel II.

The Group Risk and Capital Management Committee is tasked with: group wide risk monitoring, focusing primarily on the management and assessment of risk, including market and trading risks; financial instruments (derivatives) usage; asset and liability management (“ALM”) risks; Group Asset and Liability and Executive Risk Committee processes and functions; investment exposures; and risks related to the underwriting of share issues. The members of the Group Risk and Capital Management Committee are MA Enus-Brey (chair); CJW Ball; RM Head, A de VC Knott-Craig, WE Lucas-Bull, NP Mnxasana and DI Hope.

Group Transformation and Sustainability Committee

The Group Transformation and Sustainability Committee has the broad responsibility of monitoring all issues pertaining to the integrated economic, social, environmental, human resources and transformation performance of the Bank.

This committee assists the Board in discharging its responsibility both to ensure that the Group proactively addresses the requirements and/or recommendations for integrated sustainability reporting as set out in King

II and the Global Reporting Initiative, an international multi-shareholder process setting out measures for reporting economic, environmental and social performance, as well as to give the needed attention at Board level to issues pertaining to the Financial Sector Charter, (a transformation charter, as contemplated in the broad-based BEE legislation, that was voluntarily developed by the financial sector and that constitutes a framework and establishes the principles on which BEE will be implemented in the financial sector) and Department of Trade and Industry codes on BEE, training and development, and social and environmental responsibility. The members of the Group Transformation and Sustainability Committee are TCP Chikane (chair), B de L Figaji, CJW Ball, PJ Moleketi and GT Serobe.

The committee structure is also supported by Group Exco and other supporting executive committees.

Related Party Transactions

The Bank enters into banking transactions in the normal course of business with related parties. The Bank defines related parties as:

- (a) Group Limited;
- (b) Old Mutual Life Assurance Company (SA) Proprietary Limited (which, through its subsidiaries, holds 52 per cent. of Group Limited);
- (c) Old Mutual;
- (d) Mutual and Federal Life Assurance Company Limited;
- (e) associate companies and joint venture companies;
- (f) key management personnel (including those persons who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly);
- (g) close family members of key management personnel who may be expected to influence, or be influenced by that individual's dealings with the Group (family members may include the individual's spouse/domestic partner and children, a domestic partner's children and dependants of the individual or domestic partner); and
- (h) enterprises which are controlled by these individuals through their majority shareholding or their role as chairman and/or CEO in those companies.

It is the policy of the Bank for all related party transactions to be entered into in the normal course of business and at market rates.

Employees

As of 31 December 2009, the Bank had 27,037 employees (compared to 27,570 employees as at 31 December 2008 and 26,522 as at 31 December 2007). As at 31 December 2009, 3,719 of the Bank's employees worked in the Nedbank Corporate division (3,911 in 2008), 695 of the Bank's employees worked in the Nedbank Capital division (693 as at 31 December 2008) and 16,058 of the Bank's employees worked in the Nedbank Retail division (16,461 as at 31 December 2008).

A significant number of the Bank's non-managerial employees are represented by trade unions. The Bank has not experienced any significant strikes or work stoppages in recent years and considers its employee relations to be excellent.

The Bank has developed employment policies to meet the needs of its different business segments in the locations in which they operate, embodying principles of equal opportunity. The Bank has business standards

with which it expects its employees to comply, and it encourages involvement of employees in the performance of the business in which they are employed and aims to achieve a sense of shared commitment.

Capital Adequacy

The capital base of the Bank provides the foundation for lending, off-balance-sheet transactions and other activities. The Bank is subject to regulatory capital requirements. Capital adequacy is measured in terms of the Banks Act, under which the Bank must maintain a minimum level of capital based on risk-adjusted assets and off-balance-sheet exposures. Until 31 December 2007, the Bank was subject to regulatory-capital adequacy requirements under Basel I, which changed to Basel II on 1 January 2008. At the Bank, capital adequacy is measured via two risk based ratios: Tier 1 capital and Total capital.

Tier 1 capital is a function of core capital and non-core capital, encompassing non-redeemable non-cumulative preference shares and hybrid capital. Total capital also includes other items such as subordinated debt and an eligible portion of the total general allowance for credit losses. All of these capital measures are stated as a percentage of risk weighted assets. Risk weighted assets are measured in terms of Basel II and the Bank has been granted regulatory approval for the implementation of the Advanced Internal Ratings Based Approach under Basel II for credit risk.

The Banks Act requires the Bank to maintain a minimum level of capital based on the Bank's risk weighted assets. These minimum requirements are a Tier 1 capital ratio of 7.0 per cent. and a total capital ratio of 9.5 per cent.. Non-core capital can comprise a maximum of 25 per cent. of Tier 1 capital.

The Bank's capital management policy is set out in the Group's capital management framework which is approved by the Board. The Bank seeks to maintain total capital of between 11.5 - 13.0 per cent. of risk weighted assets; Tier 1 capital of between 8.5 - 10.0 per cent. of risk weighted assets and a core Tier 1 capital of 7.5 - 9.0 per cent. of risk weighted assets. The Bank also performs a detailed internal capital adequacy assessment process that supports these ranges and the excess held above the regulatory minimums required by the Registrar of Banks.

The Group's capital management framework requires the Bank to be capitalised at the higher of economic or regulatory capital (inclusive of a buffer to allow for expansion and volatility). Economic capital is defined as the capital which the Bank must hold, commensurate with its risk profile under severe stress conditions, to give comfort to third party stakeholders (shareholders, counterparties and depositors, rating agencies and regulators) that it will be able to discharge its obligations to third parties in accordance with an indicated degree of certainty, even under stressful conditions, and will continue to be able to operate as a going concern. The "bottom-up" statistical economic capital calculation is done at a 99.93 per cent. confidence interval.

The following table sets out the Group's economic-capital adequacy as at 31 December 2009 and 31 December 2008, including target and actual capital adequacy ratios.

	Target	As at 31 December	
		2009	2008
		<i>(per cent.)</i>	
Core Tier 1	7.5 to 9.0	9.9	8.2
Tier 1	8.5 to 10.0	11.5	9.6
Total	11.5 to 13.0	14.9	12.4

Over a four year period, the Bank underwent an extensive implementation programme in preparation for Basel II. Basel II is substantially more risk sensitive than Basel I. The implementation of Basel II together with implementation of full performance measurement and capital allocation on a risk-adjusted basis was the final step in implementing the Bank's risk and capital management framework. The Bank has continued to focus on the strengthening the quantum and quality of its capital during the year as evidenced by the improved capital ratios.

Further detail of the regulatory capital requirements and available capital can be found in the governance section of the 2009 audited group annual report which is incorporated by reference.

Legal Proceedings

The Bank and its subsidiaries have been, and continue to be, the subject of legal proceedings and adjudications from time to time.

There are a number of legal or potential claims against the Bank and its subsidiaries, the outcome of which cannot at present be foreseen. These claims are not regarded by management as material either on an individual or collective basis.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have during the 12 months prior to the date of this Prospectus, or have had in the recent past, a significant effect on the financial position or profitability of the Bank and its subsidiaries.

Property

As at 31 December 2009, the Bank held the freehold title to land and buildings with a net book value of R3,195 million compared to R2,617 million as at 31 December 2008.

Insurance

The Group has placed cover in the London traditional insurance market of up to GBP 125 million for losses in excess of R50 million. The cover is at the Group level and covers all subsidiaries within the Group, including the Bank. Group captive insurers provide cover for losses that may occur below the R50 million level, retaining R100 million. Certain layers of the Group insurance programme are shared with the Old Mutual Group. These arrangements have been in place since 2006.

IT/Technology

Information technology is an integral part of the Bank's operations. The Bank is continually seeking to improve the operating features and security of its IT systems, in particular for new technologies to support and enhance its business strategies.

Information risk management within the Bank not only involves securing bank information and systems, but also entails the application of risk management principles to ensure efficient, reliable and timely delivery of information.

The following table sets out the carrying value of computer equipment, software and software development costs of the Bank in connection with information technology for the years ended 31 December 2009 and 31 December 2008.

	As at 31 December	
	2009	2008
	<i>(Rm)</i>	
Computer costs		
Software	4,103	3,554
Software Development costs	933	893
Computer Equipment	2,708	2,504
	<u>7,744</u>	<u>6,951</u>
Accumulated amortisation and impairment losses	5,331	4,695
Carrying Amount	<u>2,413</u>	<u>2,256</u>

Funding

The Bank's primary funding objective is to secure funding at an optimal cost from diversified and sustainable funding sources. The Bank's funding policies are set out in the Market Risk Framework which is approved by the Board. The implementation of the Market Risk Framework is the responsibility of the Balance Sheet Management Division, a Head Office function. The Liquidity Risk Framework aims to ensure that the Bank has sufficiently diversified funding sources to meet obligations when they fall due, as well as the ability to fund ongoing lending and trading activity under increasing levels of stress at a minimum acceptable level of cost.

The Liquidity Risk Framework seeks to achieve this by ensuring:

- an appropriate mix of deposit funding in terms of both source and term structure;
- sufficient callable or near term maturity assets in relation to maturing deposits;
- sufficient saleable assets such as marketable securities which are not encumbered in any way;
- sufficient on-balance sheet assets that are earmarked for securitisation, as well as the operational capability to tap the capital market on a regular basis; and
- proactive management of all off-balance sheet sources of liquidity risk.

The Bank's principal funding strategy is to achieve as far as possible a strong market share in retail, commercial and corporate deposits as these deposits represent the most cost effective source of funding for the Bank. The Bank also seeks to fund asset growth through debt issuance on the capital markets and has established a range of debt issuance programmes to ensure maximum efficiency and flexibility in accessing funding opportunities.

As at 31 December 2009, the Bank had 24 per cent. of the total market for household deposits and 19 per cent. of corporate and business deposits (source: SARB BA900 Report, December 2009). A key focus in terms of the Board approved Funding Plan is to continually grow and gain market share as it relates to "stable" retail and commercial funding.

As part of the strategy of lengthening the funding profile, the Bank is an active issuer under its Domestic Medium Term Note (DMTN) programme issuing fixed, floating and indexed instruments with maturities which typically range between 3 and 10 years.

In the past, the Bank has also raised funding through the securitization of residential mortgages and auto instalment sales agreements. With the market for securitized instruments having been effectively closed since the third quarter of 2007, no assets were securitized in 2008 or 2009. However, there are some early signs that demand for securitized instruments may start to increase as the market begins to normalise.

Issuance under the Programme will contribute positively to lengthening and diversifying the Bank's funding base as part of achieving Board approved liquidity risk management objectives.

Group approach to risk management

Risk Management

The Bank has adopted a comprehensive risk management strategy and methodology, which is underpinned by an enterprise-wide risk management framework. Enterprise-wide Risk Management ("ERM") in the Bank is approached in a structured and disciplined manner aligning strategy, policies, charters, people, processes, technology and knowledge with the purpose of evaluating and managing the opportunities, threats and uncertainties the Group faces as it creates shareholder value. It involves integrating risk and capital management effectively, across an organisation's risk spectrum, business units and operating divisions, geographical locations and legal entities.

The Group view is that a strong risk governance process is the foundation for successful risk management, and is based on a 'three lines of defence' concept which is the backbone of the Group's Enterprise-wide Risk Management Framework ("ERMF"). This incorporates a strong emphasis on accountability, responsibility, independence, reporting, communications and transparency, both internally and with all key external stakeholders.

Risk Governance

The Bank defines risk as any source of uncertainty about the future operating environment that can affect profits or result in adverse outcomes, including reputational damage. ERM function of the Group is responsible for the independent oversight and monitoring required to continuously drive improvement of the Group's risk management capabilities in a challenging and ever changing operating environment. The objective of the risk management programme is not only to protect, but also to add enterprise value to the Group's strategy, people, processes, technology and knowledge. Risk management is embedded in the Group's strategy and is integrated into its day-to-day operating activities. Direction and oversight of risk management occur at the executive management level.

A key-issues control log has been developed to establish a reporting process that will promote a sound risk culture and facilitate timely identification and escalation of risk concerns to the appropriate levels. These are risks of potentially serious impact. This reporting is encouraged to develop a risk culture throughout the Group of prevention being better than cure as well as of risk transparency.

Enterprise-wide Risk Management Framework

The ERMF governs the risk management process and provides a matrix of business, strategic, financial and non-financial risks that the Group will monitor. In terms of the framework, risk management is vested as an integral part of management's functions at all levels of the Group and includes the management of governance, strategy, business performance, competitiveness, human resources, processes, information technology, and operational, financial and tax risk. The ERMF, fully embedded across the Group, is supplemented by individual sub-frameworks such as those for credit risk, market risk, liquidity risk, operational risk and capital risk.

The ERMF facilitates effective communication at executive management and Board levels, and strong interaction across the Bank between the businesses and central Bank services. The Board acknowledges its responsibility for the entire process of risk management and for evaluating the effectiveness thereof. The Board is assisted by nine Board committees. At executive management level the Group Executive Committee is also assisted with its risk, strategic and operational responsibilities by eleven subcommittees.

The framework aims to incorporate the risk management process into the overall management process. This process drives strategy, products, services and processes to generate profits and growth in a sustainable way, while the risk management process supports management by providing the checks and balances, through risk quantification, qualitative assessments, monitoring and the initiation of corrective measures, to ensure sustainability, performance, the achievement of the desired objectives and to avoid adverse outcomes and reputational damage.

The framework complies with statutory and regulatory requirements and is in line with King III and COSO requirements. The risk framework has been reviewed and benchmarked against international best practice and has proved to be thorough, effective and robust in fully supporting enterprise risk management principles.

Another key component of the ERMF is a comprehensive set of Board-approved policies and procedures, which are updated annually. The coordination and maintenance of this process rests with the head of ERM, who reports direct to the Chief Risk Officer.

Risk Appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk the Group is willing to accept in pursuit of its strategy, duly set and monitored quarterly by Group Exco and the Board, and integrated into the Bank’s strategy, business, risk and capital plans.

The Bank measures and expresses risk appetite in terms of quantitative risk metrics and qualitatively. The quantitative metrics include earnings at risk (EaR) (or earnings volatility) and, related to this, the “chance of regulatory insolvency”, “chance of experiencing a loss” and economic capital adequacy. These comprise the Group’s “Group-level risk appetite metrics”. In addition, a large variety of risk limits, triggers, ratios, mandates, targets and guidelines are in place for all the financial risks (eg credit, market and ALM risks).

Qualitatively, the Bank also expresses risk appetite in terms of policies, procedures, statements and controls meant to limit risks that may or may not be quantifiable.

The Group’s risk appetite is defined across five broad categories as set out in the Board-approved risk appetite framework:

- Group-level risk appetite metrics. These are expanded upon below;
- Specific risk-type limit setting (clarifying across the Bank’s businesses the mandate levels that are of an appropriate scale relative to the risk and reward of the underlying activities so as to minimise concentrations and other risks that could lead to unexpected losses of a disproportionate scale);
- Stakeholder targets (such as target debt rating for economic capital adequacy and dividend policy);
- Policies, procedures and controls; and
- Zero-tolerance statements.

The Group’s Level Risk Appetite Metrics are set out below:

<i>Group metrics</i>	<i>Definition</i>	<i>Measurement methodology</i>	<i>Targets achieved as at 31 December 2009</i>
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EaR	Pretax earnings potentially lost over a one-year period	Measured as a 1-in-10-year event (ie 90 per cent. confidence level)	EaR less than 100 per cent. of pretax economic earnings
Chance of experiencing a loss	Event in which the Group experiences an annual loss (on an economic basis)	Utilises EaR by comparing with expected profit over the next year	Better than 1 in 10 years
Chance of regulatory insolvency	Event in which losses would result in the Bank being undercapitalised relative to minimum regulatory capital ratios (both Tier 1 and total capital ratios)	Utilises EaR and compares with capital buffer above regulatory minimum – expressed as a 1-in-x-year chance of regulatory insolvency	1 in 30 to 50 years
Economic capital adequacy	The Bank adequately capitalised on an economic basis to its current international foreign currency target debt rating	Measured by comparing available financial resources with economic capital requirement	Equivalent rating of A- or 99.9 per cent. confidence interval or better (plus 10 per cent. buffer)

The Bank has cultivated and embedded a prudent and conservative risk appetite, focused on the basics and core activities of banking.

Individual risk appetite targets, as relevant to the type of approved business activities, have been approved for each business cluster and major business units.

The table below provides risk appetite metrics and targets for the Group as at 31 December 2009*.

Group target as at 31 December 2009

Credit Risk Profile

Credit Loss Ratio (per cent.)	0.60 per cent. - 1.0 per cent.
Credit Risk Weighted Assets (“RWA”): Loans and advances (per cent.)	52 per cent. - 58 per cent.
Credit Property Exposure: Loans and advances (per cent.)	< 45 per cent.
Properties in Possession: Loans and advances (per cent.)	< 0.1 per cent.
Average PD (per cent.) - performing book (TTC)	< 3 per cent.
Average LGD (per cent.) - performing book (TTC)	18 per cent. - 22 per cent.
Average EL (per cent.) - performing book (TTC)	0.6 per cent. - 0.7 per cent.

* Enhanced Suite of Metrics Finalised in 2009: Group and Business Cluster Level

Defaulted EAD: Total EAD (per cent.)	< 2 per cent.
EAD: Exposure (per cent.)	< 120 per cent.
<i>Counterparty Credit Risk (“CCR”) (Derivatives) Profile</i>	
CCR EAD: Total EAD (per cent.)	< 2 per cent.
CCR Economic Capital (“ECap”): Total ECap (per cent.)	< 0.5 per cent.
<i>Securitisation Credit Risk Profile</i>	
Securitisation RWA: Total RWA (per cent.)	< 0.4 per cent.
<i>Trading Market Risk Profile</i>	
VaR (99 per cent., 3 day)	< 127
Stress Trigger (R 'm)	< 846
Trading ECap: Total ECap (per cent.)	< 3 per cent.
<i>Equity (Investment) Risk Profile</i>	
Exposure :Total Assets	< 2 per cent.
Equity Investment ECap: Total ECap (per cent.)	< 7 per cent.
<i>Liquidity Profile</i>	
Short-term (0 to 31 days) funding: Total funding (per cent.)	58 per cent. (tolerable deviation +5 per cent.)
Medium-term (32 to 180 days) funding: Total funding (per cent.)	18 per cent. (tolerable deviation +5 per cent.)
Long-term (> 180 days) funding: Total funding (per cent.)	24 per cent. (tolerable deviation - 5 per cent.)
Contractual maturity mismatch (0 to 31 days): Total funding (per cent.)	38 per cent. (tolerable deviation +5 per cent.)
Net interbank reliance: Total funding (per cent.)	< 1.5 per cent. (tolerable deviation +1 per cent.)
<i>IRRBB Profile</i>	
Net Interest Income (“NII”) interest sensitivity: Equity (per cent.)	< 2.5 per cent.
NII interest sensitivity: 12 months NII (per cent.)	< 7.5 per cent.
NII interest sensitivity: Interest Earning Assets (bps)	< 25 bps
Economic Value of Equity: Equity (per cent.)	< 5 per cent.
<i>Foreign Currency Translation Risk Profile</i>	
Currency Equity: Total Equity	< 5 per cent.
<i>Group Risk Appetite Metrics</i>	
EaR	< 100 per cent.
Chance of a loss (1 in x years)	> 10
Chance of regulatory insolvency (1 in x years)	> 50
Available financial resources: ECap (A solvency target)	> 110 per cent.

Total RWA: Total Assets (per cent.)	55 per cent. - 57 per cent.
Leverage Ratio	< 18 per cent.
<i>Group Capital Adequacy (Basel II)</i>	
Core Tier 1 (In current environment, target is top and above of range)	7.5 per cent.-9 per cent.
Tier 1 (In current environment, target is top and above of range)	8.5 per cent.-10 per cent.
Total (In current environment, target is top and above of range)	11.5 per cent.-13 per cent.

The global financial crisis has highlighted that the appropriate level of capital for a bank is a direct function of its risk appetite, strategy and existing risk profile. This aligns directly with one of the key objectives of Basel II, which is to differentiate capital requirements, and adequacy of capital buffers above the regulatory minimum, to reflect the unique risk profile on a bank by bank basis, rather than a ‘one-size-fits-all’ approach.

Credit 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.

Credit risk arises from advances to customers, lending commitments, contingent products (e.g. letters of credit) and traded products such as derivative instruments. It could also arise from the decrease in value of an asset subsequent to the downgrading of a counterparty. It is by far the most significant risk type and accounts for approximately 56 per cent. of the Group's economic-capital requirement.

Country risk relates to the likelihood that changes in the business environment will occur that reduce the profitability of doing business in a country and ultimately may result in credit losses arising from cross-border transactions.

Governance structure of the Bank's AIRB credit system

Credit risk is managed across the Bank through GCRF, which encompasses comprehensive credit policy, mandate limits and governance structures. It is a key component of the Group's ERMF and the economic capital and risk appetite frameworks. Through the establishment of formal credit risk management and governance structures, policies, procedures and methodologies, the Group aims to achieve effective management of credit risk, to provide an adequate return on risk adjusted capital in line with the Group's risk-reward appetite.

The Executive Credit Committee (“ECC”) is the designated committee appointed by the Board to monitor, challenge and ultimately approve all material aspects of the Bank's credit rating and risk estimation processes.

In this regard the Board and its Group Credit Committee (“GCC”) are required by the new Basel II regulations to possess a general understanding of the AIRB credit system and the related reports generated. They also need to ensure the independence of the Bank's credit risk control unit, the Credit Models Validation Unit (“CMVU”) and the effective functioning of the ECC.

The technical understanding required of senior management is greater than that required at Board level. Management must possess a detailed understanding of the AIRB credit system and the reports it generates. Management ensures the effective operation of the AIRB credit system assisted by the independent credit risk control units.

Divisional credit committees (“DCCs”), with chairpersons independent of the business units, operate for all major business units across the Group. The DCCs are responsible for approving and recommending credit

mandates and credit policy, as well as reviewing divisional-level credit portfolios, performance parameters, adequacy of impairments, expected loss and credit capital levels.

An independent Group Credit Risk Monitoring (“GCRM”) unit is part of Group Risk. The GCRM unit is responsible for the ongoing enhancement of credit risk management across the Group, the GCRF and AIRB credit system, it monitors credit portfolios and reports to executive management, DCCs, the ECC and ultimately the GCC on a regular basis. As part of GCRM the CMVU has overall responsibility for the Basel II AIRB methodology across the Group and ensuring consistency in the rating processes as well as ultimate responsibility for independent model validation.

In each of the business clusters credit risk management functions operate independently of credit origination, reporting into the cluster head of risk, who in turn reports to the cluster managing executive. In line with the Basel II AIRB methodology, each cluster has implemented economic-capital quantification and economic-profit performance measurements. Each cluster also has cluster credit units that are responsible for the ongoing expert design, implementation, validation and performance of their business cluster's internal rating systems, with input and oversight by the CMVU.

The Bank's AIRB credit system forms the basis of its measurement and management of credit risk across the Bank. The Bank requires that ratings be performed for all transactions, not only to achieve Basel II regulatory compliance but, more importantly, to allow the Bank to measure credit risk consistently and accurately across its portfolio. The Group Credit Portfolio Management Unit in the Group Capital Management Division strives to manage and optimise the Group's credit portfolios and credit concentration risk. For this purpose the Group uses a sophisticated and tailored Credit Portfolio Model, which calculates credit economic capital (or credit value at risk) and provides other key inputs for best-practice credit risk and capital measurement.

Credit Risk Management

Credit risk is managed through comprehensive policies and processes that ensure adequate identification, grouping (on cash flow dependence or control), measurement, monitoring and control as well as reporting of credit risk exposure. The objectives of the policies and processes are to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement and monitoring through the implementation of adequate risk management controls.

Based on the Group's credit risk appetite and competitive credit strategies, credit risk is managed with reference to risk-reward principles. The reward is managed through pricing for risk on an individual and portfolio basis.

Group credit policy incorporates the relevant credit risk principles in the new regulations relating to banks as well as best practice. This policy is implemented across the Group, with detailed and documented policies and procedures, suitably adopted for either the retail, commercial or corporate business units, forming the cornerstone of sound credit risk management. This provides a firm framework for credit granting as well as the subsequent monitoring of credit risk exposures.

In respect of credit approvals, knowing the client, identifying and understanding all the risks and having an adequate free cash flow to service the loan remain key drivers in granting good credit. Following credit approval, all facilities/portfolios are subject to an ongoing credit risk management process as well as annual review (as a minimum requirement). In terms of this process credit exposures are identified, grouped, classified, measured, managed, controlled and monitored on a continuous basis and regularly reported on. There is considerable emphasis on the early identification of high-risk loans (monitoring early warning signals), which, together with a proactive intervention and workout approach, ensures an acceptable cure rate of such loans. In addition, renewed focus on the risk/reward relationship and the resultant pricing for risk ensure that credit risk is managed within the predetermined credit risk appetite of the Group.

Credit risk mitigation

For all term loans exceeding one year covenants and the provision of collateral may be negotiated to protect the Bank against the effect of unforeseen circumstances. The primary consideration in the assessment of any lending opportunity remains a borrower's financial position and its ability to repay from its own resources and cash flow. Collateral mitigates the risk (i.e. the expected loss (“EL”) of an exposure) by affecting its pricing through the decrease of the LGD of an exposure.

Information on the collateral obtained to mitigate risk is contracted, documented and safely stored. This information is loaded on the Bank's electronic collateral management system that is integrated with the Bank's exposure management system and linked to borrower facilities. The borrower rating data, together with exposure, facility and collateral data is used by the Bank to calculate the relevant credit risk parameters used for calculating regulatory and economic capital requirements. Typical collateral loaded in the collateral system include sureties, guarantees, mortgage bonds, fixed deposits and moveable assets. Collateral may also include some derivative instruments, particularly for counterparty credit risk in the market risk environment.

Other forms of credit risk mitigation that take place are on- and off-balance sheet netting, margin calls (where applicable) and set-off. Off-balance sheet netting usually occurs in the over-the-counter environment whilst set-off (subject to all legal requirements) and on-balance sheet netting takes place in the banking book.

The credit portfolio is constantly monitored and managed using all the credit risk parameters generated by the Bank's credit risk systems.

Credit risk concentrations

Concentration risk originates from within the various credit portfolios and the Bank recognises and manages the following risks:

- Risk ratings: The banking book is reported and managed in terms of a spread of risk ratings as the business units pursue a balanced distribution across the various levels of risk ratings;
- Risk products: A distribution of lending across the various products lines aims to ensure, amongst other benefits, a cost efficient flow of income and a balanced presence in the market place;
- Industry sector and sub sector: The Bank safeguards against concentrations of exposure, not only to mainstream industries operating in similar environments, but also to peripheral industries that depend on a single or major debtor and/or supplier as well as correlations within industries;
- Non-standard portfolios: Non-standard portfolios are an aggregation of credits of a specialised nature which cannot totally support their required level of facilities, based on the Bank's normal criteria, but where there are extenuating factors and sufficient credit risk mitigation in place to award such a portfolio. Non-standard portfolios are supported by dedicated policies including assessment, monitoring and management directives;
- Geography (excluding South Africa): The Bank seeks to avoid significant levels of exposure concentration, particularly in geographical areas with similar characteristics that may be sensitive to changes;
- Sovereign risk: Maximum credit appetite levels are set in terms of all sovereign risk;
- Collateral/credit risk mitigation: The Bank reviews any high levels of concentration of collateral security, including credit insurance and particularly equities due to frequent price movements; and
- Large exposures: Large wholesale exposures on individual names are recognised and reported to and approved by the large exposure credit approval committee, a sub-committee of the Board.

Credit risk measurement

Credit risk measurement forms an integral part of the management of credit risk. Through the implementation of the Basel II requirements for the AIRB approach for credit risk in the Bank, the rating systems used provide a consistent focus on credit risk measurement. These risk parameters have been used in the calculation of regulatory capital for the Bank from the live date of Basel II, being 1 January 2008.

The Bank uses two master rating scales for measuring credit risk. The first measures borrower risk without the effect of collateral and any credit risk mitigation (i.e. PD rating only), while the second measures transaction risk (i.e. EL), which incorporates the effect of collateral and any credit risk mitigation.

All credit applications are required to carry the borrower PD rating from the NGR master rating scale, estimate of LGD and overall transaction rating from the Bank's transaction rating master rating scale.

The comprehensive PD rating scale, which is mapped to default probabilities and external rating agency rating scales, enables the Bank to rate all borrowers on a single scale, whether they are the very best corporate or most risky borrower. The principal benefit thereof is that comparisons can be made between the riskiness of borrowers making up various portfolios. A brief explanation of the scale follows (the same rating scale is used for Basel II credit risk capital calculations):

NGR01 to NGR20 reflect a profile of credit risk starting with very-low-risk borrowers with a PD as low as 0.01 per cent., to risky borrowers with a default probability as high as approximately 8 per cent..

NGR21 to NGR25 represent very-high-risk borrowers with default probabilities of 10 per cent. or more. While many banks would generally not expose themselves to this degree of risk, these rating grades exist for three reasons:

- being an emerging market, there are times when local banks would be willing to take on this level of risk, while pricing appropriately;
- it caters for borrowers that were healthy but have migrated down the rating scale to the point of being near default; and
- from time to time the Bank may grant facilities to very risky borrowers on the basis of significant collateral offered. This particular rating scale measures only the likelihood of the borrower defaulting and does not recognise that a very high level of default risk may well have been successfully mitigated.

The final ratings on the scale represent those borrowers that have defaulted. NP1 applies to recent defaults, NP2 represents those accounts in respect of which the Bank is proceeding to legal recovery of moneys owing and NP3 is for long-term legal cases, exceeding a period of 12 months.

Basel II specifically requires that AIRB banks maintain two ratings, one measuring the probability of the borrower defaulting and the second considering facility characteristics. The NTR scale reflects EL as a percentage of exposure at default ("EAD") and contains 10 rating bands – the first three bands representing facilities of very low risk, the next three bands being for facilities of average or acceptable risk and the final four bands indicating facilities of high or very high risk.

The NTR scale measures the total or overall credit risk (ie expected loss) in individual exposures, thereby allowing credit officers to consider the mitigating effect of collateral, other credit risk mitigation and recovery rates on borrower risk. This reflects the true or complete measurement of credit risk, incorporating not only PD, but importantly also LGD.

Both rating scales are based on the requirements of Basel II, namely that defaults that are 90 days or more past due date be consistently recognised across the Group as exposures, unless there are other qualitative considerations that render default classification prior to that point. All estimates are also based on a through-

the-cycle (“TTC”) view of risk. Basel II requires banks to base their LGD estimates for regulatory-capital requirements on a downturn scenario (ie downturn LGD), rather than an average TTC loss estimate. Downturn LGD therefore represents what could be expected in downturn economic conditions in the trough of a business cycle.

Non-Performing Loans and Impairment Policy

The Group regularly assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has (or events have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cashflows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group (including adverse changes in the payment status of borrower in the Group or national or local economic conditions that correlate with defaults on the assets in the Group).

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The Group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed either directly or by adjusting the allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value, because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, or a financial asset that is carried at cost because its fair value could not be determined, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss of an investment in equity instrument classified as available-for-sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period.

Maximum credit risk

Credit risk arises principally from loans and advances to clients, investment securities derivatives, granting financial guarantees and irrevocable loan commitments to provide facilities. The maximum credit risk is typically the gross carrying amount, net of any amounts offset and impairment losses. The maximum credit exposure for loan commitments is the full amount of the commitment if the loan cannot be settled net in cash or using another financial asset.

Principal Rating Processes

An overview of the principal rating processes follows:

Corporate including small and medium enterprises (“SMEs”), specialised lending and purchased corporate receivables, sovereign and bank

The Bank's corporate lending portfolio includes a number of sub-portfolios, including:

- large corporates;
- large private firms;
- parastatals and municipalities;
- SMEs;
- commercial property finance;
- property development finance;
- project finance;

- leveraged buyouts and BEE finance;
- commodity finance;
- exposures to sovereigns; and
- exposures to other banks.

A range of bespoke rating models has been developed to rate these various sub-portfolios and to produce estimates of PD, LGD and EAD. All models are developed in accordance with international best practice and are, wherever possible, based on the Bank's own internal data and long-run default experience. For certain low-default portfolios, such as exposures to other banks, the Bank simply does not have sufficient default experience to allow robust statistical modelling. In these instances suitable data has been sourced from appropriate data bureaus and the models developed in terms thereof. When external data is used to develop the models, great care is taken to ensure it is both appropriate and relevant.

When utilising models to rate corporate exposures, a pure statistical approach is not always the best option. While the Bank's models include both financial and qualitative factors, it is not always possible or even appropriate to include all relevant qualitative information in model inputs. For this reason all corporate ratings are subject to review by suitable experts, who have the authority to override model-based ratings within well-defined authority levels.

All sub-portfolios utilise the Basel II standard definition of default of 90 days overdue, although the earlier recognition of default is encouraged, when appropriate.

For one sub-portfolio (property development finance) the Bank makes use of the supervisory slotting approach to map internal ratings to five supervisory categories, each of which is associated with a specific risk weight. A rating model has been developed for the property development finance (high-volatility commercial real estate) portfolio, which allows the Bank to utilise its own estimates of PD for this portfolio.

Equities

The Bank utilises the simple risk-weighted method for equity exposures that are held in its banking book, other than in respect of investments in property holding and development companies where the PD/LGD approach is utilised. These equity exposures typically originate when the Bank takes an equity stake in a property company over and above normal lending exposure to such entity, and both the equity and lending exposures are accorded the same PD, although the prescribed supervisory LGD of 90 per cent. is used for the equity exposure.

Retail

The Bank's retail portfolio comprises a number of sub-portfolios, including the following:

- residential mortgages;
- vehicle and asset finance;
- credit cards;
- personal loans;
- small business services;
- retail SMEs; and
- overdrafts.

All applications are rated at inception by way of a number of bespoke rating scorecards tailored to the various segments that make up the portfolio. These scorecards have been internally developed and are based on the Bank's own default experience for this portfolio and developed on internal data, relevant credit bureau data or a suitable combination thereof.

The existing sub-portfolios are rerated monthly via a range of bespoke behavioural scorecards that have been developed based on the Bank's own internal data and experience of the portfolios.

Given the volumes of default data that exist in respect of retail portfolios, a pure statistical approach has been followed in respect of all rating models, including PD, LGD and EAD. Models are developed in accordance with best-practice methodologies. As the large data volumes used to develop these models mean that the likelihood of statistical anomalies is considerably reduced, rating overrides are not permitted on retail exposures.

The Bank has implemented processes within its AIRB Framework to conduct back-testing and so actively monitor the performance of all models, including analysing model predictions against actual outcomes. Formal back-testing of the models takes place at least annually and the models are also monitored on an ongoing basis to ensure that they remain predictive and stable.

Market Risk

Market risk, being the risk of revaluation of any financial instrument as a consequence of changes in market prices or rates, exists in all trading, banking and investment portfolios. Market risk in the Group arises mainly as follows:

- market risk (or position risk) in the trading book arises exclusively in Nedbank Capital;
- equity (investment) risk in the banking book arises in the private-equity and property portfolios within the Nedbank Capital and Nedbank Corporate clusters respectively, and in other strategic investments of the Group; and
- interest rate risk in the banking book (“IRRBB”), liquidity risk and foreign currency translation risk arising from mismatches between assets and liabilities originating from all business clusters. This is covered in the “Asset and Liability Management” section.

Market risk governance structures and processes

A Group market risk management framework, including governance structures, is in place to achieve effective independent monitoring and management of market risk as follows:

- The Board’s Group Risk and Capital Management Committee.
- The Group Asset and Liability Committee and Executive Risk Committee (“Group ALCO”), which is responsible for ensuring that the impact of market risks is being effectively managed and reported on throughout the Group, and that all policy, risk limit and relevant market risk issues are reported to the Group Risk and Capital Management Committee.
- The Trading Risk Committee, which is responsible for ensuring independent oversight and monitoring of the trading market risk activities of the trading areas. In addition, the Trading Risk Committee also approves new market risk activities and appropriate trading risk limits for the individual business units within the trading area. Meetings of the Trading Risk Committee are held monthly and chaired by the Head of Group Market Risk Monitoring. Attendees include the Chief Risk Officer, the Chief Financial Officer, risk managers from each cluster, Managing Executive and Chief Risk Officer of the Cluster and representatives from Group Market Risk Monitoring.

- An independent function within the Group Risk Division, namely Group Market Risk Monitoring (“GMRM”), which monitors market risks across the Group – this is a specialist risk area that provides independent oversight of market risk, validation of risk measurement, policy co-ordination and reporting.
- The federal model followed by the Group in terms of which business clusters are responsible and accountable for the management of the market risks that emanate from their activities, with a separate risk function within each cluster.
- Specialist investment risk committees within the business areas. Meetings are convened monthly and as required to approve acquisitions and disposals, and on a quarterly basis to review investment valuations and monitor investment risk activities. Membership includes the Chief Risk Officer, Chief Financial Officer, Managing Director and Head of Risk of each relevant business cluster and a representative from GMRM.

The Board approves the market risk appetite and related limits for both the banking book (asset and liability management and investments) and trading book. GMRM reports on the market risk portfolio and is instrumental in ensuring that market risk limits are compatible with a level of risk acceptable to the Board.

Trading Market (position) risk measurement and reporting systems

Market risk exposures for trading activities are measured using value at risk (“VaR”), supplemented by sensitivity and stress scenario analyses, and limit structures are set accordingly.

The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99 per cent. VaR number used by the Group reflects the 99 per cent. probability that the daily loss will not exceed the reported VaR.

VaR methodologies, employed to calculate daily risk numbers, utilise the historical approach to calculate exposure.

VaR is an important measurement tool and the performance of the model is regularly assessed. The approach to assessing whether the model is performing adequately is known as backtesting and is a historical test of the accuracy of the VaR model.

While VaR captures the Bank's exposure under normal market conditions, sensitivity and stress scenario analyses (and in particular stress testing) are used to add insight to the possible outcomes under abnormal market conditions. The Group uses a number of stress scenarios to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, reflecting the decreased liquidity that frequently accompanies market shocks.

Market risk reports are available at a variety of levels and with a variety of details, ranging from individual trader level right through to a Group level view of market risk. The Bank currently has regulatory approval for the standardised approach for market (position) risk.

Investment risk measurement and reporting systems

Equity (investment) risk in the banking book arises in the private-equity and property portfolios within the Nedbank Capital and Nedbank Corporate clusters respectively, and in other strategic investments of the Group.

Equity investments held for capital gain are generally classified as fair value through profit and loss, with fair value gains and losses reported in non-interest revenue. Strategic investments held with the intention of disposal within 12 months are generally classified as available for sale with fair value gains and losses recognised directly in equity.

Specialist investment risk committees are convened on a quarterly basis to review investment valuations and monitor investment risk activities. Membership includes the Chief Risk Officer, Chief Financial Officer, Managing Director and Head of Risk of relevant business cluster and a representative from GMRM.

The Group has adopted the market-based Simple Risk Weight Approach for regulatory and economic capital measurement purposes, with one exception. For economic capital the PD/LGD approach is used for exposures in respect of investments in property holding and development companies in our Property Finance division. The approach for regulatory capital was approved by SARB.

Asset and liability management

ALM addresses three of the Bank's major risk types, namely liquidity risk, interest rate risk in the banking book and foreign currency translation risk in respect of foreign investments and/or foreign loans or borrowings.

ALM forms part of the Balance Sheet Management Division (“BSMD”) and supports ALCO in terms of facilitating this committee's responsibility regarding these three important risks. ALM is supported by an established ALM desk and maintains close interaction with the centralised funding desk, both of which are located in the Treasury dealing room. These desks facilitate the implementation of on and off-balance-sheet strategies by providing access to products and tools available within Group Treasury.

Liquidity Risk

Liquidity risk is the risk that the Bank will not meet all payment obligations as liabilities fall due. It also represents the risk associated with not being able to realise assets to meet depositor repayment obligations in a stress scenario.

The Bank's role in financial intermediation is the transformation of short-term deposits into longer-term loans. This mismatch arises due to a depositor's requirement to have short to medium-term access to its asset versus a borrower's requirement to service debt over the long term in order to ensure affordability. This makes banks inherently susceptible to liquidity mismatches, particularly in times of distress. Accordingly, banks rely on ready access to money and capital markets to source liquidity from bank and non-bank participants with surplus liquidity. In an orderly functioning market, banks manage these mismatches with relative ease through a combination of strategic initiatives.

The recent international market turbulence sharply focused attention on the crucial role liquidity plays in assuring the effective functioning of the banking sector and related markets. The significant reduction of liquidity in short-term international money markets and virtual drying-up of liquidity in the securitisation market, coupled with problems in accessing funding in the secured financing markets caused severe liquidity difficulties for many international companies in funding their on and off-balance-sheet liquidity requirements.

The impact of these events on the Bank were not material, primarily because of the Bank's non-material foreign-funding requirements, small relative international footprint and relatively small conduit business that

has no foreign balance sheet components. In addition the Bank had no direct exposure to the US sub-prime market.

Although the impact of recent global liquidity developments were not significant for the Bank, ALCO continues to monitor international developments closely to identify any early signs that liquidity could once again become an issue in the off-shore markets.

Liquidity risk governance structures

The Group is exposed to potential liquidity risk throughout its operations because of the natural liquidity mismatches discussed above. Accordingly, liquidity management is a vital risk function in all entities across all jurisdictions and currencies, and is a key focus of the Group.

Ultimate responsibility for liquidity risk management rests with the Board, which has approved an appropriate liquidity risk management framework for the management of the Group's funding requirements and liquidity mismatches. This framework includes, *inter alia*, appropriately constituted non-executive and executive risk committees, a funding strategy forum, a centralised funding desk and divisional pricing/interest rate committees. It also includes appropriately defined charters for these forums as well as supporting policies and limits defining the risk appetite.

Liquidity risk management

To manage this risk, the liquidity team is responsible for the following:

- industry benchmarking;
- analysing and decreasing the concentration of short term funding maturities;
- diversifying the range of products offered to financial institutions;
- maintaining and managing a portfolio of available liquid securities;
- performing assumptions based sensitivity analysis to assess potential cash flows at risk;
- monitoring sources of funding for contingency funding needs;
- monitoring daily cash flow movements across the Bank's various payment streams;
- actively managing the daily settlements and collateral management processes;
- creating and monitoring liquidity risk limits; and
- maintaining an appropriate term mix of funding.

Management of the Bank's funding profile

Funding risk is the risk that the Bank does not have an appropriate mix of funding sources. This represents the risk of not having a diversified funding base by market segment, term structure (term to maturity), product range and client mix. High concentration in any one of these categories poses the risk that the Bank may have insufficient funding opportunities for advances growth or during a liquidity stress scenario.

The Bank's overall funding profile is managed through funds transfer pricing principles, involvement in the relevant product development and pricing committees of the Bank and development of funding product and pricing solutions with certain business units. The Bank's funding base is compared monthly with its industry peers to ensure that it is well diversified in terms of term structure and market segment of funding (financial institutions, government, corporates and retail clients). On both counts, the Bank is in line with market norms and has a well diversified funding portfolio.

Liquidity contingency planning

Product behaviour assumptions are assessed and stress analysis is performed on the current liquidity position in order to assess potential cash flows at risk. Consideration is given to a variety of appropriate contingency funding mechanisms aimed at ensuring the Bank remains liquid during stress conditions. In addition, the BSMD monitors and manages the Bank's portfolio of available liquid sources against these stress assumptions.

Interest rate risk in the banking book

The Bank is exposed to IRRBB primarily because:

- The Bank writes a large quantum of prime-linked advances;
- Funding is prudently raised across the curve at fixed term deposit rates that re-price only on maturity;
- Three-month JIBAR linked swaps and forward rate agreements are typically used in the risk management of term deposits and fixed rate advances (JIBAR is the Johannesburg inter-bank agreed rate, being (in the case of three-month JIBAR) the average mid-market yield rate per annum for 3-month deposits in Rand which appears on the Reuters Screen SAFEY page as the “SFX 3M YIELD”);
- Short-term demand funding products re-price to different short-end base rates;
- Certain non-repricing transactional deposit accounts are non-rate sensitive; and
- The Bank has a mismatch in net non-rate sensitive balances, including shareholders’ funds that do not re-price for interest rate changes.

This is clearly evident when reflecting on the Bank’s balance sheet re-pricing profile before hedging, whereby the balance sheet is clearly asset sensitive as assets re-price quicker than liabilities due to the extent of prime linked advances, followed by a re-pricing of term deposits as they mature out to one year and fixed rate advances some time after that as they mature, with a net non-rate sensitive credit position remaining that comprises equity, transactional deposits, debtors, fixed assets and creditors.

IRRBB can be summarised into four sources:

- Re-pricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and re-pricing (for floating rate) of bank assets, liabilities and off-balance sheet positions;
- Basis risk – imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics;
- Yield curve risk – changes in the shape and slope of the yield curve; and
- Embedded optionality – the risk pertaining to interest related options embedded in Bank products.

IRRBB strategy, governance, policy and processes

Interest rate risk in the banking book is managed within the Bank’s enterprise-wide risk management framework under market risk. Group ALCO, a sub-committee of the Board’s Group Risk and Capital Management Committee proactively manages IRRBB. The BSMD provides strategic insight and motivation in managing IRRBB to Group ALCO through appropriate risk reporting and analytics and by providing strategic input based on the committees interest rate views and defined risk appetite.

The Board assumes ultimate responsibility for IRRBB and has defined the Bank’s overall risk appetite for IRRBB. Appropriate limits have been set to measure this risk for both earnings and economic value within

which this risk must be managed. Compliance with these limits is measured and reported to the Group ALCO and the Board on a monthly basis.

IRRBB is actively managed through a combination of on- and off-balance sheet strategies, including hedging activities. Hedging is typically transacted on a portfolio basis for deposits albeit that larger longer dated deposits may be individually hedged along with fixed rate advances. The principal interest-rate related contracts used include interest rate swaps and forward rate agreements. Basis products, caps, floors and swaptions are used to a lesser extent. The principle on-balance sheet components used in changing the re-pricing profile of the balance sheet include the liquid asset portfolio, new term deposits and fixed rate advances. IRRBB strategies are evaluated regularly to align with interest rate views and defined risk appetite, ensuring that optimal on- and off-balance-sheet strategies are applied, either positioning the balance sheet or protecting interest income through different interest rate cycles.

Group ALCO continues to analyse, align and manage IRRBB with the likely change in impairments for similar interest rate changes. This relationship between interest rate sensitivity and impairments, which is seen as a natural net income hedge, is a key focus of the Group ALCO in managing IRRBB. This analysis includes an assessment of the lag in impairment changes and the increasing change in impairment charges for consecutive interest rate changes. Due to the complexity in determining the extent of this natural net income hedge, particularly during interest rate peaks and troughs, the modelling of this relationship and associated risk management strategies is challenging and continues to be refined and improved.

On-balance sheet strategies are executed through any one of the business units, depending on the chosen strategy. Changes to the structural interest rate risk profile of the banking book are achieved primarily through the use of the derivative instruments mentioned above and/or new on balance-sheet asset and liability products. Hedges are transacted through Group Treasury via the ALM desk, whereby unwanted IRRBB is passed through a market-making desk into market risk limits or into the external market.

Hedged positions and hedging instruments are measured and stress tested regularly for effectiveness and reported to Group ALCO on a monthly basis. These hedged positions and hedging instruments are fair valued in line with the appropriate accounting standards and designation. The Group ALCO typically has strategic appetite in respect of a period of one year and largely as a matter of policy eliminates re-price risk longer than one year, unless this committee chooses to lengthen the investment profile of its equity and or the non re-pricing transactional deposit accounts in order to better align interest rate sensitivity with impairment sensitivity or better position the balance sheet for forecast interest rate changes. Such strategic decisions must however maintain interest rate sensitivity and the economic value of equity within Board approved limits.

IRRBB cannot be taken by business units and accordingly is extracted from these units via an established funds transfer pricing solution. This solution removes re-price risk from the business units whilst leaving credit and funding spread in the businesses upon which they are measured. However, certain basis risk and endowment on free funds and non-re-pricing transactional deposits resides within these businesses in order for basis risk to be managed through pricing and in order for the endowment on these balances to naturally hedge impairment changes for similar interest rate changes. Strategies regarding the re-price risk are separately measured and monitored, having been motivated by BSMD and approved by Group ALCO.

IRRBB measurement, policies and portfolio review

The Group employs various analytical techniques to measure interest rate sensitivity within the banking book on both an earnings and economic value basis. This includes a re-pricing profile analysis, simulated modelling of the Bank's EaR and economic value of equity for a standard interest rate shock and stress testing EaR and economic value of equity for multiple stressed interest rate scenarios. These analyses include the application of both parallel and non-parallel interest rate shocks and rate ramps.

Economic capital is allocated to IRRBB under the Bank's Internal Capital Adequacy Assessment Programme ("ICAAP") and is based on a simulated modelling of the Bank's net interest income exposure to changes in interest rates as represented by a stochastic interest rate shock.

Operating Risks – business and operational risks

Business risk

Business risk is the risk of adverse outcomes resulting from a weak competitive position or from a poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include revenue volatility owing to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing, and structural inefficiencies.

The Group actively manages business risk through the various management structures, as set out in the ERMF, and within Group Capital Management by using an EaR risk methodology similar to the Group's risk appetite metrics. It is one of the major risk types within the Group's Economic Capital Model.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and/or from external events, including legal risk but not strategic or reputational risk.

Operational risk governance

To minimise the exposure to operational risk that arises as a consequence of the Group's financial risk-taking (credit and market) and operating activities, the Bank has embedded the Group Operational Risk Management Framework ("GORF"), which facilitates a consistent approach to operational risk management ("ORM").

Operational risk is inherent in most of the Group's activities, and there are a variety of operational risk sources. This necessitates an integrated approach to the identification, measurement, management and monitoring of operational risk.

The Group uses the standardised approach to operational risk for Basel II regulatory capital but has made an application to the SARB to use the advanced measurement approach.

Operational-risk management

Business management is responsible for the identification, management and monitoring of risk. Operational risk is addressed at the divisional enterprise-wide risk committees ("ERCOs"). Significant operational risks are escalated to the cluster operational-risk committees and then, if warranted, to the Board's Group Risk and Capital Management Committee. Operational-risk officers, who are tasked with coordinating the implementation and maintenance of the operational-risk management processes and GORF in the business, support management in the execution of its duties.

Group Operational-risk Monitoring ("GORM") functions in the second line of defence, its primary responsibilities being to maintain the Operational-risk Management Framework (which incorporates Basel II requirements), policies and enablers to support operational-risk management in the business. GORM also oversees the implementation of the Basel II requirements for operational risk.

Specialist functions within Group Risk, for example Forensic Services, Business Continuity Planning, Group Legal and Corporate Insurance, also assist frontline businesses with specialist advice, policies and standard setting. Pervasive operational-risk trends are monitored and reported to the Group Risk and Capital Management Committee.

Group Internal Audit (the third line of defence) and Enterprise Governance and Compliance provide assurance to the Board that the Operational-risk Management Framework is sound and that the policies and processes related to operational-risk management are adhered to.

Operational-risk measurement, policies and reporting systems

The three primary operational-risk management processes in the Group are risk assessment, loss data collection and the tracking of key risk indicators, which are designed to function in a mutually reinforcing manner.

Risk and control self-assessments are designed to be forward-looking. In other words, management is identifying risks that could threaten the achievability of business objectives, together with the required set of controls and actions, to mitigate the risks. Loss data collection and tracking are backward-looking and enable the monitoring of trends and the analysing of the root causes of loss events. Key risk indicators are designed to be both forward and backward-looking in the sense that they function not only as early-warning indicators but also as escalation triggers where set risk tolerance levels have been exceeded.

The results of the three processes are utilised to enhance the internal control environment, with the ultimate aim of reducing losses incurred, improving process efficiency and reducing earnings volatility.

Risk profiles, loss trends and risk mitigation actions are reported to and monitored by the risk governance structures of the Group.

Management is responsible for developing and maintaining control environments to mitigate operational risks inherent in their business. Specific mitigating action is reported at the ERCOs.

The Group is in the process of finalising operational-risk tolerance levels and incorporating these into the overall risk-adjusted performance calculations of the Group that will drive performance measurement and recognition of the Group. As at the date of this Prospectus the Basel II standardised-approach capital requirements are used in the Group's Economic Capital Model. The Group has submitted an application for permission to use the advanced measurement approach to the SARB.

The Board annually reviews and approves Group level policies.

There are several other important operational-risk specialist functions that assist the Bank in managing operational risk. These functions include but are not limited to:

- information security;
- safety and security services;
- regulatory-risk services (including money-laundering control, financial advice and the new credit legislation awareness);
- forensic services;
- business continuity planning and disaster recovery;
- legal-risk management; and
- the Group insurance programme.

The Group considers financial crime to be a major operational risk. For this reason the Group pursues a vigorous policy of mitigating this risk through the following measures:

- pursuance of a zero-tolerance policy in respect of staff dishonesty;

- proactive identification and prevention of criminal activity against the Group;
- reactive investigation and recovery of losses; and
- close cooperation with government and industry roleplayers to ensure the successful apprehension and conviction of the perpetrators of financial crime.

THE BANKING SECTOR IN SOUTH AFRICA

The South African banking system is well developed and effectively regulated, comprising a central bank (the South African Reserve Bank (“SARB”)), several large, financially strong banks and investment institutions, and a number of smaller banks. Many foreign banks and investment institutions have also established operations in South Africa over the past decade. The South African Government is a subscriber to the IMF and World Bank regulations and policies. South African banks are regulated by the Banking Supervision Department of the SARB and are required to comply with, among other regulations, the Regulations Relating to Banks issued under the Banks Act, 1990 (the “Banks Act”), which implement Basel II in South Africa. South Africa is a member of the International Liaison Group of the Basel Committee.

The National Payment System Act, 1998 was introduced to bring the South African financial settlement system in line with international practice and systematic risk management procedures. The Payment Association of South Africa, under the supervision of the SARB, has facilitated the introduction of payment clearing house agreements. It has also introduced agreements pertaining to settlement, clearing and netting agreements, and rules to create certainty and reduce systemic and other risks in inter-bank settlement. These developments have brought South Africa in line with international inter-bank settlement practice. Electronic banking facilities are extensive, with a nationwide network of automatic teller machines (“ATMs”) and internet banking being available.

South Africa is considered to have a sophisticated financial system and banking sector which compares favourably with those of other industrialised countries.

Regulation

Financial regulation in South Africa is currently performed by several agencies. Financial regulation legislation in South Africa is increasingly following international best practice through the accords of international bodies such as the Bank of International Settlements (“BIS”); the International Organization of Securities Commissions (“IOSCO”); and the International Association of Insurance Supervisors (“IAIS”). Banks in South Africa are governed by various acts and legislation, most significantly the Banks Act which is primarily based on similar legislation in the United Kingdom, Australia and Canada.

National Credit Act

As a result of the increasingly diversified business activities of South African banks and their central role in the provision of credit in the retail market, legislation aimed at protecting certain types of consumers has been enacted in South Africa. The National Credit Act, 2005 (the “NCA”) regulates, among others the granting of consumer credit and provides for advanced standards of consumer information and has made significant changes to the interest, costs and fees which retail banks and other credit providers may charge consumers in South Africa. The maximum prescribed interest rates which may be levied on credit agreements are set out in the regulations to the NCA. The NCA further stipulates a closed list of costs and fees which may be recovered under a credit agreement in addition to the capital amount and interest. These are an initiation fee, a monthly service fee, default administration costs and collection costs. The initiation fee for arranging the credit agreement may not exceed the maximum prescribed amount, monthly service fees for the banks administration of the agreement are currently capped at a maximum of R50.00, default administration charges must be levied in accordance with the Magistrates' Court Act, 1944 and collection costs are also limited. Other charges which may be applicable are strictly regulated and may only be levied if specifically listed in the NCA, and then only to the extent permitted. The NCA also requires each credit provider to register with the National Credit Regulator. In addition, certain credit agreements which contain unlawful provisions in terms of the NCA could potentially be rendered void *ab initio*.

Competition law

The South African Competition Commission launched an independent public enquiry into particular aspects of competition in retail banking and the national payment system in South Africa in August 2006 (the “Enquiry”). The broad focus of the Enquiry was on:

1. ATM Fees, Customer allocation and other related issues;
2. Payment Cards and Interchange Fees;
3. the National Payment System; and
4. Pricing Behaviour and Market Power.

In December 2008, the Enquiry panel published its full report. At the same time, the formation of an inter-governmental steering committee was announced. The steering committee is led by National Treasury and will determine the official regulatory response to the Enquiry recommendations. The three main areas of focus in those deliberations are:

1. Penalty fees

The Enquiry has recommended that unpaid debit order penalty fees be capped at R5 per transaction.

2. The Direct Charge Model on ATMs

At present, the account holding bank charges consumers for all cash withdrawals, even when they are at another bank’s ATM (an “off-us” transaction). Consumers are charged a “Saswitch” premium on top of the normal cash withdrawal fee for “off-us” cash withdrawals. The Enquiry report recommends that the Saswitch fee be replaced with a “direct charge” (or surcharge), payable by the consumer directly to the bank whose ATM is used. The inter-bank payment payable by the consumer’s bank to the other bank for the use of its ATM infrastructure would also no longer be charged. The consumer’s bank would retain the ability to charge a fee to the consumer for processing “off-us” cash withdrawals. The ATM bank would be forced to charge the same cash withdrawal fee to all consumers drawing cash at a given ATM, no matter where those consumers bank.

3. Interchange Fees

The Enquiry has recommended the formation of an independent panel, under the auspices of the SARB, to set interchange rates.

Anti-money laundering Legislation

Money laundering is regulated by the Prevention of Organised Crime Act, 1998 (“POCA”) and the Financial Intelligence Centre Act, 2001 (“FICA”). POCA is an omnibus act dealing, among other things, with money laundering, racketeering and criminal and civil forfeiture, and sets out the substantive money laundering offences. FICA complements POCA and provides an administrative framework to combat money laundering. Generally, FICA requires any person which is employed by a business or who is in charge of or manages a business to report suspicious and unusual transactions relating to the proceeds of unlawful activities connected to the affairs of such business to the relevant centre. Both FICA and POCA are in keeping with worldwide trends aimed at curbing the proceeds of crime, money laundering and the funding of terrorism. In 2006, the SARB commissioned two firms of auditors to verify compliance of banks with the requirements of the Financial Intelligence Centre Act, No. 38 of 2001. As a result of this audit, South African banks have made good progress in the implementation of anti-money laundering measures and combating the finance of terrorism.

New Companies Act

The Bank is subject to the applicable provisions of the Companies Act. The new Companies Act, 2008 (which will replace the Companies Act) has been promulgated as law but the date on which it is to come into effect has not been gazetted. The regulations to the new Companies Act, 2008 are still in draft form. The draft regulations are widely regarded as being unclear and, for this reason, the anticipated date of June/July 2010 for the new Companies Act, 2008 to come into effect is expected to be delayed.

SARB

SARB is responsible for bank regulation and supervision in South Africa with the purpose of achieving a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole. It performs this function through the office of the Registrar of Banks which issues banking licences to institutions and monitors their activities under the applicable legislation. The Registrar of Banks has extensive regulatory and supervisory powers. Every bank is obliged to furnish certain prescribed returns to the Registrar of Banks in order to enable him to monitor compliance with the formal, prudential and other requirements imposed on banks by, *inter alia*, the Banks Act. Such regulations may be (and are) amended from time to time in order to provide for amendments and additions to the prescribed returns, and the frequency of submission thereof. The Registrar of Banks acts with relative autonomy in executing his duties, but has to report annually to the Minister of Finance, who in turn has to table this report in Parliament. The extent of supervision entails the establishment of certain capital and liquidity requirements and the continuous monitoring of a bank's adherence to legal requirements and other guidelines. The performance of individual banks is also monitored on an ongoing basis against developments in the banking sector as a whole. If deemed necessary, inspectors can be appointed to inspect the affairs of any bank, or any institution or person not registered as a bank if there is reason to suspect that such an institution or person is carrying on the business of banking without a banking licence or appropriate exemption.

The prescriptions contained in Basel II necessitated a review of the regulations relating to banks. Currently the banking industry works within a three tiered framework, namely the Banks Act, the regulations to the Banks Act and Banks Act circulars. Effecting changes to the Banks Act requires Parliamentary approval and changes to the regulations require the approval of the Minister of Finance. The Steering Committee of the Accord Implementation Forum has proposed that the third tier be expanded to include guidance notes to detail agreed market practice. These guidance notes will not empower the regulator to create regulations but will provide for more flexibility in clarifying market practice within the confines of the Banks Act and the regulations as agreed between market participants (*Accord Implementation Forum Steering Committee Position Paper 63*).

Certain provisions of the Banks Act were amended, with effect from 1 January 2008, and the "Regulations Relating to Banks" were promulgated under section 90 of the Banks Act, with effect from 1 January 2008 (the "Regulations Relating to Banks"), in order, among other things, to provide for the issue by a bank of:

- tier 1 "hybrid-debt instruments", on the terms and conditions set out in Regulation 38(13) of the Regulations Relating to Banks, and for the proceeds of the issue of such "hybrid-debt instruments" to qualify as Primary Share Capital;
- upper tier 2 "hybrid-debt instruments", on the terms and conditions set out in Regulation 38(14)(a) of the Regulations Relating to Banks, and for the proceeds of the issue of such "hybrid-debt instruments" to qualify as Undated Secondary Capital;

- lower tier 2 term debt instruments, on the terms and conditions set out in Regulation 38(14)(b) of the Regulations Relating to Banks, and for the proceeds of the issue of such term debt instruments to qualify as Dated Secondary Capital;
- tier 3 term debt instruments, on the terms and conditions set out in Regulation 38(16) of the Regulations Relating to Banks, and for the proceeds of the issue of such term debt instruments to qualify as Tertiary Capital.

The Bank holds a full banking licence issued by the Registrar of Banks. It is an authorised dealer in foreign exchange in terms of the Exchange Control Regulations under the Currency and Exchanges Act, 1933. It is a central securities depository participant in Strate Limited, and is a full member of the JSE Limited, in terms of the Securities Services Act, 2004. It is an authorised financial services provider licensed by the Registrar of Financial Services Providers in terms of the Financial Advisory and Intermediary Services Act, 2002.

The Banks Act, the regulations and the circulars issued by the Registrar of Banks set out the framework governing the formal relationship between South African banks and SARB. The Bank and representatives of the Registrar of Banks meet at regular bi-lateral meetings, annual tri-lateral meetings (with the Bank's auditors) and annual prudential meetings (with the heads of each of the Bank's business divisions). The Bank also engages in quarterly "group discussions" with the Registrar of Banks to assess its performance against its peer group and it is subject to on-site reviews.

The Bank's relationship with the Registrar of Banks is managed by a dedicated regulatory and compliance department (which reports to the CEO's office) to ensure open, constructive and transparent lines of communication. Informal meetings, updates, trends and strategies are reported to the Registrar of Banks on a regular basis. The Bank also employs a senior, independent compliance officer to ensure adherence to the applicable legislation.

The Bank views its relationship with the Registrar of Banks as being of the utmost importance and it is committed to fostering sound banking principles for the industry as a whole. In this regard, the Bank is a leading member of the Banking Association of South Africa whose role is to establish and maintain the best possible platform on which banking groups can conduct competitive, profitable and responsible banking.

EXCHANGE CONTROL

The information below is not intended as legal advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchaser of notices. Prospective purchasers of notes who are non-South African residents or emigrants from the Common Monetary Area (defined below) are urged to seek further professional advice in regard to the purchase of Notes.

Exchange controls restrict the export of capital from South Africa, Namibia and the Kingdoms of Swaziland and Lesotho (collectively the “Common Monetary Area”). These exchange controls are administered by ExCon and regulate transactions involving South African residents. The purpose of exchange controls is to mitigate the decline of foreign capital reserves in South Africa. The Issuer expects that South African exchange controls will continue to operate for the foreseeable future. The South African government has, however, committed itself to gradually relaxing exchange controls and significant relaxation has occurred in recent years. It is the stated objective of the South African authorities to achieve equality of treatment between South African residents and non-South African residents in relation to inflows and outflows of capital. This gradual approach towards the abolition of exchange controls adopted by the South African government is designed to allow the economy to adjust more smoothly to the removal of controls that have been in place for a considerable period of time.

The prior written approval of ExCon is required for the issuance of each Tranche of Notes issued under the Programme. The Issuer will obtain the prior written approval of ExCon for the issuance of each Tranche of the Notes under the Programme. The Final Terms applicable to each Tranche of Notes issued under the Programme will be required to contain a statement that the requisite ExCon approval has been obtained for that issuance.

In addition, no South African residents and/or their offshore subsidiaries may, without the prior written approval of ExCon, subscribe for or purchase any Note or beneficially hold or own any Note.

ExCon may (and is currently expected to) impose certain conditions on the issue of each Tranche of Notes under the Programme, for example, with regard to maturity, issue size and listing.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in that country or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

South African Taxation

Withholding Tax

Under current taxation law in South Africa, all payments made under the Notes to resident and non-resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa.

Securities Transfer Tax

No securities transfer tax is payable on the issue or transfer of the Notes in terms of the Securities Transfer Tax Act, 2007.

Value-Added Tax (VAT)

No VAT is payable on the issue or transfer of Notes. Notes (bonds) constitute "debt securities" as defined in section 2(2)(iii) of the South African Value-Added Tax Act, No. 89 of 1991. The issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security is a financial service, which is exempt from VAT in terms of section 12(a) of that Act.

Commissions, fees or similar charges raised for the facilitation of these services will however be subject to VAT at the standard rate (currently 14 per cent.), except where the recipient is a non-resident as contemplated below.

Services (including exempt financial services) rendered to non-residents who are not in South Africa when the services are rendered, are subject to VAT at the zero rate in terms of section 11(2)(1) of the South African Value-Added Tax Act, No.89 of 1991.

Income Tax

Under current taxation law effective in South Africa a "resident" (as defined in section 1 of the South African Income Tax Act, 1962 (the "Income Tax Act") is subject to income tax on his/her world-wide income. Accordingly, all Noteholders who are tax resident in South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any interest earned in relation to the Notes. Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to applicable double taxation treaties). Interest income is deemed to be derived from a South African source if it is derived from the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of "interest-bearing arrangement". The Notes will constitute an "interest-bearing arrangement". The place of utilisation or application of funds will, unless the contrary is proved, be deemed, in the case of a juristic person, to be that juristic person's place of effective management. The Issuer has its place of effective management in South Africa as at the date of this Prospectus. Accordingly, if the funds raised from the issuance of any Tranche of Notes are applied by the Issuer in South Africa, the interest earned by a Noteholder will be deemed to be from a South African source and subject to South African

income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act (see below).

However, under section 10(1)(h) of the Income Tax Act, interest received by or accruing to a Noteholder who, or which, is not a resident of South Africa during any year of assessment is exempt from income tax, unless that person:

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during that year of assessment; or
- (b) at any time during that year of assessment carried on business through a permanent establishment in South Africa.

If a Noteholder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act exemption from or reduction of any South African tax liability may be available under an applicable double taxation treaty. Furthermore, certain entities may be exempt from income tax. Purchasers are advised to consult their own professional advisers as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act or under an applicable double taxation treaty.

In terms of section 24J of the Income Tax Act, any discount or premium to the Nominal Amount of a Note is treated as part of the interest income on the Note. Interest income which accrues (or is deemed to accrue) to a Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day-to-day basis until that Noteholder disposes of the Note or until maturity unless an election has been made by the Noteholder (if the Noteholder is entitled under Section 24J of the Income Tax Act to make such election) to treat its Notes as trading stock on a mark-to-market basis. This day-to-day basis accrual is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. In practice the premium or discount is treated as interest for the purposes of the exemption under section 10(1)(h) of the Income Tax Act.

However, due to the elective nature of the Issuer's interest payment obligations under the Tier 1 Notes and the Undated Tier 2 Notes, it is unlikely that section 24J of the Income Tax Act will apply to deem interest actually paid by the Issuer on the Tier 1 Notes and the Undated Tier 2 Notes to accrue on the aforesaid day-to-day basis. Interest actually paid by the Issuer on Tier 1 Notes and the Undated Tier 2 Notes will, however, still be subject to South African income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act.

Capital Gains Tax

Capital gains and losses of residents of South Africa on the disposal of Notes are subject to capital gains tax unless the Notes are purchased for re-sale in the short term as part of a scheme of profit making, in which case the proceeds will be subject to income tax. 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 will not be taken into account when determining any capital gain or loss. Under section 24J(4A) of the Income Tax Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest), be allowed as a deduction from the taxable income of the holder when it is incurred and accordingly will not give rise to a capital loss.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that person through which a trade is carried on in South Africa during the relevant year of assessment.

Purchasers are advised to consult their own professional advisers as to whether a disposal of Notes will result in a liability to capital gains tax.

Definition of interest

The references to “interest” above mean “interest” as understood in South African tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State of the European Union is required, from 1 July 2005, to provide to the tax authorities of another Member State of the European Union details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium has changed to the provision of information system (rather than a withholding system) from 1 January 2010.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, of the European Union have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State of the European Union. In addition, the Member States of the European Union have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State of the European Union to, or collected by such a person for, an individual resident in one of those territories.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of HSBC Bank plc and Nedbank Limited (acting through its Nedbank Capital division) (the “Dealers”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated Dealer Agreement dated 24 May 2010 (the “Dealer Agreement”) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has represented, warranted and agreed that, and each further dealer appointed under the Programme will be required to agree that, it will not offer, sell or deliver the Notes within the United States except in accordance with Rule 903 or Regulation S or Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of an offering of Notes, an offer or sale of Notes within the United States by any dealer whether or not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Public Offer Selling Restriction Under The Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) Authorised institutions

At any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) Significant enterprises

At any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR43,000,000 and (3) an annual net turnover of more than EUR50,000,000, all as shown in its last annual or consolidated accounts;

(c) Fewer than 100 offerees

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 relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) Other exempt offers

At any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (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 “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws:

Each Dealer has represented, warranted and agreed that:

(a) No deposit-taking

In relation to any Notes having a maturity of less than one year:

- (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
- (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) Financial promotion

It has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) General compliance

It has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Selling Restrictions Addressing Additional Securities Laws:

South Africa

In relation to South Africa, each Dealer has (or will have) represented, warranted and agreed that it will not solicit any offers for subscription for or sale of the Notes, and will itself not sell the Notes, in South Africa, in contravention of the South African Banks Act, 1990, the South African Exchange Control Regulations, 1961 promulgated pursuant to the South African Currency and Exchanges Act, 1933 and/or any other applicable

laws and regulations of South Africa in force from time to time and it will not make an “offer to the public” (as such expression is defined in the South African Companies Act, 1973 (the “SA Companies Act”)) of Notes (whether for subscription, purchase or sale) in South Africa. Accordingly, no offer of Notes will be made to any person in South Africa and accordingly this Prospectus does not, nor is it intended to, constitute a prospectus prepared and registered under the SA Companies Act.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, any other offering material or any Final Terms, in all cases at its own expense, and neither the Issuer nor any other Dealer shall have responsibility therefor.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Notes issued pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, warranted and agreed that:

- (1) It is (a) a qualified institutional buyer within the meaning of Rule 144A, (b) acquiring Notes for its own account or for the account of a qualified institutional buyer and (c) aware, and each beneficial owner of Notes has been advised, that the sale of the Notes to it is being made in reliance on Rule 144A.
- (2) It understands that such Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.
- (3) It understands that such Notes will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION.
- (4) The Issuer, the Dealers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.
- (5) It understands that the Notes offered in reliance on Rule 144A will be represented by one or more Rule 144A Global Note Certificates. Before any interest in a Rule 144A Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note Certificate, it will be required to provide a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (6) Distribution of this Prospectus, or disclosure of any of its contents to any person other than such purchaser and those persons, if any, retained to advise such purchaser with respect thereto is

unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S, by accepting delivery of this Prospectus, will be deemed to have represented, warranted and agreed that:

- (1) It (a) is aware that the sale of the Notes to it is being made pursuant to and in accordance with Rule 903 or 904 of Regulation S, (b) is, or at the time such Notes are purchased will be, the beneficial owner of those Notes and (c) is purchasing such Notes in an offshore transaction meeting the requirements of Regulation S.
- (2) It understands that such Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State of the United States.
- (3) It is not an affiliate of the Issuer or a person acting on behalf of such affiliate.

FORM OF FINAL TERMS OF THE UNSUBORDINATED, TIER 2 AND TIER 3 NOTES

Final Terms dated [●]

NEDBANK LIMITED

*(Registration Number 1951/000009/06)
(incorporated with limited liability in South Africa)*

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
under the U.S.\$2,000,000,000

Euro Medium Term Note Programme

Issue Price: [●] per cent.

[*Name(s) of Manager(s)*]

The Final Terms in respect of each Tranche of Unsubordinated, Tier 2 and Tier 3 Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Unsubordinated, Tier 2 and Tier 3 Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [●]

NEDBANK LIMITED

(Registration Number 1951/000009/06)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the “Notes”)

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

Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes set forth in the Prospectus dated 24 May 2010 [and the supplement to the Prospectus dated [●]] which [together] constitute[s] a base prospectus (the “Prospectus”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Prospectus.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes (the “Conditions”) contained in the Agency Agreement dated [original date] and set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [●]] and incorporated by reference into the Prospectus dated 24 May 2010 and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated 24 May 2010 [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus (the “Prospectus”) for the purposes of the Prospectus Directive.]

Full information on the Issuer and the Notes described herein is only available on the basis of a combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at The Document Viewing Facility, Financial Services Authority, 25 The North Colonnade, London E14 5HS and on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/priceneews/marketnews/ and copies may be obtained from the registered office of Nedbank Limited at 135 Rivonia Road, Sandown, Sandton 2196, South Africa.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

1	Issuer:	Nedbank Limited
2	[(i) Series Number:	[●]
	[(ii) Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).	[●]]
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount:	[●]
	[(i) Series:	[●]
	[(ii) Tranche:	[●]]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)] [plus accrued interest of [●] in respect of the [notes/bonds] underlying the Notes, making a total Issue Price of [●] per [●] in Nominal Amount of the Notes (if there is an interest bearing obligation (such as a Reference Obligation in the case of Credit Linked Notes))].
6	(i) Specified Denominations:	[●] <i>Notes which are to be admitted to trading on a Regulated Market in the European Economic Area or offered in the European Economic Area in circumstances where a Prospectus is required to be published under the Prospectus Directive may not have a minimum denomination of less than EUR50,000 (or nearly equivalent in another currency)</i>
	(ii) Calculation Amount:	[●]
7	[(i) Issue Date:	[●]
	[(ii) Interest Commencement Date:	[Specify/Issue Date/Not Applicable]]
8	Maturity Date:	<i>[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]</i> <i>[Subject to the applicable Capital Regulations, (i) Dated Tier 2 Notes must have a minimum Maturity Period of five years and one day, and (ii) Tier 3 Notes must have a minimum Maturity Period of two years and one day.]</i> <i>If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) another applicable exemption from section 19 of the FSMA must be available.</i>
9	Interest Basis:	[[●] per cent. Fixed Rate] [[specify reference rate] +/-] [●] per cent. Floating Rate] [Zero Coupon] [Index-Linked Interest] [Other (specify)] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index-Linked Redemption]

		[Dual Currency] [Instalment] [Other (specify)]
11	Change of Interest or Redemption/Payment Basis:	[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13	[(i)] Status of the Notes:	[Unsubordinated Notes] [Subordinated Notes: Undated Tier 2 Notes/Dated Tier 2 Notes/Tier 3 Notes]
	[(ii)] Additional Conditions:	[Applicable/Not Applicable] (if applicable give details)
	[(iii)] [Date [Board] approval for issuance of Notes obtained:	[●] (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
	[(iv)] [Date of approval(s) of Registrar of Banks for issuance of Notes obtained:	Required for each issue
	[(v)] [Date of approval(s) of Exchange Control Department of the South African Reserve Bank for issuance of Notes obtained]	Required for each issue of Subordinated Notes
14	Method of distribution:	[Syndicated/Non-syndicated]
Provisions Relating to Interest (if Any) Payable		
15	Fixed Rate Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear].
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Additional Business Centre(s) for the definition of "Business Day"/not adjusted].
	(iii) Fixed Coupon Amount[(s)]	[●] per Calculation Amount.
	(iv) Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●].
	(v) Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/other]
	[(vi)] Determination Dates:	[●] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)).
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
16	Floating Rate Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph.)
	(i) Specified Period:	[●] (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar

	Convention. Otherwise, insert “Not Applicable”.)
(ii) Specified Interest Payment Dates:	[●] <i>(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert “Not Applicable”.)</i>
(iii) First Interest Payment Date:	[●]
(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>]
(v) Additional Business Centre (s):	[Not Applicable/ <i>give details</i>]
(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other <i>(give details)</i>]
(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent):	[[Name] shall be the Calculation Agent <i>(no need to specify if the Fiscal Agent is to perform this function)</i>].
(viii) Screen Rate Determination:	<i>[For example, LIBOR or EURIBOR]</i>
- Reference Rate:	
- Interest Determination Date(s):	[The second day on which the TARGET system is open prior to the start of each Interest Period/The first day of each Interest Period/other <i>(give details)</i>].
- Relevant Screen Page:	<i>[For example, Reuters LIBOR 01/EURIBOR 01]</i>
- Relevant Time:	<i>[For example, 11.00 a.m. London time/Brussels time]</i>
- Relevant Financial Centre:	<i>[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]</i>
(ix) ISDA Determination:	[●]
- Floating Rate Option:	[●]
- Designated Maturity:	[●]
- Reset Date:	[●]
(x) Margin(s):	[+/-][●] Per cent. Per annum
(xi) Minimum Rate of Interest:	[●] per cent. per annum
(xii) Maximum Rate of Interest:	[●] per cent. per annum
(xiii) Day Count Fraction:	[●]
(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	
17 Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i) [Amortisation/Accrual] Yield:	[●] per cent. per annum
(ii) Reference Price:	[●]
(iii) Any other formula/basis of determining	<i>[Consider whether it is necessary to specify a Day Count Fraction]</i>

	amount payable:	<i>for the purposes of Condition 12(i)]</i>
18	Index-Linked Interest Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Index/Formula:	<i>[Give or annex details]</i>
	(ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[•]
	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[•]
	(iv) Specified Period	[•] <i>(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable".)</i>
	(v) Specified Interest Payment Dates:	[•] <i>(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable".)</i>
	(vi) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
	(vii) Additional Business Centre(s):	[•]
	(viii) Minimum Rate of Interest:	[•] per cent. per annum
	(ix) Maximum Rate of Interest:	[•] per cent. per annum
	(x) Day Count Fraction:	[•]
	(xi) Market Disruption or Settlement Disruption Events:	<i>[Describe any market disruption or settlement disruption events that affect the Index.]</i>
19	Dual Currency Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Rate of Exchange/method of calculating Rate of Exchange:	<i>[Give details]</i>
	(ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Fiscal Agent):	[•]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[•]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[•]
	Provisions Relating to Redemption	
20	Call Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this</i>

paragraph)

Consent of Registrar of Banks will be necessary where Notes are Subordinated Notes

- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [●] per Calculation Amount
 - (b) Maximum Redemption Amount: [●] per Calculation Amount
 - (iv) Notice period: [●]
 - (v) Approval(s) of Registrar of Banks: [Applicable/Not Applicable]
(N.B. Only relevant where the Notes are Subordinated Notes)
- 21 **Put Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
Only applicable to Unsubordinated Notes
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [●] per Calculation Amount
 - (iii) Notice period: [●]
 - (iv) Approval(s) of Registrar of Banks: [Applicable/Not Applicable]
(N.B. Only relevant where the Notes are Subordinated Notes)
- 22 **Final Redemption Amount of each Note** [[●] per Calculation Amount
In cases where the Final Redemption Amount is Index-Linked or other variable-linked: [give or annex details]
- (i) Index/Formula/variable: [●]
 - (ii) Party responsible for calculating the Final Redemption Amount (if not the Fiscal Agent): [●]
 - (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]
 - (iv) Determination Date(s): [●]
 - (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
 - (vi) Payment Date: [●]
 - (vii) Minimum Final Redemption Amount: [●] per Calculation Amount
 - (viii) Maximum Final Redemption Amount: [●] per Calculation Amount
- 23 **Early Redemption Amounts**

- (i) Early Redemption Amount (Regulatory) per Calculation Amount: Make Whole Redemption Price
- (ii) Early Redemption Amount (Tax) per Calculation Amount: In the case of paragraph (a) of Tax Event, principal amount plus accrued interest (if any) to the date fixed for redemption
- (iii) Make Whole Redemption Price: In the case of paragraph (b) of Tax Event, the Make Whole Redemption Price
- (iv) Early Termination Amount: [Not Applicable (if the Early Termination Amount is the principal amount of the Notes/specify the Early Termination Amount if different from the principal amount of the Notes)]

Credit Linked Provisions

- 24 Types of Notes: [Single Name Credit Linked Notes/First-to-Default Credit Linked Notes/ Nth-to-Default Credit Linked Notes/Linear Basket Notes/other]*
[Where the Notes are Nth -to-Default Credit Linked Notes, specify the value of N, e.g. "Second-to-Default Credit Linked Notes". Note that if Credit Linked Notes of a type other than that covered by the Credit Linked Conditions are being issued, then applicable additional provisions will need to be set out in full in these Final Terms. Where the Notes are Linear Basket Notes, specify the weighting of the Basket.]*
- 25 Settlement Basis: [Cash Settlement/Physical Settlement/Auction Settlement/Cash or Physical or Auction Settlement]
- 26 Fallback Settlement Basis: [Cash Settlement]/[Physical Settlement]/[Not Applicable] [Specify Fallback Settlement Basis if "Auction Settlement" has been specified as the applicable Settlement Basis for the Notes.]
- 27 Observation Start Date: [Specify if a date other than as defined in Condition 15 of the Credit Linked Conditions otherwise delete row. If no Observation Start Date is stated, then the Credit Linked Conditions provide that the Observation Period will commence on the (i) in connection with a Credit Event, the earlier to occur of the Trade Date and the Credit Event Backstop Date with respect to such Credit Event and (ii) in connection with a Succession Event, the earlier to occur of the Trade Date and the Succession Event Backstop Date with respect to such Succession Event, as applicable.]
- 28 Scheduled Observation End Date: [Insert details]
- 29 Final Payment Date: [Specify alternative date or delete row]
- 30 Cessation of interest: [Interest ceases to accrue with effect from the Interest Payment Date immediately preceding the Event Determination Date (or, in the case of the first Interest Period, the Interest Commencement Date)]
 [Interest ceases to accrue with effect from the Alternative Interest Cessation Date specified in the relevant Credit Event Notice (which shall be no earlier than the Interest Payment Date immediately preceding the related Event Determination Date (or, in the case of the first Interest Period, the Interest Commencement Date)]
- 31 Alternative Interest Cessation Date: [Applicable/Not applicable]
[Specify as "Applicable" where, following a Credit Event, interest is to cease to accrue from a date other than the Interest Period Date immediately preceding the relevant Event Determination Date. Note that, in such circumstances, the relevant Alternative Interest Cessation Date will be the date specified in the Termination Notice.]

- 32 Reference Entity/ies: *[Specify]*
- 33 Related Nominal Amount: *[Specify in respect of each Reference Entity]*
- 34 Reference Obligation(s): *[Specify]*
- 35 Credit Events: [Bankruptcy
Failure to Pay
Grace Period Extension: [Not] Applicable
[Grace Period: [●] days]
Payment Requirement: [U.S.\$1,000,000] or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay
[If Grace Period Extension is applicable, consider whether or not to specify the number of days in the Grace Period. If a number of days is not so specified (in which Grace Period may be deleted), the Grace Period will be the lesser of the applicable grace period with respect to the relevant Obligation and 30 calendar days.]
Obligation Default
Obligation Acceleration
Repudiation/Moratorium
Notice of Publicly Available Information for Repudiation/Moratorium: [Not] Applicable
[Consider whether or not delivery of a Notice of Publicly Available Information should be a requirement for satisfying the Repudiation/Moratorium Extension Condition.]
Restructuring
Restructuring Maturity Limitation and Fully Transferable Obligation: [Not] Applicable
Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: [Not] Applicable
Default Requirement: [U.S.\$10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event]
Multiple Holder Obligation: [Not] Applicable
[Select all that apply]
- 36 Trade Date: *[Specify]*
- 37 Conditions to Settlement: [Credit Event Notice
Notice of Publicly Available Information
[Notice of Physical Settlement]]
[Select all that apply. Notice of Physical Settlement only applicable where Physical Settlement is the applicable Settlement Basis.]
- 38 Relevant Currency: *[Specify]*

39	Cash Settlement Date:	<i>[Specify alternative date or delete row]</i>
40	Cash Settlement Amount:	<i>[Specify]</i>
41	Valuation Method:	<p>The following Valuation Methods shall apply in respect of:</p> <p>(a) only one Valuation Obligation: [Market/ Highest]; and</p> <p>(b) more than one Valuation Obligation: [Blended Market/ Blended Highest].]</p> <p><i>[Delete the immediately preceding rows (a) and (b) if Multiple Valuation Dates apply.]</i></p> <p>(a) only one Valuation Obligation: [Average Market/ Highest/ Average Highest]; and</p> <p>(b) more than one Valuation Obligation: [Average Blended Market/ Average Blended Highest].]</p> <p><i>[Delete the immediately preceding rows (a) and (b) if Single Valuation Date applies.]</i></p> <p><i>[This Valuation Method section is only required if no Cash Settlement Amount is specified]</i></p>
42	Final Price:	<i>[Specify alternative calculation method or delete row]</i>
43	Quotations:	[Include Accrued Interest/Exclude Accrued Interest]
44	Quotation Amount:	<p>[[€][€]•]</p> <p><i>[Delete row if Quotation Amount is the outstanding principal balance of the Reference Obligation.]</i></p>
45	Valuation Date:	<p>[Single Valuation Date [•] Business Days]</p> <p>[Multiple Valuation Dates</p> <p>[•] Business Days and each [•] Business Days thereafter Number of Valuation Dates: [•]]</p> <p><i>[Select one or delete row if Single Valuation Date and 5 Business Days applies]</i></p>
46	Valuation Time:	<i>[Specify]</i>
47	Accrued Interest:	[Not Applicable]/[Include Accrued Interest]/[Exclude Accrued Interest]
48	Auction Cash Settlement Amount:	[As defined in Condition 15 of the Credit Linked Conditions]/[Other (specify)]
49	Auction Cash Settlement Date:	[As defined in Condition 15 of the Credit Linked Conditions]/[Other (specify)]
50	Hedge Unwind Adjustment:	[Applicable/Not Applicable]
51	Physical Settlement Date:	[[•] Business Days]
52	Physical Settlement Period:	<p>[Not Applicable] [Transaction Type Standard Terms apply] or</p> <p><i>[insert details]</i> Business Days.</p>

- 53 Partial Cash Settlement Date: *[Specify alternative meaning or delete row]*
- 54 Market Value: *[Specify alternative meaning or delete row]*
- 55 Obligation Category: [Payment/Borrowed Money/Reference Obligations
Only/Bond/Loan/Bond or Loan
[Select only one]]
- 56 Obligation Characteristics: Specified Currency: Standard Specified Currencies *[Other (specify)]*
[Not Subordinated Specified Currency
Not Sovereign Lender
Not Domestic Currency
Not Domestic Law
Listed
Not Domestic Issuance]
[None]
[Select all that apply]
- 57 Excluded Obligations: *[insert details]*
- 58 All Guarantees: [Applicable/Not applicable]
- 59 Deliverable Obligation Category: [Payment/Borrowed Money/Reference Obligations
Only/Bond/Loan/Bond or Loan
[Select only one]]
- 60 Deliverable Obligation Characteristics: Specified Currency: Standard Specified Currencies *[Other (specify)]*
[Not Subordinated
Not Sovereign Lender
Not Domestic Currency
Not Domestic Law
Listed
Not Contingent
Not Domestic Issuance
Assignable Loan
Consent Required Loan
Direct Loan Participation
Transferable
Maximum Maturity
Accelerated or Matured
Not Bearer]
[Select all that apply]

61	Excluded Deliverable Obligations:	<i>[insert details]</i>
62	Alternative Cash Settlement:	[Not Applicable] [Standard Alternative Cash Settlement Specifications apply/ <i>insert details</i>]
63	Business Day(s):	<i>[Specify]</i>
64	Fixed Number of Reference Entities:	[Applicable]/[Not applicable]
65	Event Determination Date Version:	[Event Determination Date Version A] <i>[Insert if under the related Hedging Arrangement both the Issuer and its counterparty may serve a Credit Event Notice]</i> / [Event Determination Date Version B] <i>[Insert if under the related Hedging Arrangement only the Issuer or its counterparty may give a Credit Event Notice and if the Issuer should have discretion whether to call a Credit Event after an Applicable Resolution is approved by the relevant Credit Derivatives Determinations Committee.]</i>

General Provisions Applicable to the Notes

66	Form of Notes:	Registered Notes: [Rule 144A/Regulation S] Global Note Certificate exchangeable for individual Note Certificates in the limited circumstances specified in the Global Note Certificate.
67	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/ <i>give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(iv) and 19(vii) relate</i>]
68	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/ <i>give details</i>]
69	Other terms or special conditions:	[Not Applicable/ <i>give details</i>] <i>[For Subordinated Notes, specify the Additional Conditions (if any) prescribed by the Registrar of Banks and those of the applicable Capital Regulations (if any) which are not set out in the Terms and Conditions and/or these Final Terms]</i> <i>(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)</i>

Distribution

70	(i) If syndicated, names of Managers:	[Not Applicable/ <i>give names</i>]
	(ii) Stabilising Manager (if any):	[Not Applicable/ <i>give name</i>]
	(iii) Date of Subscription Agreement	[●]
71	If non-syndicated, name and address of Dealer:	[Not Applicable/ <i>give name and address</i>]
72	TEFRA:	Not Applicable
73	Total commission and concession:	[●] per cent. of the Aggregate nominal amount
74	Additional selling restrictions:	[Not Applicable/ <i>give details</i>]

[Purpose of Final Terms

These Final Terms comprise the final terms required for issue and admission to trading on the [Regulated Market of the London Stock Exchange] of the Notes described herein pursuant to the U.S.\$2,000,000,000 Euro Medium Term Note Programme of Nedbank Limited.]

Responsibility

The Issuer accepts responsibility for the information contained in these Final Terms. [[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of Nedbank Limited:

By:.....
Duly authorised

PART B - OTHER INFORMATION

1 Listing And Admission to Trading

- (i) Listing: [London/other (*specify*)] [None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange/[other] with effect from [●].] [Not Applicable.]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*
- (iii) Estimate of total expenses related to admission to trading [●]

2 Ratings

- Ratings: The Notes to be issued have been rated:
- [Fitch: [●]]
- [Moody's: [●]]
- [[Other]: [●]]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

3 [Interests of Natural and Legal Persons Involved in the [Issue/Offer]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in “Subscription and Sale”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)

4 Reasons for the Offer, Estimated Net Proceeds and Total Expenses

- (i) Reasons for the offer *(See “Use of Proceeds” wording in Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*
- (ii) Estimated net proceeds: [●]
- (If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*
- [(iii)] Estimated total expenses [●] *[Include breakdown of expenses.]*
- (Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*

5 [Fixed Rate Notes Only - Yield

- Indication of yield: [●]
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 [Index-Linked Or Other Variable-Linked Notes Only - Performance of Index/Formula/Other Variable and Other Information Concerning the Underlying

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the

Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)

The Issuer does not intend to provide post-issuance information.

7 [Dual Currency Notes Only - Performance of Rate[s] of Exchange

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)

8 Operational Information

ISIN Code: [•]

Common Code: [•]

CUSIP: [•]

Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, *société anonyme* and/or DTC and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s) [•]

Names and addresses of additional Paying Agent(s) (if any): [•]

FORM OF FINAL TERMS OF THE TIER 1 NOTES

Final Terms dated [●]

NEDBANK LIMITED

(Registration Number 1951/000009/06)
(incorporated with limited liability in South Africa)

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
under the U.S.\$2,000,000,000

Euro Medium Term Note Programme

Issue Price: [●] per cent.

[*Name(s) of Manager(s)*]

The Final Terms in respect of each Tranche of Tier 1 Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Tier 1 Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [●]

NEDBANK LIMITED

(Registration Number 1951/000009/06)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the “Notes”)
under the U.S.\$2,000,000,000

Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Tier 1 Notes set forth in the Prospectus dated 24 May 2010 [and the supplement to the Prospectus dated [●]] which [together] constitute[s] a base prospectus (the “Prospectus”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Prospectus.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Tier 1 Notes (the “Conditions”) contained in the Agency Agreement dated [original date] and set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [●]] and incorporated by reference into the Prospectus dated 24 May 2010 and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated 24 May 2010 [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus (the “Prospectus”) for the purposes of the Prospectus Directive.]

Full information on the Issuer and the Notes described herein is only available on the basis of a combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at The Document Viewing Facility, Financial Services Authority, 25 The North Colonnade, London E14 5HS and on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/priceneews/marketnews/ and copies may be obtained from the registered office of Nedbank Limited at Nedbank, 135 Rivonia Road, Sandown, Sandton 2196, South Africa.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

1	Issuer:	Nedbank Limited
2	[(i) Series Number:	[•]
	[(ii) Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).	[•]
3	Specified Currency or Currencies:	[•]
4	Aggregate Nominal Amount:	
	[(i)] Series:	[•]
	[(ii) Tranche:	[•]
5	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (<i>in the case of fungible issues only, if applicable</i>)].
6	(i) Specified Denominations:	[•] <i>Notes which are to be admitted to trading on a Regulated Market in the European Economic Area or offered in the European Economic Area in circumstances where a Prospectus is required to be published under the Prospectus Directive may not have a minimum denomination of less than EUR50,000 (or nearly equivalent in another currency)</i>
	(ii) Calculation Amount:	[•]
7	[(i)] Issue Date:	[•]
	[(ii) Interest Commencement Date:	<i>Specify/Issuer Date/Not Applicable</i>
8	Interest Basis:	[[•] per cent. Fixed Rate] [[specify reference rate] +/- [•] per cent. Floating Rate] [Other (specify)] (further particulars specified below)
9	Redemption/Payment Basis:	[Redemption at par] [Dual Currency] [Other (specify)]
10	Change of Interest or Redemption/Payment Basis	[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
11	Call Options:	Issuer Call (further particulars specified below)
12	(i) Status of the Notes:	Subordinated Notes: Tier 1 Notes
	[(ii)] Additional Conditions:	[Applicable/Not Applicable] (if applicable give details)
	[(iii)] [Date [Board] approval for issuance of Notes obtained:	[•] <i>(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)</i>
	[(iv)] Date of approval(s) of Registrar of Banks for issuance of Notes obtained:	<i>Required for each issue</i>
	[(v)] Date of approval(s) of Exchange Control Department of the South African Reserve Bank for issuance of Notes obtained:	<i>Required for each issue</i>
13	Method of distribution:	[Syndicated/Non-syndicated]

Provisions Relating to Interest (if Any) Payable

14	Fixed Rate Note Provisions	<p>[Applicable/Not Applicable]</p> <p><i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i></p> <p>(i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear].</p> <p>(ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Additional Business Centre(s) for the definition of “Business Day”]/not adjusted].</p> <p>(iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount.</p> <p>(iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●].</p> <p>(v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]</p> <p>(vi) [Determination Dates: [●] in each year <i>(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))</i></p> <p>(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]</p>
15	Floating Rate Note Provisions	<p>[Applicable/Not Applicable]</p> <p><i>(If not applicable, delete the remaining sub-paragraphs of this paragraph.)</i></p> <p>(i) Specified Period: [●]</p> <p><i>(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert “Not Applicable”.)</i></p> <p>(ii) Specified Interest Payment Dates: [●]</p> <p><i>(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert “Not Applicable”.)</i></p> <p>(iii) First Interest Payment Date: [●]</p> <p>(iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]</p> <p>(v) Additional Business Centre (s): [Not Applicable/give details]</p> <p>(vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]</p> <p>(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): [[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)].</p> <p>(viii) Screen Rate Determination:</p> <ul style="list-style-type: none"> - Reference Rate: <i>[For example, LIBOR or EURIBOR]</i> - Interest Determination Date(s): [The second day on which the TARGET system is open prior to the start of each Interest Period/The first day of each Interest Period/other (give details)]. - Relevant Screen Page: <i>[For example, Reuters LIBOR 01/EURIBOR 01]</i>

	- Relevant Time:	<i>[For example, 11.00 a.m. London time/Brussels time]</i>
	- Relevant Financial Centre:	<i>[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]</i>
(ix)	ISDA Determination:	
	- Floating Rate Option:	[•]
	- Designated Maturity:	[•]
	- Reset Date:	[•]
(x)	Margin(s):	[+/-][•] Per cent. Per annum
(xi)	Minimum Rate of Interest:	[•] per cent. per annum
(xii)	Maximum Rate of Interest:	[•] per cent. per annum
(xiii)	Day Count Fraction:	[•]
(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
16	Dual Currency Note Provisions	[Applicable/Not Applicable] <i>[If not applicable, delete the remaining sub-paragraphs of this paragraph]</i>
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[Give details]
	(ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Fiscal Agent):	[•]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[•]
	(iv) Person at whose option Specified Currency (ies) is/are payable:	[•]
Provisions Relating to Redemption		
17	Call Option	Applicable
	(i) First Optional Redemption Date:	[•]
	(ii) Optional Redemption Date(s):	[•]
	(iii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Note of [•] specified denomination
18	Early Redemption Amounts	
	(i) Early Redemption Amount (Regulatory) per Calculation Amount:	Make Whole Redemption Price
	(ii) Early Redemption Amount (Tax) per Calculation Amount:	In the case of paragraph (a) of Tax Event, principal amount plus accrued interest (if any) to the date fixed for redemption
	(iii) Make Whole Redemption Price:	In the case of paragraph (b) of Tax Event, the Make Whole Redemption Price
	(iv) Early Termination Amount:	[Not Applicable (if the Early Termination Amount is the principal amount of the Notes/specify the Early Termination Amount if

different from the principal amount of the Notes)]

General Provisions Applicable to the Notes

- 19 Form of Notes: [Rule 144A/Regulation S] Registered Notes:
Global Note Certificate exchangeable for individual Note Certificates in the limited circumstances specified in the Global Note Certificate.
- 20 Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(iv) and 19(vii) relate]
- 21 Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
- 22 Other terms or special conditions: [Not Applicable/give details]
[[Specify the Additional Conditions (if any) prescribed by the Registrar of Banks and those conditions of the applicable Capital Regulations (if any) which are not set out in the Term and Conditions and/or these Final Terms]]
(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

Distribution

- 23 (i) If syndicated, names of Managers: [Not Applicable/give names]
(ii) Stabilising Manager (if any): [Not Applicable/give name]
(iii) Date of Subscription Agreement: [●]
- 24 If non-syndicated, name and address of Dealer: [Not Applicable/give name and address]
- 25 TEFRA: Not Applicable
- 26 Total commission and concession: [●] per cent. of the Aggregate nominal amount.
- 27 Additional selling restrictions: [Not Applicable/give details]

[Purpose of Final Terms

These Final Terms comprise the final terms required for issue and admission to trading on the [Regulated Market of the London Stock Exchange] of the Notes described herein pursuant to the U.S.\$2,000,000,000 Euro Medium Term Note Programme of Nedbank Limited.]

Responsibility

The Issuer accepts responsibility for the information contained in these Final Terms. [[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of Nedbank Limited:

By:.....
Duly authorised

PART B - OTHER INFORMATION

- 1 **Listing and Admission to Trading** [London/other (*specify*)/None]
- (i) Listing:
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange/[other] with effect from [●].] [Not Applicable.]
(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)
- (iii) Estimate of total expenses related to admission to trading [●]
- 2 **Ratings**
- Ratings: The Notes to be issued have been rated:
[Fitch: [●]]
[Moody's: [●]]
[[Other]: [●]]
(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)
- 3 **[Interests of Natural and Legal Persons Involved in the [Issue/Offer]**
- Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:
"Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."
(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)
- 4 **Reasons for the Offer, Estimated Net Proceeds and Total Expenses**
- (i) Reasons for the offer: [●]
(See "Use of Proceeds" wording in Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)
- (ii) Estimated net proceeds: [●]
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
- (iii) Estimated total expenses: [●].[Include breakdown of expenses]
(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]
- 5 **[Fixed Rate Notes Only - Yield**
- Indication of yield: [●][●]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]
- 6 **[Dual Currency Notes Only - PERFORMANCE OF RATE[S] OF EXCHANGE**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)

7 Operational Information

ISIN Code:

Common Code:

CUSIP:

Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, société anonyme and/or DTC and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s):

Names and addresses of additional Paying Agent(s) (if any):

GENERAL INFORMATION

1 Listing

The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Note Certificate in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or before 28 May 2010. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Market will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Notes may be issued pursuant to the Programme.

2 Authorisations

The establishment of the Programme was authorised by written resolutions of the Board of Directors of the Issuer passed on 1 August 2008. The amendment and update of the programme was authorised by written resolutions of the Board of Directors of the Issuer passed on 4 May 2010. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

3 Significant/Material Change

There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 31 December 2009 and no material adverse change in the prospects of the Issuer and its subsidiaries since 31 December 2009.

4 Auditors

The audited consolidated financial statements of the Issuer for the years ended 31 December 2009 and 31 December 2008 have been audited without qualification by KPMG Inc. whose address is KPMG Crescent, 85 Empire Road, Parktown 2193, Johannesburg, South Africa and Deloitte & Touche whose address is Deloitte Place, The Woodlands, 20 Woodlands Drive, Woodmead 2199, South Africa.

5 Approvals

Notes, the proceeds of which are intended to qualify as Primary Share Capital, Dated Secondary Capital, Undated Secondary Capital or Tertiary Capital, to be issued under the Programme are “debt instruments” as contemplated by section 79(1)(b) of the Banks Act. Accordingly, the Issuer requires the consent of the Registrar of Banks in accordance with section 79(1)(b) of the Banks Act and Regulation 38 of the Regulations Relating to Banks, for permission to issue Notes the proceeds of which are intended to qualify as Primary Share Capital, Dated Secondary Capital, Undated Secondary Capital or Tertiary Capital under the Programme. No authorisation is required from the Registrar of Banks to issue Unsubordinated Notes. The Issuer will also have to obtain the approval of the Exchange Control Department of the South African Reserve Bank for the issue of each Tranche of Notes under the Programme.

6 Documents on Display

Copies of the following documents may be inspected during normal business hours at the specified offices of the Fiscal Agent and from the registered office of the Issuer for 12 months from the date of this Prospectus:

- (a) the Certificate of Incorporation, Memorandum of Association and Articles of Association of the Issuer;
- (b) the audited consolidated financial statements of the Issuer for the years ended 31 December 2009 and 31 December 2008;
- (c) the amended and restated Agency Agreement dated 24 May 2010 entered into by the Issuer, The Bank of New York Mellon (Luxembourg) S.A., The Bank of New York Mellon and the paying agents named therein;
- (d) Deed of Covenant dated 12 December 2008 entered into by the Issuer; and
- (e) the Dividend Restriction Deed of Covenant dated 12 December 2008 entered into by the Issuer and Controlling Company.

7 Clearing of the Notes

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The appropriate common code, the International Securities Identification Number and, where appropriate, the Committee on the Uniform Security Identification Procedure number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street New York, New York 10041. The address of any alternative clearing system will be specified in the applicable Final Terms.

8 Use of Proceeds

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer for its general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

9 Post Issuance Information

The Issuer does not intend to provide any post-issuance information in relation to any Note issues.

REGISTERED OFFICE OF NEDBANK LIMITED

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CO-ARRANGER

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FISCAL AGENT

The Bank of New York Mellon

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London E14 5AL
United Kingdom

REGISTRAR AND LUXEMBOURG PAYING AGENT

The Bank of New York Mellon (Luxembourg) S.A.

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