



NEDBANK LIMITED

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

ZAR40,000,000,000 DOMESTIC MEDIUM TERM NOTE PROGRAMME

issue of ZAR1,737,000,000 Subordinated Floating Rate Notes due 8 April 2024

General

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

This Applicable Pricing Supplement (including, subject to Item F(2) below, Annexure "A" to this Applicable Pricing Supplement headed "Risk Factors and South African Taxation") must be read in conjunction with the consolidated Programme Memorandum, dated 24 May 2010, as supplemented by the Supplement, dated 3 June 2011, and as further amended and/or supplemented from time to time ("Programme Memorandum") prepared by Nedbank Limited ("Issuer") in connection with the Nedbank Limited ZAR40,000,000,000 Domestic Medium Term Note Programme ("Programme").

The original Programme Memorandum, dated 15 December 2003, was approved by The Bond Exchange of South Africa Limited on or about 10 December 2003 and the consolidated Programme Memorandum, dated 24 May 2010, was approved by the JSE Limited ("JSE") on or about 24 May 2010.

To the extent that there is any conflict or inconsistency between the provisions of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail (see Item F(1) and Item F(2) below).

Any capitalised terms not defined in this Applicable Pricing Supplement shall (subject to Item F(1) below) have the meanings ascribed to them in the section of the Programme Memorandum headed "Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes" ("Ordinary Conditions").

References to any Condition in this Applicable Pricing Supplement are to that Condition of the Ordinary Conditions.

Banks Act, 1990

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

The amended Regulations Relating to Banks (which came into operation on 1 January 2013) published as No. R. 1029 in Government Gazette No. 35950 of 12 December 2012 ("Regulations Relating to Banks") provide, among other things, for the partial implementation of the Basel III Accord in South Africa and the requirements with which specified categories of instruments and/or shares ("Capital Instruments") must comply in order for the proceeds of the issue thereof to qualify for inclusion in the regulatory capital of banks.

The Banks Amendment Act, 2013, published in Government Gazette No. 37144 of 10 December 2013, amended the Banks Act, 1990 to provide (together with the Regulations Relating to Banks) for the full implementation of the Basel III Accord in South Africa (such amended Banks Act, 1990, as thereafter supplemented and/or amended from time to time, being the "Banks Act").

The proceeds of the issue of this Tranche are intended to rank as "tier 2 capital" as defined in the Banks Act ("Tier 2 Capital").

As at the Issue Date, in order for the proceeds of the issue of this Tranche (and any other Capital Instruments issued by the Issuer) to rank as Tier 2 Capital (collectively, "Tier 2 Notes"), the issue, and terms and conditions of, the Tier 2 Notes (including this Tranche) must comply with Regulation 38(14) of the Regulations Relating to Banks as read with Guidance Note 7/2013 headed "Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments", dated 18 October 2013, issued by the Relevant Authority (as defined in Item D(7)(b) below) in terms of section 6(5) of the Banks Act ("Guidance Note 7") (together, the "Tier 2 Capital Regulations").

A. DESCRIPTION OF THE NOTES

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|----|--|-----------------|
| 1. | Issuer | Nedbank Limited |
| 2. | Tranche number | 6 |
| 3. | Series number | 2 |
| 4. | Status of the Notes and Subordinated Notes | |

Tier 2 Notes (including this Tranche) rank senior to (and senior in respect of the rights and claims of the holders of) all:

- a) Ordinary Shares;
- b) Non-Redeemable Non-Cumulative Preference Shares and hybrid debt instruments (if any) in issue under the Programme the proceeds of which qualify as Primary Share Capital;
- c) equity shares and instruments (including hybrid debt instruments) issued by the Issuer the proceeds of which rank as "*common equity tier 1 capital*" as defined in the Banks Act ("*Common Equity Tier 1 Capital*");
- d) hybrid debt instruments (if any) in issue under the Programme the proceeds of which qualify as Undated Tier 2 Capital; and
- e) shares and instruments (including debt and/or hybrid debt instruments) issued by the Issuer the proceeds of which rank as "*additional tier 1 capital*" as defined in the Banks Act ("*Additional Tier 1 Capital*").

The claims of the Noteholders of Tier 2 Notes (including this Tranche) entitled to be paid amounts due in respect of the Tier 2 Notes (including this Tranche) are subordinated to the claims of Depositors and Senior Creditors and, accordingly, if the Issuer is wound-up or placed under liquidation, whether voluntarily or involuntarily, Noteholders of Tier 2 Notes (including this Tranche) will not be entitled to any payments in respect of the Tier 2 Notes (including this Tranche) until the claims of Depositors (as defined below) and Senior Creditors (as defined below) which are admissible in any such winding-up or liquidation have been paid or discharged in full, as more fully set out (subject to this Item A(4) and Item F(1) below) in Condition 5.2 (*Status of the Tier 3 Notes and the Dated Tier 2 Notes*).

For purposes of this Applicable Pricing Supplement (including, in particular this Item A(4)) and Condition 5.2 (*Status of the Tier 3 Notes and the Dated Tier 2 Notes*) (as read with Item F(1) below), the following terms shall, notwithstanding the definitions thereof in Condition 1.1 (*Definitions*), bear the following meanings:

"**Depositors**" means any Person having a claim against the Issuer in respect of a "deposit" (as defined in the Banks Act);

"**Senior Creditors**" means:

- a) all creditors of the Issuer (including, without limitation, the Noteholders of Unsubordinated Notes and the Noteholders of Existing Unsubordinated Notes) who are unsubordinated creditors of the Issuer; and
- b) all creditors of the Issuer whose claims (whether subordinated or unsubordinated) are, or are expressed to be, subordinated to the claims of other creditors of the Issuer *EXCLUDING* creditors of the Issuer (including, without limitation, the Noteholders of Additional Tier 1 Notes and the Noteholders of Existing Subordinated Notes) whose claims, in each instance, rank, or are expressed to rank, or are entitled to rank, *pari passu* with or junior to the claims of the Dated Subordinated Noteholders and/or the Noteholders of Tier 2 Notes (including this Tranche).

5.	Security	Unsecured
6.	Form of the Notes	Registered Notes. The Notes in this Tranche are issued in registered uncertificated form and will be held in the Central Securities Depository.
7.	Type of Notes	Tier 2 Notes - Floating Rate Notes
8.	Issue Date/First Settlement Date	7 April 2014
9.	Issue Price	100%
10.	Interest	Floating Rate Note Provisions (see Condition 8.2 (<i>Floating Rate Note Provisions and Index-Linked Interest Note Provisions</i>) (subject to Item F(1) below and Item C below)
11.	Redemption/Payment Basis	Redemption at par
12.	Change of interest or redemption	Not Applicable

payment basis

13. Aggregate Principal Amount of this Tranche ZAR1,737,000,000
 14. Specified Currency ZAR
 15. Specified Denomination (Principal Amount per Note) ZAR1,000,000
 16. Minimum Specified Denomination of each Note ZAR1,000,000
 17. Calculation Amount ZAR1,000,000
 18. Business Day Convention Modified Following Business Day Convention
 19. Day Count Fraction Actual/365
- B. PROGRAMME AMOUNT**
1. Programme Amount as at the Issue Date ZAR40,000,000,000
 2. Aggregate outstanding Principal Amount of all of the Notes issued under the Programme as at the Issue Date ZAR32,300,000,000, excluding the aggregate Principal Amount of this Tranche and any other Tranches of Notes issued on the Issue Date specified in Item A(8) above.
- C. FLOATING RATE NOTE PROVISIONS**
1. Rate of Interest The Notes will bear interest at the floating Rate of Interest per annum (nominal annual compounded quarterly) equal to the sum of the Reference Rate (see Item C(7)(b) below) plus the Margin (see Item C(8) below), determined by the Calculation Agent in accordance with Condition 8.2.7 (*Calculation of Interest Amount*) (as read with Item F(1) below), for the period from and including the Issue Date to but excluding the Redemption Date.
 2. Interest Commencement Date 7 April 2014
 3. Interest Payment Date(s) Quarterly in arrear on 8 July, 8 October, 8 January and 8 April of each year until the Redemption Date.
 4. First Interest Payment Date 8 July 2014
 5. Interest Periods The first Interest Period shall commence on (and include) the Interest Commencement Date and end on (but exclude) the first Interest Payment Date.
Thereafter, each successive Interest Period shall commence on (and include) the immediately preceding Interest Payment Date and end on (but exclude) the immediately following Interest Payment Date; provided that the final Interest Period shall end on (but exclude) the Redemption Date.
 6. Interest Determination Date/s The first day of each Interest Period; provided that the Interest Determination Date for the first Interest Period shall be 3 April 2014.
If any such date is not a Business Day, the Interest Determination Date will be the first following day that is a Business Day, unless it would thereby fall into the next calendar month, in which event the Interest Determination Date will be brought forward to the first preceding Business Day.
 7. Manner in which the Rate of Interest is to be determined Screen Rate Determination
 - (a) *If ISDA Determination applicable:* Not Applicable
 - (b) *If Screen Rate Determination applicable:* Applicable
 - Reference Rate JIBAR (being, subject to Condition 8.2.3 (*Screen Rate Determination*)) (as read with Item F(1) below), the average mid-market yield rate per annum for 3-month deposits in Rand which appears on the Relevant Screen Page as the "SFX 3M YIELD" at or about the Relevant Time on the Interest Determination Date, determined by the Calculation Agent in accordance with Condition 8.2.7 (*Calculation of Interest Amount*) (as read with Item F(1) below).

• Relevant Screen Page	Reuters Screen SAFETY page
• Relevant Time	11h00 (South African time)
• Relevant Financial Centre	Johannesburg
(c) If Other Determination applicable:	Not Applicable
8. Margin	2.55%
9. Minimum Rate of Interest	Not Applicable
10. Maximum Rate of Interest	Not Applicable
11. Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest for Floating Rate Notes	Not Applicable
D. REDEMPTION	
1. Maturity Date	8 April 2024
2. Final Redemption Amount	The aggregate outstanding Principal Amount of this Tranche (plus accrued interest, if any).
3. Prior approval of the Relevant Authority required for redemption prior to the Maturity Date	Yes
4. Call Option:	Applicable
	This Item D(4) shall replace Condition 9.4 (<i>Redemption at the option of the Issuer</i>) in its entirety.
(a) Redemption in whole:	Applicable
• Optional Redemption Date (Call)	8 April 2019
• Optional Redemption Amount (Call)	The aggregate outstanding Principal Amount of this Tranche (plus accrued interest, if any).
(b) Redemption in part:	Not Applicable
(c) Redemption at the option of the Issuer:	The Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Paying Agent, the Transfer Agent, and the Noteholders in accordance with Condition 20 (<i>Notices</i>), redeem this Tranche in whole on the Optional Redemption Date (Call), at the Optional Redemption Amount (Call); provided that: <ol style="list-style-type: none"> no Optional Redemption Date (Call) shall fall earlier than the date being 5 (five) years and 1 (one) day after the Issue Date; the Issuer shall obtain the prior written approval of the Relevant Authority before exercising the Call Option; the Issuer shall not (and does not) create any expectation that the Call Option will be exercised; and the Issuer shall not exercise the Call Option unless: <ol style="list-style-type: none"> the Issuer concurrently replaces this Tranche with capital of similar or better quality and the replacement of capital is done at conditions that are sustainable for the income capacity of the Issuer; or the Issuer demonstrates to the satisfaction of the Relevant Authority that the Issuer's capital position will be well above the relevant specified minimum capital requirements after the Call Option is exercised.
5. Put Option:	Not Applicable
6. Optional early redemption following a Tax Event:	Applicable.
	This Item D(6) shall replace Condition 9.2 (<i>Redemption for tax reasons</i>) in its entirety.
(a) Redemption in whole:	Applicable
• Early Redemption Date (Tax)	The Interest Payment Date stipulated as the date for redemption in the notice of

redemption given by the Issuer in terms of Item D(6)(c)(1) below.

- **Early Redemption Amount (Tax)** The aggregate outstanding Principal Amount of this Tranche (plus accrued interest, if any).
 - (b) **Redemption in part:** Not Applicable
 - (c) **Redemption for tax reasons:**
 1. If a Tax Event has occurred and is continuing, this Tranche may, subject to the prior written approval of the Relevant Authority, be redeemed (in whole but not in part), at the option of the Issuer, subject to the Issuer having given not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 20 (*Notices*) and to the Transfer Agent and the Paying Agent, on the Early Redemption Date (Tax), at the Early Redemption Amount (Tax), provided that no such notice of redemption shall be given earlier than 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.
 2. Prior to the publication of any notice of redemption pursuant to paragraph 1 above, the Issuer shall deliver to the Noteholders in accordance with Condition 20 (*Notices*) (A) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent advisers of recognised standing to the effect that a Tax Event has occurred. Upon the expiry of the notice referred to in paragraph 1 above, the Issuer shall be bound to redeem this Tranche in accordance with this Item D(6).
7. **Optional early redemption following a Regulatory Event:** Applicable
- This Item D(7) shall replace Condition 9.3 (*Redemption for regulatory reasons*) in its entirety.
- (a) **Redemption in whole:** Applicable
 - **Early Redemption Date (Regulatory)** The Interest Payment Date stipulated as the date for redemption in the notice of redemption given by the Issuer in terms of Item D(7)(d)(1) below.
 - **Early Redemption Amount (Regulatory)** The aggregate outstanding Principal Amount of this Tranche (plus accrued interest, if any).
 - (b) **Definitions:**

For purposes of this Applicable Pricing Supplement (including, in particular this Item D(7) below), the following terms shall, notwithstanding the definitions thereof in Condition 1.1 (*Definitions*), bear the following meanings:

 - **Capital Regulations** "Capital Regulations" means, at any time, any (i) legislation (including the Banks Act), (ii) regulations (including the Regulations Relating to Banks and the Tier 2 Capital Regulations), (iii) requirements, circulars, guidance notes (including, without limitation, Guidance Note 7), directives and/or policies relating to capital adequacy and/or the requirements with which Capital Instruments must comply in order for the proceeds of the issue thereof to qualify for inclusion in the Eligible Capital of a bank and/or its "controlling company" (as defined in the Banks Act) and/or (iv) such conditions (if any), in addition to the conditions specified in the applicable Capital Regulations, as may be prescribed by the Relevant Authority for the proceeds of the issue of Capital Instruments to rank as Regulatory Capital, then in effect in South Africa.
 - **Eligible Capital** "Eligible Capital" means the proceeds of the issue of Capital Instruments which proceeds rank (or are entitled to rank) on issue for inclusion in the Tier 2 Capital or the Additional Tier 1 Capital or the Common Equity Tier 1 Capital of the Issuer or the Controlling Company on a solo and/or consolidated basis, in accordance with the Capital Regulations.
 - **Regulatory Capital** "Regulatory Capital" means, as applicable, Tier 2 Capital or Additional Tier 1 Capital.
 - **Regulatory Change** A "Regulatory Change" means, in relation to this Tranche, (i) a change in or amendment to the Capital Regulations or (ii) any change in the application of or official or generally published guidance or interpretation of the Capital Regulations by the Relevant Authority and/or the South African courts, which change or amendment

becomes, or would become, effective on or after the Issue Date.

- Regulatory Event

A "Regulatory Event" is deemed to have occurred in relation to this Tranche if, as a result only of any Regulatory Change, the whole or any part of the aggregate Principal Amount of this Tranche is excluded from qualifying as Tier 2 Capital of the Issuer or the Controlling Company on a solo and/or consolidated basis and the Relevant Authority has notified the Issuer (either specifically or generally in conjunction with other banks) in writing of the relevant amendment or change. For the avoidance of doubt, a Regulatory Event shall be deemed to have occurred in relation to this Tranche if all or part of the aggregate Principal Amount of this Tranche is excluded from qualifying as Tier 2 Capital by reason of any grandfathering or transitional provisions in the applicable Capital Regulations.

- Relevant Authority

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

(c) *Redemption in part:*

Not Applicable

(d) *Redemption for regulatory reasons:*

1. If a Regulatory Event has occurred and is continuing, this Tranche may, subject to the prior written approval of the Relevant Authority, be redeemed (in whole but not in part), at the option of the Issuer, subject to the Issuer having given not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 20 (Notices) and to the Transfer Agent and the Paying Agent, on the Early Redemption Date (Regulatory), at the Early Redemption Amount (Regulatory).
2. Prior to the publication of any notice of redemption pursuant to paragraph 1 above, the Issuer shall deliver to the Noteholders in accordance with Condition 20 (Notices) (A) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and B) unless the Registrar of Banks has confirmed to the Issuer that the proceeds of the issue of this Tranche are not eligible to qualify as the relevant class of Eligible Capital of the Issuer on a solo and/or a consolidated basis, an opinion of independent advisers of recognised standing to the effect that a Regulatory Event has occurred. Upon the expiry of the notice referred to in paragraph 1 above, the Issuer shall be bound to redeem this Tranche in accordance with this Item D(7).

8. **Events of Default relating to Tier 2 Notes and Early Termination Amount:**

This Item D(8) shall replace Condition 12.2 (*Events of Default relating to Dated Subordinated Notes*) in its entirety.

(a) *Events of Default:*

1. If default shall be made in the payment of any principal or interest due on the Notes in this Tranche for a period of 5 (five) days or more after any date on which the payment of principal is due or 10 (ten) days or more after any date on which the payment of interest is due (as the case may be), any Noteholder may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but take no other action in respect of that default. In such proceedings or winding-up the claim of a Noteholder shall be for the Early Termination Amount in respect of the Notes in this Tranche held by that Noteholder.
2. Payments of principal and/or interest on the Notes in this Tranche may not be accelerated by any Noteholder except in the case of bankruptcy and/or liquidation of the Issuer.
3. If any step (including an application, a proposal or a convening of a meeting) is taken by any Person with a view to having the Issuer liquidated and an order is thereafter passed for the liquidation of the Issuer, all of the Notes in this Tranche shall be deemed, on the date on which such step is taken, to have been declared forthwith due and payable (whether or not due for payment and without further action or formality), at the Early Termination Amount (subject to Item A(4) (*Status of the Notes and Subordination*) above), on and with effect from the day preceding the date on which such order for the

liquidation of the Issuer is passed.

4. Without prejudice to paragraphs 1 to 3 inclusive above, if the Issuer breaches any of its obligations under the Notes in this Tranche (other than any obligation in respect of the payment of principal or interest on the Notes in this Tranche) then each 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 the Notes in this Tranche sooner than the same would otherwise have been payable by it.

- (b) **Early Termination Amount:** The Early Termination Amount, in relation to each Note in this Tranche which has been accelerated in terms of Item 8(a)(3) above, is the aggregate outstanding Principal Amount of that Note (plus accrued interest, if any) to the date of acceleration of such Note in terms of Item 8(a)(3) above.
9. Other terms applicable on redemption Subject to Item D(10) below, not applicable
10. **Purchase, cancellation and voting rights:** Item D(10)(a) below shall replace Condition 9.10 (*Purchase*) in its entirety.
Item D(10)(b) below shall replace Condition 9.11 (*Cancellation*) in its entirety.
The definition of "Voter" in Condition 1.1 (*Definitions*) and the provisions of Condition 18.14 (*Votes*) shall, on and with effect from the Issue Date, be amended to the extent set out in Item D(10)(c) below.
- (a) **Purchase** The Issuer may at any time purchase Subordinated Notes (including this Tranche) (subject to the prior written approval of the Relevant Authority). In the event of the Issuer purchasing Subordinated Notes (including this Tranche), such Subordinated Notes (including this Tranche) may (subject to the restrictions of any Applicable Law) be held, resold or, at the option of the Issuer, cancelled.
- (b) **Cancellation** All Subordinated Notes (including this Tranche) which are redeemed or purchased by the Issuer and, at the option of the Issuer, cancelled (as contemplated in Item D(10)(a) above), will forthwith be cancelled and may not be re-issued or resold.
- (c) **Voting rights** On and with effect from the Issue Date, the definition of "Voter" in Condition 1.1 (*Definitions*) shall exclude the Issuer and, for purposes of Condition 18.14 (*Votes*), the Issuer shall not have any voting rights in respect of any Notes (including this Tranche) purchased (and held) by the Issuer on or after the Issue Date.

E. COMPULSORY WRITE-OFF OF THE NOTES UPON THE OCCURRENCE OF THE TRIGGER EVENT

1. **General** This Tranche will, at the occurrence of the Trigger Event (at the Discretion of the Relevant Authority), be written off in accordance with and subject to the provisions of this Item E ("**Write-off**", and "**Written Off**" shall be construed accordingly).
2. **Trigger Event** The "trigger event" for this Tranche ("**Trigger Event**") shall be the occurrence of the "trigger event" specified in writing by the Relevant Authority (as contemplated in Regulation 38(14)(a)(i) of the Regulations Relating to Banks); provided that, as a minimum, the aforesaid "trigger event" shall be the earlier of:
- a decision that a write-off, without which the Issuer would become non-viable, is necessary, as determined by the Relevant Authority; or
 - the decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by the Relevant Authority,
- as contemplated in sub-paragraph (iii) of the Proviso to Regulation 38(14)(a)(i) of the Regulations Relating to Banks.
3. **Notification of the Trigger Event** The Relevant Authority will notify the Issuer in writing once the Relevant Authority determines that the Trigger Event has occurred.
4. **Discretion of the Relevant Authority** Notwithstanding the occurrence of the Trigger Event, the Relevant Authority has a discretion ("**Discretion**") to (i) take action and allow the Write-off to occur in order to effect an increase in the Common Equity Tier 1 ratio of the Issuer ("**CET1 Ratio**") such that the Issuer will be deemed by the Relevant Authority to be viable again or (ii) take no action and not require the Write-off to occur.
5. **Write-Off in whole or in part** The Relevant Authority will determine whether, at the occurrence of the Trigger Event, the entire aggregate Outstanding Principal Amount of this Tranche ("**Total**")

Principal Amount") or a portion of the Total Principal Amount ("Relevant Portion of the Principal Amount") will be Written Off based on the book value of this Tranche as reflected in the Issuer's financial statements or management accounts at the relevant time.

6. Unpaid Amount
The Unpaid Amount, in relation to this Tranche, is the sum of the Total Principal Amount or the Relevant Portion of the Principal Amount, as the case may be, and all accrued but unpaid interest on the Total Principal Amount or the Relevant Portion of the Principal Amount, as the case may be, as at the occurrence of the Trigger Event, as determined by the Calculation Agent.
7. Relevant Portion of the Unpaid Amount
The Relevant Portion of the Unpaid Amount, in relation to each Noteholder of Note/s in this Tranche, is the Unpaid Amount divided by the number of Note/s in this Tranche held by that Noteholder.
8. Write-off of Unpaid Amount
At the occurrence of the Trigger Event (at the Discretion of the Relevant Authority):
 - a) the Unpaid Amount shall be Written Off without further action on the part of the Issuer, any Noteholder or any other person;
 - b) the obligation that the Issuer would have had, in the absence of this Item E, to pay the Unpaid Amount to the Noteholders shall be extinguished in its entirety;
 - c) the Unpaid Amount shall be Written Off permanently with no provision for a write-up once the Issuer becomes viable again and shall be irrevocably lost;
 - d) where the Unpaid Amount is determined with reference to the Total Principal Amount, all of the Notes in this Tranche shall (in consequence of the Write-Off) be cancelled and extinguished, without further action on the part of the Issuer, any Noteholder or any other person
 - e) where the Unpaid Amount is determined with reference to the Relevant Portion of the Principal Amount, the Relevant Portion of the Notes in this Tranche shall (in consequence of the Write-Off) be cancelled and extinguished, without further action on the part of the Issuer, any Noteholder or any other person.
9. Issuer becomes viable
Write-off of Tier 2 Notes (including this Tranche) need only occur up until the point where the Issuer is deemed by the Relevant Authority to be viable again, as specified in writing by the Relevant Authority.
10. Prior Write-Off (or, if applicable, Conversion) of Additional Tier 1 Notes
In terms of ranking, Additional Tier 1 Notes are likely to be Written Off (or, if applicable, converted to the most subordinated form of equity ("Conversion", and "Converted" shall be construed accordingly)) prior to any Write-off (or, if applicable, Conversion) of Tier 2 Notes (including this Tranche).
11. Other Tier 2 Capital Instruments
If the Issuer has both Tier 2 Notes (including this Tranche) and other Capital Instruments the proceeds of which rank as Tier 2 Capital ("Other Tier 2 Capital Instruments") in issue and the Applicable Terms and Conditions, and (in the case of the Other Tier 2 Capital Instruments, the terms and conditions of the Other Tier 2 Capital Instruments), contain a Write-off (or, if applicable, Conversion provision), the Tier 2 Notes (including this Tranche) and the Other Tier 2 Capital Instruments will be treated *pari passu*, and a partial Write-off (or, if applicable, Conversion) may occur at the occurrence of the Trigger Event (at the Discretion of the Relevant Authority), up to the point where the Issuer is deemed by the Relevant Authority to be viable again, as specified in writing by the Relevant Authority.
12. Surviving Notes
Where, for purposes of this Item F, the Unpaid Amount in respect of this Tranche is determined with reference to the Relevant Portion of the Principal Amount:
 - a) the balance of this Tranche not cancelled and extinguished (in consequence of the Write-Off) (such balance being the "Surviving Notes") shall continue to exist and, after the Write-Off, all references to "Principal Amount" in the Ordinary Terms and/or the Applicable Terms and Conditions (including, without limitation, Item D (Redemption) above) shall be construed as references to the Total Principal Amount less the Relevant Portion of the Principal Amount, and all references to "Subordinated Notes" and "a Tranche of Subordinated Notes" in the Terms and Conditions and/or the Applicable Terms and Conditions (including, without limitation, Item D (Redemption) above) shall be construed as references to the Surviving Notes;
 - b) without limiting the provisions of sub-paragraph (b) above if, after the Write-

Off, this Tranche is to be redeemed in terms of Item D (*Redemption*) above, the amount of principal and accrued but unpaid interest to be paid to the Noteholders in terms of Item D (*Redemption*) above shall be irrevocably reduced by the Unpaid Amount.

13. Failure to pay the Unpaid Amount not an Event of Default Failure to pay the Unpaid Amount to the Noteholders in consequence of the provisions of the Write-Off shall not constitute an Event of Default or any other breach of the Issuer's obligations under this Tranche or the Applicable Terms and Conditions. The Noteholders will cease to have any claims for the Unpaid Amount or any portion thereof, and the Issuer shall not (and shall not be obliged to) compensate the Noteholders in any manner for the Unpaid Amount or any portion thereof.

F. ADDITIONAL PROVISIONS

1. Ordinary Conditions Save to the extent otherwise provided in this Applicable Pricing Supplement and/or the Tier 2 Capital Regulations (and subject to the following paragraph of this Item F(1) below), the Ordinary Conditions shall apply *mutatis mutandis* to this Tranche as if all references to "Dated Tier 2 Notes" in the Ordinary Conditions were to include Tier 2 Notes (including this Tranche).

To the extent that there is any conflict or inconsistency between the provisions of the Ordinary Conditions and the Tier 2 Capital Regulations, the Tier 2 Capital Regulations shall prevail.

Accordingly, and as an example, Condition 7 (*Deferral of Interest and Principal Payments on Certain Subordinated Notes*) shall not apply to Tier 2 Notes (including this Tranche).

2. Risk Factors and South African Taxation The section of the Programme Memorandum headed "Risk Factors" ("Risk Factors") sets out certain investment considerations and risks. Annexure "A" to this Applicable Pricing Supplement headed "Risk Factors and South African Taxation" ("Annexure "A") (i) supplements and updates certain of the Risk Factors insofar as such Risk Factors (and/or any additional risk factors) relate to the Basel III Accord and Tier 2 Notes (including this Tranche) and (ii) updates the section of the Programme Memorandum headed "South African Taxation" in respect of, among other things, the Basel III Accord and Tier 2 Notes (including this Tranche).

Annexure "A" must be read in conjunction with the Programme Memorandum as at the Issue Date ("Current Programme Memorandum") and this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the provisions of Annexure "A" and the Current Programme Memorandum, the provisions of Annexure "A" shall prevail.

G. BANKS ACT PROVISIONS

1. Additional Conditions Not Applicable
2. Proceeds of issue As at the Issue Date, the proceeds of the issue of this Tranche rank as Tier 2 Capital.
3. Acquisition of Notes The Notes in this Tranche shall not be held or acquired by the Issuer or any person related to or associated with the Issuer or over which the Issuer exercises or may exercise control or significant influence, as contemplated in Regulation 14(a)(iv)(F) of the Tier 2 Capital Regulations and, subject to the definition of "control" in the Banks Act, the phrase "any person related to or associated with the Issuer or over which the Issuer exercises or may exercise control or significant influence" (or any applicable portion of such phrase) shall be construed *mutatis mutandis* in accordance with sections 2 and 3 of the Companies Act, 2008.

For the avoidance of doubt, "any person related to or associated with the Issuer or over which the Issuer exercises or may exercise control or significant influence" includes each of the Issuer's Subsidiaries.

H. AGENTS AND SPECIFIED OFFICES

1. Calculation Agent Nedbank Capital, a division of Nedbank Limited
2. Specified Office of the Calculation Agent 135 Rivonia Road, Sandown, Sandton, 2196, South Africa
3. Paying Agent Nedbank Limited

4. Specified Office of the Paying Agent Braampark Forum IV, 2nd Floor, 33 Hoofd Street, Braamfontein, 2001, South Africa
5. Transfer Agent Computershare Investor Services (Proprietary) Limited
6. Specified Office of the Transfer Agent Ground Floor, 70 Marshall Street, Johannesburg, 2001, South Africa
- I. **REGISTER CLOSED**
1. Last Day to Register Up until 17h00 (South African time) on 2 July, 2 October, 2 January and 2 April of each year until the Redemption Date being, in each instance, the last date on which the Transfer Agent will accept Transfer Forms and record in the Register the transfer of Notes represented by Certificates.
2. Books Closed Period The Register will be closed during the 5 days preceding each Interest Payment Date and the Redemption Date from 17h00 (South African time) on the Last Day to Register until 17h00 (South African time) on the day preceding the Interest Payment Date and the Redemption Date, being the period during which the Register is closed for purposes of giving effect to transfers, redemptions or payments in respect of this Tranche.
3. Books Closed Date 3 July, 3 October, 3 January and 3 April of each year until the Redemption Date.
- J. **GENERAL**
1. Additional selling restrictions See Item G(3) above
2. International Securities Numbering (ISIN) ZAG000114711
3. Stock Code Number NED16
4. Financial Exchange JSE Limited (Interest Rate Market of the JSE)
5. Method of Distribution Dutch Auction
6. Bookbuild and Allocation Policy As set out under "*Auction and Allocation Policy*" in the Term Sheet, dated [] April 2014, prepared by Nedbank Capital, a division of Nedbank Limited
7. Pricing Methodology Not Applicable
8. Name of Dealer Nedbank Capital, a division of Nedbank Limited
9. Stabilisation Manager Not Applicable
10. Governing law The Notes and the Applicable Terms and Conditions are governed by, and shall be construed in accordance with, the laws of South Africa.
11. Business Centre Johannesburg
12. Additional Business Centre Not Applicable
13. Other banking jurisdiction Not Applicable
14. Rating (if any) assigned to this Tranche as at the Issue Date Not Applicable
15. Credit rating of the Issuer as at the Issue Date As at the Issue Date, the Issuer has a domestic long-term credit rating of (i) AA from Fitch Southern Africa (Proprietary) Limited and (ii) Aa2.za from Moody's Investor Services Limited.
16. Other provisions Not Applicable

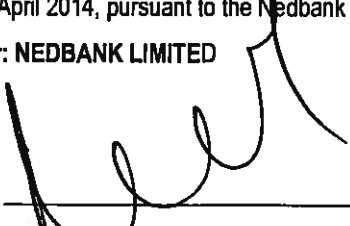
The Issuer accepts full responsibility for the information contained in the Programme Memorandum (including Annexure "A" to this Applicable Pricing Supplement headed "*Risk Factors and South African Taxation*" ("Annexure "A'")) and this Applicable Pricing Supplement.

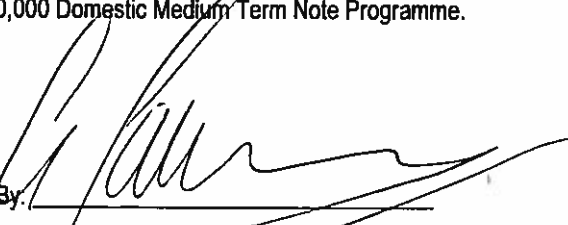
The Issuer confirms that, to the best of its knowledge and belief, there are no facts the omission of which would make the Programme Memorandum (as read with Annexure "A") or any statement contained in the Programme Memorandum (as read with Annexure "A") false or misleading, that all reasonable enquiries to ascertain such facts have been made. The Issuer confirms that, to the best of its knowledge and belief, this Applicable Pricing Supplement (as read with the Programme Memorandum and Annexure "A") contains or incorporates by reference all information required by the amended JSE Debt Listings Requirements published by the JSE and set out in Bulletin 1 of 2014, and all other Applicable Laws and all other Applicable Laws.

The JSE assumes no responsibility or liability of whatsoever nature for the correctness of any of the statements made or opinions expressed or information contained in or incorporated by reference into the Programme Memorandum and/or Annexure "A". The admission of this Tranche of Notes to the list of Debt Securities maintained by the JSE and the listing of this Tranche of Notes on the Interest Rate Market of the JSE is not to be taken as an indication of the merits of the Issuer or the Notes. The JSE assumes no responsibility or liability of whatsoever nature for the contents of the Programme Memorandum or Annexure "A" or this Applicable Pricing Supplement or any information incorporated by reference into the Programme Memorandum (as read with Annexure "A"), and the JSE makes no representation as to the accuracy or completeness of the Programme Memorandum or Annexure "A" or this Applicable Pricing Supplement, or any information incorporated by reference into the Programme Memorandum (as read with Annexure "A"). The JSE expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the Programme Memorandum or Annexure "A" or this Applicable Pricing Supplement or any information incorporated by reference into the Programme Memorandum (as read with Annexure "A").

Application is hereby made to list Tranche 6 of Series 2 of the Subordinated Notes on the Interest Rate Market of the JSE, as from 7th April 2014, pursuant to the Nedbank Limited ZAR40,000,000,000 Domestic Medium Term Note Programme.

For: NEDBANK LIMITED

By: 
 duly authorised
 Date: 4 April 2014

By: 
 duly authorised
 Date: 4 April 2014



Any capitalised terms not defined in this Annexure "A" shall (subject to Item F(1) of the Applicable Pricing Supplement) have the meanings ascribed to them in the Applicable Pricing Supplement.

This Annexure "A" must be read in conjunction with the Current Programme Memorandum and the Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the provisions of this Annexure "A" and the Current Programme Memorandum, the provisions of this Annexure "A" shall prevail.

SUPPLEMENTED RISK FACTORS

Potential investors in Tier 2 Notes are referred to the Risk Factors) which set out certain investment considerations and risks. This section headed "*Supplemented Risk Factors*" ("**this Section**") supplements and updates certain of the Risk Factors insofar as such Risk Factors (and/or any additional risk factors) relate to the Basel III Accord and Tier 2 Notes.

The Issuer believes that the factors outlined in this Section below may, in addition to the Risk Factors (as supplemented by this Section), affect its ability to fulfil its obligations under the Tier 2 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. The value of the Tier 2 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 in this Section below may, in addition to the Risk Factors (as supplemented by this Section), represent the principal risks inherent in investing in the Tier 2 Notes, but the inability of the Issuer to pay interest, principal or other amounts under any Tier 2 Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information available to it as at the Issue Date, or which it may not be able to anticipate. The Issuer does not represent that the statements in this Section below and the Risk Factors (as supplemented by this Section) regarding the risks of holding any Tier 2 Notes are exhaustive. The information set out in this Section below (and the Risk Factors, as supplemented by this Section) is not intended as advice and does not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Tier 2 Notes.

Prospective investors should also read the information set out elsewhere in the Current Programme Memorandum to reach their own views prior to making any investment decision.

Basel III Accord

General

Basel III provides, among other things, for 3 "tiers" of Regulatory Capital: (i) Common Equity Tier 1 Capital, (ii) Additional Tier 1 Capital and (iii) Tier 2 Capital.

On and with effect from 1 January 2013 and 10 December 2013, respectively, Basel III was adopted and implemented in the South African regulatory framework, with various phase-in and transitional arrangements until 1 January 2019 (see "*South African implementation of Basel III*" below).

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

The main changes under Basel III are summarised as follows:

- Basel III provides for tighter definitions of what constitutes acceptable regulatory capital. Basel III places enhanced emphasis on the consistency and quality of capital and on curtailing, among other things, liquidity risk. From a capital perspective the most heavily impacted banks are likely to be those with relatively large capital market businesses, particularly trading activities, complex securitisations, over-the-counter derivatives (counterparty credit risk) and securities lending.
- Basel III allocates a higher regulatory capital value to shareholders' equity than to subordinated loss-absorbing debt, preference shares and hybrid capital. For example, it is expected that Tier 2 Capital will be allowed to constitute less than the current 33% of a bank's overall capital
- Basel III has introduced two new buffers: a capital conservation buffer of 2.5% (if a bank's capital adequacy ratios fall below the minimum required ratio, including this buffer, the bank will be subject to dividend and bonus restrictions) and a countercyclical buffer that ranges between 0% and 2.5%, depending on whether the rate of credit extension exceeds the growth of the real economy. These buffers are due to be phased in from 2016, but market expectations could lead to earlier compliance.
- Basel III provides for a new maximum leverage ratio.
- Basel III has introduced two new minimum liquidity standards – the liquidity coverage ratio ("**LCR**") and the net stable funding ratio ("**NSFR**"). From a liquidity perspective, many banks, domestic and foreign, now meet the LCR requirements following the BCBS announcement on the 06 January 2013. However, based on industry estimates, compliance with the NSFR remains structurally challenging and consequently the Issuer will continue to work closely with the SARB, peer groups and National Treasury in terms of addressing the structural challenges while being mindful of the fact that the Basel Committee is likely to consider fundamental changes to the NSFR well ahead of its targeted implementation date of January 2018. Having

finalised the LCR, the Basel Committee has formally announced that it will, as a matter of priority, now focus on the NSFR over the next two years.

- Basel III also provides for enhanced capital requirements for derivatives, repurchase and securities financing transactions.

In May 2012 the South African Reserve Bank ("SARB") issued Guidance Note 05/2012 stating that it would allow banks to include cash reserves in the calculation of the LCR and that it will provide a committed liquidity facility ("CLF") for an amount up to 40% of the LCR requirements. Guidance Note 05/2012 contained details regarding acceptable collateral for the CLF. In August 2013 SARB issued Guidance Note G6/2013 which replaces Guidance Note 05/2012. Guidance Note G6/2013 sets out further details of the size of CLF. The CLF is only available to banks with a LCR shortfall and is capped at 40% of the total amount of high-quality liquid assets ("HQLA") a bank is required to hold in ZAR (based on the estimated requirements as from 2019). Guidance Note G6/2013 also sets out the general guidelines on SARB's preferences for the collateral requirements and the characteristics with which collateral for the CLF must comply. Taking into account the Issuer's cash reserves, the liquid assets held for regulatory purposes, the surplus liquidity buffer and the Issuer's anticipated use of the CLF, on a pro forma basis the Issuer is compliant already with the 2015 Basel III LCR requirement.

Meeting the LCR requirement was further assisted by the announced amendments to the LCR by the BCBS on 6 January 2013. The amendments are positive in that they provide banks with a longer lead time to implement the LCR and have resulted in a broader definition of qualifying HQLA that can be held in the bank's liquidity buffers. Lastly, these amendments have resulted in reduced liquidity buffer requirements given refinements to various cash outflow assumptions in the LCR formula.

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

The main impact of Basel III on South African banks is likely to be on the levels and composition of capital, the levels of highly marketable securities, liquidity risk and funding profiles and, accordingly, on the general cost of bank funding as banks look to optimally structure their Capital base and reform their funding models to meet the requirements of the new liquidity ratios.

Loss absorption at the point of non-viability of the issuer

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

Under the Loss Absorption PONV Requirements, the terms and conditions of all instruments, the proceeds of the issue of which rank (or are intended to rank) as Tier 2 Capital or Additional Tier 1 Capital must have a provision that requires such instruments, at the option of the Relevant Authority, to either be Written Off or Converted into "common equity" (that is, ordinary shares) upon the occurrence of the relevant Trigger Event unless, among other things, duly enforceable legislation is in place:

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

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

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

On the basis of the implementation of the Loss Absorption PONV Requirements, Tier 2 Notes will be subject to Write-Off or Conversion upon the occurrence of the Trigger Event, which may result in Noteholders of Tier 2 Notes losing some or all of their investment. The occurrence of the Trigger Event or any suggestion of any such occurrence could materially adversely affect the market price of Tier 2 Notes.

South African implementation of Basel III

Regulations Relating to Banks and Banks Amendment Act, 2013

The amended Regulations Relating to Banks came into operation on 1 January 2013 and provide, among other things, for the partial implementation of the Basel III Accord in South Africa and the requirements with which specified categories of Capital Instruments must comply in order for the proceeds of the issue thereof to rank as Tier 2 Capital or Additional Tier 1 Capital.

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

Relevant Authority

The Relevant Authority for purposes of Basel III in South Africa will be the Registrar of Banks or such other governmental authority in South Africa (if any) as will have the responsibility of making decisions relating to the declaration of a bank as being non-viable, with the effect of triggering loss absorption within the relevant Capital Instruments.

Loss Absorption PONV Requirements

For purposes of the implementation of the Basel III Accord in South Africa, the Loss Absorption PONV Requirements are currently contractual in nature and the relevant contractual provisions are set out in the Regulations Relating to Banks as read with Guidance Note 7 (see "Guidance Note 7" below).

However, it is expected that duly enforceable legislation (the Recovery and Resolution Legislation) will be enacted in South Africa that will provide for, among other things, the Loss Absorption PONV Requirements (see "Guidance Note 7" and "Recovery and Resolution Legislation" below).

Uncertainties

Basel III, the Regulations Relating to Banks and the fact that the Banks Act has only recently been amended to provide for the full implementation of the Basel III Accord in South Africa, have introduced a number of uncertainties. Some of these uncertainties are summarised below:

There is uncertainty regarding the purely "discretionary" nature of the Trigger Event provided for in Regulations 38(13)(b) and 38(14) of the Regulations Relating to Banks and the criteria that will be taken into account by the Relevant Authority in determining the Trigger Event.

Regulations 38(13)(b) and 38(14) of the Regulations Relating to Banks provide that the Write-Off or Conversion must occur "upon the occurrence of the trigger event specified in writing by the [Relevant Authority]". Currently, there is nothing in Regulations 38(13)(b) and 38(14) of the Regulations Relating to Banks that requires the Relevant Authority to notify the Issuer or the relevant Noteholders that the Trigger Event has occurred.

Guidance Note 7

Guidance Note 3/2013 headed "Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments", dated 11 June 2013, issued by the Relevant Authority in terms of section 6(5) of the Banks Act ("Guidance Note 3") clarified some, but not all, of the uncertainties described under "Uncertainties" above.

On 18 October 2013 SARB issued Guidance Note 7 which replaces Guidance Note 3. Banks are advised in Guidance Note 7 that SARB "will continue to monitor international developments around the loss absorption requirements and, should it become necessary, issue further guidance".

Guidance Note 7 has further clarified some, but not all, of the uncertainties described under "Uncertainties" above. Guidance Note 7 makes it clear that the Relevant Authority will notify the Issuer in writing once the Relevant Authority determines that the Trigger Event has occurred (see "Determination and notification of Trigger Event" below). In addition, certain uncertainties in relation to the Conversion option have been clarified in Guidance Note 7.

However, in terms of Guidance Note 7 the purely "discretionary" nature of the Trigger Event will remain applicable to Additional Tier 1 Capital Instruments which are "accounted as equity" and Tier 2 Capital Instruments (such as the Tier 2 Notes). The CET1 Ratio criterion for determining the occurrence of the Trigger Event which was provided for in Guidance Note 3 is now, under Guidance Note 7, only relevant in determining the occurrence of the Trigger Event which will be applicable to Additional Tier 1 Capital Instruments which are "accounted as liabilities".

Guidance Note 7 makes it clear that SARB and the National Treasury are in the process of implementing a statutory bail-in option under South African law ("Recovery and Resolution Legislation") (see "Recovery and Resolution Legislation" below).

The Applicable Terms and Conditions of a Tranche of Subordinated Notes (including the Tier 2 Notes) are likely to remain in force for Subordinated Notes issued prior to the introduction of the Recovery and Resolution Legislation.

A number of the terms and conditions set out in the Applicable Pricing Supplement are based on (or extracted from) the applicable provisions of Guidance Note 7.

Determination and notification of Trigger Event

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

The Regulations Relating to Banks (as read with Guidance Note 7) which implement the Loss Absorption PONV Requirements also provide that the Trigger Event must "as a minimum" be the earlier of (a) a decision that a write-off, without which the Issuer would become non-viable, is necessary, as determined by the Relevant Authority or (b) the decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by the Relevant Authority. This wording appears to grant the Relevant Authority discretion to determine a Trigger Event that may occur earlier than the events specified in (a) and (b). Subordinated Noteholders (including the Noteholders of the Tier 2 Notes) are therefore exposed to the risk that their Subordinated Notes may be Written-Off or Converted (as applicable) (whether in whole or in part), before either (a) or (b) applies. Whilst Guidance Note 7 contemplates that further legislative guidance will be provided in due course, as at the Issue Date the Issuer cannot give any further assurances as to what any such Trigger Event will be, or the implications for Subordinated Noteholders (including the Noteholders of the Tier 2 Notes).

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

swiftly in order to ensure market stability, the Relevant Authority is not required to act within any particular time period. Because the Write Off or Conversion (as applicable) is specified to occur as at the date of the Trigger Event (and not the date on which the Relevant Authority notifies the Issuer of the occurrence of the Trigger Event), there is a risk that there will be a delay between the Relevant Authority's decision to require a Write-Off or Conversion (as applicable) and the Issuer being able to notify Subordinated Noteholders (including the Noteholders of the Tier 2 Notes) of the occurrence of the Trigger Event.

Recovery and Resolution Legislation

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

Although not certain, the conditions for use of the bail-in option are likely to be, in summary, that (i) the Relevant Authority determines that the Issuer is failing or is likely to fail, (ii) it is not reasonably likely that any other action can be taken to avoid the Issuer's failure and (iii) the Relevant Authority determines that it is in the public interest to exercise the bail-in option. Any future bail-in option exercised by the Relevant Authority in respect of the Notes is likely to involve the exercise of some discretion by the Relevant Authority, and could potentially result in a holder of such Notes (including the Noteholders of the Tier 2 Notes) losing part of, or the entire value of, their investment in such Notes.

As the Recovery and Resolution Legislation is yet to be passed, there is uncertainty as to the extent, if any, that due process rights or procedures will be provided to holders of Notes (including the Noteholders of the Tier 2 Notes) subject to the bail-in option when the final Recovery and Resolution Legislation is implemented. Therefore, holders of the Notes (including the Noteholders of the Tier 2 Notes) may have limited rights to challenge any decision of the Relevant Authority to exercise its bail-in option or to have that decision reviewed by a judicial or administrative process or otherwise.

"Grandfathering" of capital instruments issued before 1 January 2013

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

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

Bearing in mind the uncertainties referred to above (see, in addition, "Uncertainties" and "Guidance Note 7" above), it is difficult for the Issuer to predict the precise effects of the changes that may result from the full implementation of Basel III in South Africa and/or what regulatory changes may be imposed in the future, or estimate, with accuracy, the impact that the full implementation of Basel III in South Africa and/or related regulatory changes that may be imposed in the future may have on the Issuer's business, the products and services it offers and the values of its assets. If, for example, the Issuer were required to make additional provisions, increase its reserves or capital, or exit or change certain businesses, as a result of the full implementation of Basel III in South Africa and/or related regulatory changes that may be imposed in the future, this could have an adverse effect on the Issuer's business, financial condition and results of operations.

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

Capital adequacy requirements

The Issuer is subject to the capital adequacy requirements set out in the Banks Act, as read with the Regulations Relating to Banks, which provide for a minimum target ratio of capital to risk-adjusted assets, which could limit its operations (see "South African implementation of Basel III" above).

The Issuer must, in terms of the Banks Act, as read with the Regulations Relating to Banks (see "South African implementation of Basel III" above) and Directive 5 (see "Directive 5" below), maintain a minimum level of capital based on risk-adjusted assets and off-balance-sheet exposures.

Any failure by the Issuer to maintain its capital adequacy ratios may result in sanctions against the Issuer which may in turn impact on its ability to fulfil its obligations under the Tier 2 Notes.

Directive 5

Directive 5 of 2013, dated 26 April 2013, was issued by the Relevant Authority, in terms of section 6(6) of the Banks Act, in April 2013 ("Directive 5"). A summary of certain of the provisions of Directive 5 is set out below:

Directive 5 informs banks of matters related to the prescribed minimum required capital ratios and the application of various components of the minimum required capital ratios such as the systemic risk capital requirement (Pillar 2A), the domestic systemically important bank (D-SIB) capital requirement, the countercyclical buffer range and the capital conservation buffer range. Directive 5 also details the phase-in requirements for the prescribed minimum required capital ratios.

Annexure A of Directive 5 stipulates the various capital tiers, together with various related elements specified in the Regulations Relating to Banks and in the Basel III Accord, including the systemic risk capital requirement (Pillar 2A), the bank-specific individual capital requirement (ICR, also known as Pillar 2B), and the phasing in of the related minimum requirements. The phase-in arrangements for the minimum requirements are set out in Annexure B of Directive 5.

Regulation 38(8)(e)(ii) of the Regulations Relating to Banks prescribes that the capital requirement for systemic risk (that is Pillar 2A) will be specified by the Relevant Authority. The Pillar 2A requirement may therefore also be revised from time to time.

The Pillar 2A capital requirement will be set at 1.5% of risk-weighted exposures (1% covered by common equity tier 1 capital and a further 0.5% by additional tier 1 capital) for all banks at a total capital level with effect from 1 January 2013, after which it will be increased to 2.0%. In order to ensure that factors related to systemic risk are not double counted, the Pillar 2A capital requirement will be adjusted during the phase-in period of the higher loss absorbency (HLA) requirement for D-SIBs, which will come into effect from 1 January 2016, resulting in an appropriate reduction in some components of the Pillar 2A requirement over time.

Banks are notified that the combined total capital-adequacy requirement in respect of the Pillar 2A and the HLA requirement for D-SIBs will not exceed 2% for common equity tier 1 capital, 2.5% for additional tier 1 capital and 3.5% in respect of the total capital adequacy ratio.

Banks should maintain an additional discretionary capital buffer above the specified minimum requirements, as envisaged in Regulation 38(8)(e)(vii) of the Regulations Relating to Banks, to ensure that the execution of internal business objectives or the occurrence of adverse external environmental factors do not prevent banks from operating above the relevant minima. The Relevant Authority will continue to monitor and assess the adequacy of this internal buffer against a bank's strategy, risk profile and levels of capital.

Banks are advised to take note of the fact that guidance will be provided on specific aspects of the new capital framework, should it become necessary, after the BCSB has finalised the consultative processes which are currently still under way.

Annexures A and B of Directive 5 provide, among other things, for the capital adequacy ratios for 2014:

- CET 1 Capital Requirement: Minimum CET1 Ratio (per Basel III) = 4% + Pillar 2A for CET1 = 1.5%. Minimum CET1 plus Pillar 2A = 5.5%.
- Tier 1 Capital Requirement: Minimum Tier 1 Ratio (per Basel III) = 5.5% + Pillar 2A for T1 = 1.5%. Minimum T1 plus Pillar 2A = 7.0%.
- Total Capital Requirement: Minimum Total Capital Ratio (per Basel III) = 8.0% + Pillar 2A for Total Capital = 2%. Minimum Total Capital plus Pillar 2A = 10%.

These minimum 2014 capital requirements exclude any bank-specific individual capital requirement (ICR, also known as Pillar 2B) for 2014.

The required minimum capital requirements will be phased in over a number of years and, as such, will change annually based on Directive 5 (or any other relevant guidance note to be issued in the future by the Relevant Authority).

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

Winding-up and liquidation of the Issuer

The claims of the Noteholders of Tier 2 Notes entitled to be paid amounts due in respect of the Tier 2 Notes are subordinated to the claims of Depositors and Senior Creditors (see Item A(4) (*Status of the Notes and Subordination*) of the Applicable Pricing Supplement). Accordingly, if the Issuer is wound-up or placed under liquidation, whether voluntarily or involuntarily, Noteholders of Tier 2 Notes will not be entitled to any payments in respect of the Tier 2 Notes until the claims of Depositors and Senior Creditors which are admissible in any such winding-up or liquidation have been paid or discharged in full (see Item A(4) (*Status of the Notes and Subordination*) of the Applicable Pricing Supplement). If the Issuer does not have sufficient assets at the time of winding-up or liquidation to satisfy those claims, Noteholders of Tier 2 Notes will not receive any payment on the Tier 2 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 Tier 2 Notes in the event the Issuer is wound-up or placed under liquidation. The issue of any such securities or indebtedness may reduce the amount recoverable by the Noteholders of Tier 2 Notes in the event the Issuer is wound-up or placed under liquidation.

Events of Default and limited rights of acceleration

The rights of the holders of Tier 2 Notes are limited in other respects. In particular, payments of principal and/or interest on the Tier 2 Notes may not be accelerated by any Noteholder of Tier 2 Notes except in the case of bankruptcy and/or liquidation of the Issuer (see Item D(8) (*Events of Default relating to Tier 2 Notes and Early Termination Amount*) of the Applicable Pricing Supplement).

SOUTH AFRICAN TAXATION

The comments in this section headed "South African Taxation" below are intended as a general guide to the relevant tax laws of South Africa as at the Issue Date. The contents of this section headed "South African Taxation" do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of Tier 2 Notes. Prospective subscribers for or purchasers of Tier 2 Notes should consult their professional advisers in this regard.

Securities Transfer Tax

The issue, transfer and redemption of Tier 2 Notes will not attract securities transfer tax under the Securities Transfer Tax Act, 2007. Any future transfer duties and/or taxes that may be introduced in respect of (or be applicable to) the transfer and/or redemption of Tier 2 Notes will be for the account of the Noteholders.

Income tax - treatment of premium and/or discount as well as interest on the Tier 2 Notes

The taxation of "interest" is regulated by section 24J of the Income Tax Act, 1962 ("Income Tax Act"). For tax purposes "interest" as defined in section 24J of the Income Tax Act ("Interest") has a wide meaning and includes, among other things, not just interest and related finance charges, but also any discount or premium payable or receivable in terms of or in respect of a financial arrangement.

Original issue discount or premium

Any original issue at a discount to the Principal Amount of the Tier 2 Notes will be treated as Interest for tax purposes, and the discount income will be deemed to accrue to the Noteholder on a yield to maturity basis as if such Noteholder were to hold the Tier 2 Notes until maturity. Any original issue premium over the Principal Amount of the Notes will also be treated as Interest for tax purposes and will be taken into account in calculating the return to the Noteholder on a yield to maturity basis as if such Noteholder were to hold the Tier 2 Notes until maturity.

Interest on the Tier 2 Notes

A "resident" (as defined in section 1 of the Income Tax Act) ("Resident") will, subject to any available exemptions, be taxed on its worldwide income. Accordingly, a Resident Noteholder will be liable for income tax, subject to available exemptions, on any income received or accrued in respect of the Tier 2 Notes held by that Resident Noteholder in the relevant year of assessment of that Resident Noteholder.

A person who or which is not a Resident ("Non-Resident") is currently taxed in South Africa under the Income Tax Act only on income from a source within or deemed to be within South Africa. Interest which, during the relevant year of assessment of a Non-Resident Noteholder, is received or accrued in respect of Tier 2 Notes which are held by that Non-Resident Noteholder will (subject to "Withholding tax" below) be exempt from income tax under section 10(1)(h) of the Income Tax Act, unless that Non-Resident Noteholder:

- a) is a natural person who was physically present in South Africa for a period exceeding 183 calendar days in aggregate during the relevant year of assessment; or
- b) at any time during the relevant year of assessment carried on business through a permanent establishment of that Non-Resident Noteholder in South Africa.

If a Non-Resident Noteholder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, an exemption from or reduction of tax liability under the Income Tax Act may be available under an applicable convention concluded between the Government of the Republic of South Africa and the relevant other contracting state for the avoidance of double taxation ("DTA"). In addition, certain entities may be exempt from income tax. Prospective Non-Resident Noteholders must consult their own professional advisers as to whether the interest income earned on the Tier 2 Notes to be held by them will be exempt under section 10(1)(h) of the Income Tax Act or under an applicable DTA.

As regards liability for the withholding tax on Interest paid to Non-resident Noteholders, see "Withholding tax" below.

Withholding tax

The Taxation Laws Amendment Act, 2013 amended the Income Tax Act on and with effect from 12 December 2013. In terms of Part IVB of the amended Income Tax Act, a withholding tax on Interest paid to Non-Residents (at a rate of 15% of the amount of the Interest) ("Withholding Tax") will come into effect on 1 January 2015.

Subject to any Withholding Tax relief provided for in the Income Tax Act (see below) or an applicable DTA, the Withholding Tax will be imposed in respect of all payments of Interest to Non-Residents (other than payments of Interest to a Non-Resident who is not entitled to the section 10(1)(h) exemption referred to under "Income tax - treatment of premium and/or discount as well as interest on the Notes" above and which Non-Resident is therefore liable for the payment of income tax on such Interest). Accordingly, subject as aforesaid, the Withholding Tax will be imposed in respect of all payments of Interest under the Tier 2 Notes to Non-Resident Noteholders.

However, payments of Interest under Tier 2 Notes held by Non-Resident Noteholders will be exempt from Withholding Tax if (among other exemptions) such Tier 2 Notes are listed on a "*recognised exchange*" or are issued by a South African bank. The Issuer is a South African bank. The JSE is a "*recognised exchange*".

Payments of Interest under Tier 2 Notes held by Non-Resident Noteholders will accordingly be exempt from Withholding Tax.

Compulsory Write-Off of Tier 2 Notes

To the extent that the Tier 2 Notes are Written Off (on the basis that the Issuer is no longer being obliged to pay the relevant amount to the Noteholders) this will be a realisation which may have tax consequences: if a debt is waived or reduced as envisaged in the Income Tax Act, this may result in a loss for the Noteholders of Tier 2 Notes. To the extent that the waiver or reduction of the relevant debt is merely an accounting entry as opposed to a waiver or reduction in law, this will not constitute a disposal of the Tier 2 Notes. Should there be an actual waiver or reduction in law of the relevant amount under the Tier 2 Notes, the Noteholders of Tier 2 Notes may have to account for tax consequences, depending on, among other things, whether the Tier 2 Notes have been held on capital or revenue account.

Disposal of the Tier 2 Notes

If a Noteholder sells or otherwise disposes of a Tier 2 Note, Taxes (whether income tax or capital gains tax) may be levied on such sale or disposal.

Taxes (whether income tax or capital gains tax) may be levied on the disposal or deemed disposal of any Notes held by a Resident Noteholder. In general, income tax will be leviable to the extent that a Resident Noteholder is a trader or has acquired the Tier 2 Notes for speculative purposes. In general, capital gains tax will be leviable to the extent that the Tier 2 Notes have been acquired by a Resident Noteholder for investment purposes and the disposal is not regarded as part of a profit-making transaction.

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

In general, Taxes (whether income tax or capital gains tax) will not be levied on the disposal or deemed disposal of Tier 2 Notes by a Non-Resident Noteholder unless the profits made on the disposal or deemed disposal of such Tier 2 Notes are from a South African source and are attributable to a permanent establishment of that Non-Resident Noteholder in South Africa during the relevant year of assessment of that Non-Resident Noteholder. An applicable DTA may provide such Non-Resident Noteholder with relief from such Taxes.

Value-added tax

No value-added tax ("VAT") is payable on the issue or transfer of the Tier 2 Notes. The Tier 2 Notes constitute "debt securities" as defined in the Value-Added Tax Act, 1991 ("VAT Act"). The issue, allotment or transfer of ownership of a debt security constitutes a financial service, which is exempt from VAT in terms of section 12(a) of the VAT Act. However, commissions or other charges that are payable on the facilitation of these services are subject to VAT at the standard rate (currently being 14%). If the recipient of the commissions or charges is a Non-Resident, the commissions or charges may be subject to VAT at a zero rate, depending on the circumstances and the identity of the service provider.