



**ABSA BANK LIMITED**

*(Incorporated in the Republic of South Africa with limited liability under registration number 1986/004794/06)*

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**ZAR40,000,000,000**

**Master Structured Note Programme**

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Under this ZAR40,000,000,000 Master Programme Memorandum, which (as at the date of this Master Structured Note Programme (as defined below)) amends, restates, replaces and supersedes the ZAR40,000,000,000 Master Structured Note Programme 27 October 2015 (originally dated 21 October 2013) (the "**Master Structured Note Programme**"). This Master Structured Note Programme does not affect any Notes issued before the Programme Date and the previous Programme Memoranda, as applicable, will continue to apply to such Notes, as applicable. Absa Bank Limited (the "**Issuer**") may from time to time issue unsecured or secured registered notes of any kind (the "**Notes**") in accordance with Section II-A of this Master Programme Memorandum (as defined below) headed "*Terms and Conditions of the Notes*" (the "**Terms and Conditions**"). Capitalised terms used in this Master Programme Memorandum are defined in Schedule 1 to Section II-A of this Master Programme Memorandum (the "**Glossary of Terms**"), unless such meaning is amended by an Applicable Product Supplement or an Applicable Pricing Supplement in relation to a particular Series or Tranche of Notes or unless the context otherwise requires. Expressions defined in the Glossary of Terms shall bear the same meanings in supplements to this Master Programme Memorandum unless otherwise defined in such supplements.

This Master Programme Memorandum will apply to the Notes issued under the Master Structured Note Programme in an aggregate outstanding Nominal Amount which will not exceed the authorised amount of ZAR40,000,000,000, unless such amount is increased by the Issuer as set out in Section I-B of this Master Programme Memorandum headed "*General Description of the Programme*".

Notes will be issued in individual Tranches. Tranches may, together with other Tranches, form a Series of Notes. A Tranche or Series of Notes will be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche or Series of Notes set out in the Applicable Product Supplement and/or Applicable Pricing Supplement. Any other type of Notes not already provided for in this Master Programme Memorandum may be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche or Series of other Notes set out in the Applicable Product Supplement and/or the Applicable Pricing Supplement.

This Master Programme Memorandum has been approved by, and is registered with, the JSE. A Tranche of Notes may be listed on the Interest Rate Market and the Main Board of the JSE, as the case may be (the "**Relevant Board of the JSE**") or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to all applicable laws. Unlisted Notes may also be issued under the Master Structured Note Programme but will not be regulated by the JSE. Details of the Notes, including the aggregate nominal amount of the Notes, interest (if any) payable in respect of the Notes and the issue price of the Notes will be set forth in an Applicable Product Supplement and/or the Applicable Pricing Supplement. With respect to Notes to be listed on the Relevant Board of the JSE, a copy of the signed Applicable Product Supplement, if applicable, and the signed Applicable Pricing Supplement will be delivered to the JSE and the CSD before the Issue Date, and the Notes in that Tranche may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement, in accordance with the Applicable Procedures. The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades done through the JSE. The placement of a Tranche of Unlisted Notes may (at the sole discretion of the Issuer) be reported through the JSE reporting system, in which event the settlement of trades in such Notes will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades done through the JSE. The settlement and redemption procedures for a Tranche of Notes listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Product Supplement and/or the Applicable Pricing Supplement. The Issuer is solely

responsible for settlement of all Notes, and neither the JSE nor any other exchange bears any responsibility whatsoever.

Save as set out herein, the Notes will not be subject to any minimum or maximum maturity.

Notes may be issued on a continuing basis and be placed by one or more of the Dealers specified in the Terms and Conditions of the Notes and any additional Dealer appointed under the Master Structured Note Programme from time to time by the Issuer, which appointment may be for a specific issue or on an on-going basis. References in this Master Programme Memorandum to the “relevant Dealer” shall, in the case of Notes being (or intended to be) placed by more than one Dealer, be to all Dealers agreeing to place such Notes.

**The attention of investors contemplating investing in the Notes is drawn to Section I-D of this Master Programme Memorandum headed “Risk Factors” and the “Risk Factors” section in each Applicable Product Supplement for a discussion of certain factors that should be carefully considered by prospective investors in connection with an investment in the Notes.**

This Master Structured Note Programme has, as at the date of this Master Programme Memorandum, not been rated; however, the Issuer may at any time obtain a Rating from a Rating Agency for the Master Structured Note Programme or any issue of Notes issued pursuant to the terms of this Master Structured Note Programme. The Applicable Pricing Supplement will reflect the Rating, if any, which has been assigned to the Master Structured Note Programme and/or a Tranche of Notes, as the case may be, as well as the Rating Agency which assigned such Rating. For so long as any Note remains outstanding and listed on the Relevant Board of the JSE, any change in any assigned Rating (if applicable) will be published by the Issuer on SENS, or any other similar service established by the JSE, as soon as possible. The Issuer may agree with any Dealer that Notes may be issued in a form not yet provided for by the Terms and Conditions of the Notes herein, in which event a supplementary Master Programme Memorandum, if appropriate, will be made available, which will describe the effect of the agreement reached in relation to such Notes.

*Arranger, Dealer & Debt Sponsor*

**Absa Bank Limited**



*Transaction Legal Counsel*

**ENSafrica**



Master Programme Memorandum dated on or about 7 November 2018, which amends, restates, replaces and supersedes the Master Programme Memorandum dated 27 October 2015 (originally dated 21 October 2013)

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## GENERAL

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*Capitalised terms used in this section headed “General” shall bear the same meanings as those used in the Glossary of Terms, except to the extent that such meanings would be clearly inappropriate from the context.*

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the Master Programme Memorandum contains all information required by law, the JSE Debt Listings Requirements and section 19 of the JSE Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in this Master Programme Memorandum, Applicable Product Supplements, Applicable Pricing Supplements and the annual financial report (incorporated herein by reference), any amendments to the annual financial report and/or any supplements thereto from time to time, except as otherwise stated therein. The Issuer certifies that to the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Master Programme Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer, having made all reasonable enquiries, confirms that this Master Programme Memorandum contains or incorporates all information which is material in the context of the issue and the offering of Notes, that the information contained or incorporated in this Master Programme Memorandum is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Master Programme Memorandum are honestly held and that there are no other facts, the omission of which would make this Master Programme Memorandum or any of such information or expression of any such opinions or intentions false or misleading in any material respect.

This document is to be read and construed with any amendment or supplement thereto (this document, as amended, replaced or supplemented, the “**Master Programme Memorandum**”), and in conjunction with any other documents which are deemed to be incorporated herein by reference (see Section I-A of this Master Programme Memorandum headed “*Documents Incorporated by Reference*”) and, in relation to any Tranche of Notes, should be read and construed together with the Applicable Product Supplement and/or the Applicable Pricing Supplement. This Master Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and are deemed to form part of this Master Programme Memorandum.

Claims against the JSE Guarantee Fund Trust and/or the BESA Guarantee Fund Trust (or any successor fund) may only be made in respect of trading in Notes listed on the Relevant Board of the JSE in accordance with the rules of the JSE Guarantee Fund Trust and/or the BESA Guarantee Fund Trust (as applicable), and can in no way relate to trading on another licensed or recognised exchange or to a default by the Issuer of its obligations in terms of its obligations under the Notes.

The JSE takes no responsibility for the contents of the placing document and the annual financial statements and/or the pricing supplements and/or the annual report of the issuer and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the placing document and the annual financial statements and/or the pricing supplements and/or the annual report of the issuer and any amendments or supplements to the aforementioned documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the placing document and listing of the debt securities is not to be taken in any way as an indication of the merits of the issuer or of the debt securities and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

The Arranger, the Dealers, the JSE, the CSD or any of their respective affiliates and other professional advisers named herein have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arranger, the Dealers, the JSE, the CSD or other professional advisers as to the accuracy or completeness of the information contained in this Master Programme Memorandum or any other information provided by the Issuer. The Arranger, the Dealers, the JSE, the CSD or their respective affiliates and other professional advisers do not accept any liability in relation to the information contained in this Master Programme Memorandum or any other information provided by the Issuer in connection with the Master Structured Note Programme.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Master Programme Memorandum or any other document entered into in relation to the Master Structured Note Programme or any other information supplied by the Issuer in connection with the Master Structured Note Programme or any other documents which are deemed to be incorporated herein by reference and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, the Dealers, the JSE, the CSD, any of their agents or employees or other professional advisers.

Neither this Master Programme Memorandum nor any other information supplied in connection with the Master Structured Note Programme is intended to provide a basis for any credit or other evaluation, or should be considered as a recommendation by the Issuer, the Arranger or any of the Dealers that any recipient of this Master Programme Memorandum or any other information supplied in connection with the Master Structured Note Programme should subscribe for, or purchase, any Notes.

Each person contemplating the subscription for, or purchase of, any Notes should determine for itself the relevance of the information contained in this Master Programme Memorandum and should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and its subscription for, or purchase of, Notes should be based upon any such investigation as it deems necessary. None of this Master Programme Memorandum, any

Applicable Product Supplement, the Applicable Pricing Supplement nor any other information supplied in connection with the Master Structured Note Programme constitutes an offer to sell or the solicitation of an offer to buy or invitation by or on behalf of the Issuer, the Arranger, or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Master Programme Memorandum, any Applicable Product Supplement or any Applicable Pricing Supplement, nor the offering, sale or delivery of any Note shall at any time imply that the information contained herein is correct at any time subsequent to the date hereof or that any other financial statements or other information supplied in connection with the Master Structured Note Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Arranger and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Master Structured Note Programme. Investors should review, *inter alia*, the most recent financial statements, if any, of the Issuer when deciding whether or not to subscribe for, or purchase, any Notes.

The distribution of this Master Programme Memorandum, any Applicable Product Supplement and/or any Applicable Pricing Supplement, as well as the issue, sale or offer of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Master Programme Memorandum, or any Applicable Product Supplement, Applicable Pricing Supplement or any Notes come are required by the Issuer, the Arranger and the Dealers to inform themselves about, and observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Master Programme Memorandum, any Applicable Product Supplement or any Applicable Pricing Supplement, as well as other offering material relating to the Notes, see Section II-D of this Master Programme Memorandum headed "*Subscription and Sale*".

None of the Issuer, the Dealers or any other professional advisers represents that this Master Programme Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger, the Dealers or any other professional advisers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Master Programme Memorandum, any Applicable Product Supplement or any Applicable Pricing Supplement, nor any advertisement nor other offering material, may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations, and the Dealers have represented that all offers and sales by them will be made on the same terms.

The Notes have not been and will not be registered under the United States Securities Act. Notes may not be offered, sold or delivered within the United States or to U.S. persons except in accordance with Regulation S under the United States Securities Act.

In connection with the issue and distribution of any Tranche of Notes under the Master Structured Note Programme, the Dealer, if any, that is specified in the Applicable Pricing Supplement as the stabilising manager (or any person acting for the stabilising manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the applicable laws and agreed with the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the stabilising manager (or any agent of the stabilising manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

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**SECTION I: INTRODUCTION****SECTION I-A: DOCUMENTS INCORPORATED BY REFERENCE**

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*Capitalised terms used in this Section I-A headed "Documents Incorporated by Reference" shall bear the same meanings as used in the Glossary of Terms, except to the extent that such meanings would be clearly inappropriate from the context.*

For so long as any Note remains outstanding, the following documents shall be deemed to be incorporated in, and to form part of, this Master Programme Memorandum:

- (a) the constitutional documents of the Issuer;
- (b) all amendments and supplements to this Master Programme Memorandum prepared by the Issuer from time to time;
- (c) in respect of any issue of Notes under the Master Structured Note Programme, the audited consolidated annual financial statements (including, where applicable, the consolidated interim financial statements), together with such statements, reports and the notes attached to or intended to be read with such financial statements of the Issuer for its 3 (three) financial years prior to the date of such issue, as well as for each financial year thereafter ending on the last day of each financial year, currently 31 December;
- (d) each annual report prepared by the Issuer from time to time;
- (e) each Applicable Product Supplement relating to any type, Series or Tranche of Notes issued under the Master Structured Note Programme;
- (f) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Master Structured Note Programme;
- (g) the applicable ground rules documents relating to any Index Linked Notes (if applicable) under the Master Structured Note Programme; and
- (h) all information pertaining to the Issuer which is relevant to the Master Structured Note Programme and/or this Master Programme Memorandum which is electronically submitted, after the Programme Date, by SENS, or any other similar service established by the JSE

save that any statement contained in this Master Programme Memorandum or in any of the documents incorporated by reference in and forming part of this Master Programme Memorandum shall be deemed to be modified or superseded for the purpose of this Master Programme Memorandum to the extent

that a statement contained in any document subsequently incorporated by reference modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will, for so long as the Master Structured Note Programme remains registered with the JSE, provide at the Specified Office of the Issuer, as set out at the end of this Master Programme Memorandum, without charge, upon request of such person, a copy of (i) this Master Programme Memorandum and any or all of the documents which are incorporated herein by reference, unless such documents have been modified or superseded in which case the modified or superseding documentation will be provided, and/or (ii) the most recently obtained monthly register made available by the Participant to the CSD. Requests for such documents should be directed to the Issuer at its Specified Office as set out at the end of this Master Programme Memorandum. This Master Programme Memorandum, all Applicable Product Supplements, all Applicable Pricing Supplements (in respect of listed Notes) and any supplementary documents thereto will be available on the JSE website, [www.jse.co.za](http://www.jse.co.za), and, the Issuer's annual report, the audited consolidated annual financial statements of the Issuer and this Master Programme Memorandum (and any supplementary documents thereto, including the Applicable Product Supplements, Applicable Pricing Supplements, ground rules documents or index license agreements) are also available on the Issuer's website, [www.absa.co.za](http://www.absa.co.za).

The Issuer will, for so long as the Master Structured Note Programme remains registered with the JSE, review the Programme Memorandum or any supplement to this Programme Memorandum on an annual basis to consider if any information contained in relation to the Issuer, specifically excluding Terms and Conditions, is outdated in a material respect. If such information is deemed to be outdated by the Issuer, the Issuer shall update the Programme Memorandum or any supplement to this Programme Memorandum pursuant to approval by the JSE. The Issuer will release an announcement, by electronically publishing such announcement on SENS, or any other similar service, established by the JSE, containing a summary of the changes and a statement that the updated Programme Memorandum or any supplement to the Programme Memorandum will be available for inspection on the relevant website, together with a link to the website.

The Issuer will, for so long as the Master Structured Note Programme remains registered with the JSE, publish a new Master Programme Memorandum or a supplement to this Master Programme Memorandum, as the case may be, if:

- (a) a material change in the condition (financial or otherwise) of the Issuer occurs; or
- (b) a material event has occurred which affects any matter contained in this Master Programme Memorandum, the disclosure of which would reasonably be required by Noteholders and/or potential investors in the Notes; or

- (c) any of the information contained in this Master Programme Memorandum becomes outdated in a material respect; or
- (d) this Master Programme Memorandum no longer contains all the materially correct information required by the Applicable Procedures,

provided that, in the circumstances set out in paragraphs (a), (c) and (d) above, no new Master Programme Memorandum or supplement to this Master Programme Memorandum, as the case may be, is required in respect of the Issuer's audited consolidated annual financial statements if such audited consolidated annual financial statements are incorporated by reference into this Master Programme Memorandum and such audited annual financial statements are published, as required by the Companies Act, and submitted to the JSE within 4 (four) months after the financial year end of the Issuer.

The Issuer will, for so long as the Master Structured Note Programme remains registered with the JSE, announce by electronically publishing such announcement on SENS, or any other similar service, established by the JSE, when the Issuer's audited annual financial statements are available.

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**SECTION I-B: GENERAL DESCRIPTION OF THE MASTER STRUCTURED NOTE PROGRAMME**

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*Capitalised terms used in this Section I-B headed "General Description of the Master Structured Note Programme" shall bear the same meanings as used in the Glossary of Terms, except to the extent that such meanings would be clearly inappropriate from the context.*

The Issuer may from time to time issue one or more Tranches of Notes under the Master Structured Note Programme, pursuant to this Master Programme Memorandum, provided that the aggregate outstanding Nominal Amount of all of the Notes issued under the Master Structured Note Programme from time to time does not exceed the Programme Amount.

A Tranche of Listed Notes may be listed on the Relevant Board of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to applicable laws. Unlisted Notes may also be issued under the Master Structured Note Programme but will not be regulated by the JSE. The Applicable Product Supplement and/or the Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange. In respect of Notes listed on the Main Board of the JSE, any applicable corporate actions will be carried out in accordance with the Main Board timetable.

This Master Programme Memorandum and any supplement will only be valid for the issue of Notes in an aggregate Nominal Amount which, when added to the aggregate Nominal Amount then outstanding of all the Notes previously or simultaneously issued under the Master Structured Note Programme, does not exceed the authorised Programme amount of ZAR40,000,000,000 or its equivalent in other currencies. For the purpose of calculating the South African Rand equivalent of the aggregate Nominal Amount of the Notes issued under the Master Structured Note Programme from time to time, the South African Rand equivalent of the Notes denominated in another Issuance Currency (as specified in the Applicable Pricing Supplement) shall be determined as of the Agreement Date on the basis of the Conversion Rate and in respect of:

- (a) Zero Coupon Notes and other Notes, the Conversion Rate shall be applied to the net subscription proceeds received by the Issuer for the relevant issue; and
- (b) Partly Paid Notes and Index Linked Notes, the Conversion Rate shall be applied to the Nominal Amount regardless of the amount paid up on such Notes.

From time to time the Issuer may wish to increase the Programme Amount. Subject to the Applicable Procedures, all applicable laws and the Programme Agreement, the Issuer may, without the consent of Noteholders, increase the Programme Amount by delivering a notice thereof (i) to the Noteholders in accordance with Condition 16 (*Notices*) of the Terms and Conditions, (ii) the Arranger and the Dealer(s) (if any) and (iii) the relevant Financial Exchange (if required). Upon such notice being given and the

conditions set out in the Programme Agreement, if any, to the exercise of this right having been met, all references in this Master Programme Memorandum (and each agreement, deed or document relating to the Master Structured Note Programme and/or this Master Programme Memorandum) to the Programme Amount will be, and will be deemed to be, references to the increased Programme Amount set out in such notice.

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**SECTION I-C: OVERVIEW OF THE MASTER STRUCTURED NOTE PROGRAMME**

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*The information set out below is a summary of the principal features of the Master Programme Memorandum. This Section I-C should be read in conjunction with, and is qualified in its entirety by, the detailed information contained elsewhere in this Master Programme Memorandum and, in respect of types of Notes which are not already provided for by this Master Programme Memorandum, by the information contained in the Applicable Product Supplement and, in respect of each Tranche of Notes, by the information contained in the Applicable Pricing Supplement.*

**Master Programme Memorandum**

The Master Programme Memorandum provides a framework and certain common terms for the issue of Notes by the Issuer.

The Master Programme Memorandum is established by the Issuer.

Notes may be issued by the Issuer in Tranches pursuant to the Master Structured Note Programme. A Tranche of Notes may, together with a further Tranche or Tranches, form a Series of Notes issued under the Master Structured Note Programme.

To the extent that the Issuer issues a type of Note that is not already provided for in this Master Programme Memorandum, certain supplemental terms and conditions applicable to such Notes will be contained in the relevant Applicable Product Supplement, which Applicable Product Supplement may contain its own *pro forma* Applicable Pricing Supplement. For the purposes of such Notes, the Applicable Product Supplement and the relevant Applicable Pricing Supplement for such Notes are incorporated herein and supplements these Terms and Conditions. To the extent so specified or to the extent inconsistent with these Terms and Conditions, terms and conditions contained in an Applicable Product Supplement and the relevant Applicable Pricing Supplement thereto replace, amend and/or supplement these Terms and Conditions for the purposes of those Notes. For the avoidance of doubt, to the extent that the relevant Applicable Pricing Supplement is inconsistent with the terms and conditions of the Notes as specified in the relevant Applicable Product Supplement, the terms and conditions contained in such Applicable Pricing Supplement replace, amend and/or supplement the terms and conditions contained in such Applicable Product Supplement. Capitalised expressions used in the Applicable Product Supplement and/or the relevant Applicable Pricing Supplement and not herein defined shall bear the meaning assigned to them in the Applicable Product Supplement and/or the relevant Applicable Pricing Supplement respectively.

To the extent necessary, the Issuer will obtain separate approvals from all relevant regulatory authorities to issue Notes pursuant to any Applicable Product Supplement.

To the extent that the Issuer issues a type of Note that is provided for in this Master Programme Memorandum, certain supplemental terms and conditions applicable to such Notes will be contained in the Applicable Pricing Supplement. The Applicable Pricing Supplement for each Tranche of Notes is incorporated herein for the purposes of such Tranche and supplements these Terms and Conditions. To the extent so specified or to the extent inconsistent with these Terms and Conditions, terms and conditions contained in an Applicable Pricing Supplement replace, amend and/or supplement these Terms and Conditions for the purposes of such Tranche. Capitalised expressions used in the Applicable Pricing Supplement and not herein defined shall bear the meaning assigned to them in the Applicable Pricing Supplement.

If there is any conflict or inconsistency between the provisions set out in an Applicable Product Supplement and the provisions set out in these Terms and Conditions, then the provisions in the relevant Applicable Product Supplement will prevail. If there is any conflict or inconsistency between the provisions set out in the relevant Applicable Pricing Supplement and the provisions set out in either these Terms and Conditions and/or an Applicable Product Supplement, then the provisions in the relevant Applicable Pricing Supplement will prevail.

The Master Structured Note Programme is not rated. A Series or Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Series and/or Tranches of Notes may also be issued. A Rating of a Series or a Tranche of Notes is not a recommendation to subscribe for, buy, sell or hold any Notes, and may be subject to revision, suspension or withdrawal at any time by the Rating Agency.

This Master Programme Memorandum will only apply to Notes issued under the Master Structured Note Programme.

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**SECTION: I-D RISK FACTORS**

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*Capitalised Terms used in this Section I-D entitled "Risk Factors" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

*The Issuer believes that the factors described below, as read with Section III-A of this Master Programme Memorandum entitled "Description of Absa Bank Limited", which are not set out in any particular order, represent key 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. Some risks are not yet known and some that are not currently deemed material could later turn out to be material. Accordingly, the Issuer does not represent or warrant that the statements below regarding the risks of holding of any Notes are exhaustive. This section should be read in conjunction with, and is qualified in its entirety by, the detailed information contained elsewhere in this Master Programme Memorandum and, in relation to any Series or Tranche of Notes, an Applicable Product Supplement and/or the Applicable Pricing Supplement.*

*Prospective purchasers of the Notes should ensure that they fully understand the nature of the Notes and the extent of their exposure to risks, and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial position.*

*The Notes involve a high degree of risk, including the risk of losing some or a significant part of their initial investment. Potential investors should be prepared to sustain a total loss of their investment in the Notes. The Notes represent general, unsecured, unsubordinated, contractual obligations of the Issuer and rank pari passu in all respects with each other.*

*Purchasers are reminded that the Notes constitute obligations of the Issuer only and of no other person. Therefore, potential purchasers should understand that they are relying on the credit worthiness of the Issuer.*

*All of these risks could materially affect the Issuer, its reputation, business, results of its operations and overall financial condition.*

*The information set out below is therefore not intended as advice and does not purport to describe all of the considerations that may be relevant to a prospective investor.*

*Investors contemplating making an investment in the Notes should determine their own investment objectives and experience, and any other factors which may be relevant to them in connection with such investment.*

## RISK ASSOCIATED WITH THE NOTES

### 1. RISKS RELATING TO THE ISSUER OR ITS BUSINESS

For further information on risks facing the Issuer's business, and the measures in place to mitigate these risks, please refer to Section III-A of this Master Programme Memorandum headed "*Description of Absa Bank Limited*" under paragraph titled "*Risk*" on page 166 of the Programme Memorandum.

### 2. RISKS RELATING TO THE ISSUER'S INDUSTRY

For further information on risks relating to the Issuer's industry, see the Issuer's annual report incorporated herein by reference and Section III-A of this Master Programme Memorandum headed "*Description of Absa Bank Limited*".

### 3. FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

#### 3.1. The Issuer's financial performance is subject to inherent risks concerning borrower credit

The Issuer's businesses are subject to inherent risks regarding borrower credit quality and the recoverability of loans and amounts due from counterparties. Changes in the credit quality of the Issuer's borrowers and counterparties or arising from systemic risk in the financial systems could reduce the value of the Issuer's assets, and require increased provisions for bad and doubtful debts. In addition, changes in economic conditions may result in deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default. The Issuer has established credit quality management policies and actively monitors credit exposure on an on-going basis to mitigate such risks.

#### 3.2. The Issuer's businesses are inherently subject to the risk of market fluctuations

The Issuer's businesses are inherently subject to the risk of market fluctuations. In particular, the Issuer's activities are subject to interest rate risks and may in some cases also be subject to foreign exchange, bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. The performance of financial markets may cause changes in the value of the Issuer's investment and trading portfolios. The Issuer has implemented risk management methods to mitigate and control these and other market risks to which the Issuer is exposed. However, it is difficult to predict with accuracy

changes in economic or market conditions and to anticipate the effects that such changes could have on the Issuer's financial performance.

3.3. The Issuer's business may be exposed to the adverse effects of operational risks

The Issuer's businesses are subject to operational risk, and losses can result from inadequate or failed internal processes, documentation, people, systems, fraud, equipment failures, natural disasters or the failure of external systems, including those of the Issuer's suppliers and counterparties. The Issuer's systems, processes and internal controls are designed to ensure that the operational risks associated with its activities are appropriately monitored and controlled. In addition, business resumption and disaster recovery processes have been implemented to mitigate operational risks inherent in the Issuer's business.

3.4. Liquidity risk may impair the Issuer's ability to adequately fund its operations

Ready access to funds is essential to any banking business, including those operated by the Issuer. An inability on the part of the Issuer to access funds or to access the markets from which it raises funds may lead to the Issuer being unable to finance its operations adequately, which in turn could adversely affect its results of operations and financial condition. In particular, the Issuer takes deposits with maturities which are shorter than the loans it makes. This exposes the Issuer to the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strains. Additionally, the Issuer's ability to raise or access funds may be impaired by factors that are not specific to it, such as general market conditions, severe disruption of the financial markets or negative views about the prospects for the industries or regions in which the Issuer operates. In addition, the Issuer's borrowing costs and access to funds may be adversely affected by any reduction in its credit rating, and no assurance can be given that any rating agency will not at some time in the future reduce such credit ratings. The Issuer has developed and implemented risk management policies, procedures and processes designed to reduce this risk through active monitoring and reporting of its liquidity position.

The Issuer, in common with other banks in South Africa, is very reliant on wholesale funding rather than retail deposits, due to the low savings rate within South Africa. Although the Issuer believes that its level of access to domestic and international inter-bank and capital markets and its liquidity risk management policy allow and will continue to allow the Issuer to meet its short-term and long-term liquidity needs, any maturity mismatches may have a material adverse effect on its financial condition and

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

3.5. The Issuer's risk management policies and procedures may not have identified or anticipated all potential risk exposures

The Issuer has devoted significant resources to developing its risk management policies and procedures, particularly in connection with credit, market, liquidity, interest rate and operational risks, and expects to continue to do so in the future. Nonetheless, its risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Issuer's methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than historical measures indicate. Other risk management methods depend upon evaluation of information regarding the markets in which the Issuer operates, its clients or other matters that are publicly available or otherwise accessible by the Issuer. This information may not be accurate in all cases, complete, up-to-date or properly evaluated. Any failure arising out of the Issuer's risk management techniques may have an adverse effect on its results of operations and financial condition.

3.6. The financial services industry in which the Issuer operates is competitive

The financial services industry in which the Issuer's businesses operate is highly competitive. The Issuer competes on the basis of a number of factors, including customer services and quality, transaction execution, its products and services, innovation, reputation and price. New competitors, including companies other than banks, may disintermediate the market thus impacting market share. Many of the banks operating in the Issuer's markets compete for substantially the same customers as the Issuer. An increase in competition in some or all of the Issuer's principal markets may have an adverse effect on its financial condition and results of operations.

3.7. Concentration Risk

The Issuer'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 Issuer's loan portfolio and, as a result, on its financial condition and results of its operations.

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

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

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

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

3.10. The Issuer is subject to capital requirements that could limit its operations

The Issuer is subject to capital adequacy guidelines adopted by the South African Reserve Bank, which provide for a minimum target ratio of capital to risk-adjusted assets. Any failure by the Issuer to maintain its ratios may result in sanctions against the Issuer which may in turn impact on its ability to fulfil its obligations under the Notes. (See the subheading "*Regulatory Environment*" in section III-A of this Master Programme Memorandum headed "*Description of Absa Bank Limited*", and clause 3.11 (*Basel III*) below for a description of the measures the Issuer has put in place in order to comply with Basel III).

3.11. Basel III

The amended Regulations relating to Banks (as further amended on 20 May 2016) (the "**Regulations Relating to Banks**") effective 1 January 2013 are based on the Basel III framework and provide the minimum risk based capital ratios. The SARB minimum ratios will be phased in for the period 2013 to 2019 in line with Basel III requirements. The minimum CET 1 ratio for 2017 was 7.25% increasing to 7.375% in 2018 and to 7.5% in 2019. The minimum tier 1 ratio for 2017 was 8.5% increasing to 8.875% in 2018 and to 9.25% in 2019. The minimum total capital adequacy ratio for 2017 was 10.75% increasing to 11.125% in 2018 and to 11.5% in 2019. These minimum regulatory capital requirements include the capital conservation buffer but exclude the

bank-specific individual capital requirement (“**Pillar 2b add-on**”) and the Domestic Systemically Important Bank (“**D-SIB**”) add-on.

The Basel III capital buffers will make it more challenging for banks to comply with minimum capital ratios in future. Failure by the Issuer to meet certain of these buffers, for example the capital conservation and counter-cyclical buffers could result in restrictions being placed on distributions, including dividends, share buybacks and discretionary payments and any failure by the Issuer to maintain its capital ratios may result in action taken in respect of the Issuer which may in turn impact on its ability to fulfil its obligations under the Notes. Prospective investors in the Notes should consult their own advisers as to the consequences for them of the potential application of the Basel III framework.

In addition, Basel III prescribes two minimum liquidity standards for funding liquidity. The first is the liquidity coverage ratio (“**LCR**”) which became effective on 1 January 2015 and aims to ensure that banks maintain an adequate level of high-quality liquid assets to meet liquidity needs for a 30 (thirty) calendar day period under a severe stress scenario. The second is the Net Stable Funding Ratio (“**NSFR**”), which became effective 1 January 2018, and aims to promote medium and long-term funding of banks' assets and activities.

South Africa, as a G20 and Basel Committee on Banking Supervision (“**Basel Committee**”) member country, commenced the phasing-in of the Basel III framework on 1 January 2013 and will continue to implement the accord up to 1 January 2019 in line with timelines determined by the Basel Committee. The Issuer reported a three month average LCR of 107.5% as at 31 December 2017, exceeding the SARB's 2017 minimum phase-in requirement of 80%.

The SARB has approved the 2018 committed liquidity facility (“**CLF**”) which will be available to banks to assist banks to meet the LCR. The SARB's approach to the CLF is detailed in, inter alia, Guidance Note 6 of 2016 (Provision of a committed liquidity facility by the SARB).

Given the structural funding profile of South Africa's financial sector, the South African banking sector (including the Issuer), based on the current funding profile, was expected to experience difficulty in complying with the Basel III NSFR requirement.

3.12. The Issuer is affected by market uncertainty prior to the finalisation of the South African resolution framework in line with international standards

South Africa is a member of the G20 and of the Financial Stability Board. As such and to meet South Africa's international commitments, the Bank Supervision Department of the SARB in conjunction with the National Treasury is in the process of drafting legislation to provide for bank resolution in South Africa. In accordance with its Basel III and G20 commitments, the SARB is developing a resolution framework. On 5 October 2018 the National Treasury published the Draft Financial Sector Laws Amendment Bill for public comment. The Financial Sector Laws Amendment Bill proposes to establish a framework for the orderly resolution of banks, systemically important non-bank financial institutions and holding companies of banks or systematically important non-bank financial institutions that are designated by the Governor of the Reserve Bank as systematically important ("**Resolution Framework**"). The Resolution Framework has not yet been finalised and only once finalised will banks be in a better position to fully assess the potential impact of the Resolution Framework on the South African banking market

During May 2017, the SARB's Financial Stability Department released a discussion document on designing a deposit insurance scheme ("**DIS**") for South Africa. As a member of the G20, South Africa has agreed to adopt the Financial Stability Board's "*Key Attributes of Effective Resolution Regimes for Financial Institutions*", one of which requires jurisdictions to have a privately-funded depositor protection and/or a resolution fund in place. The paper advocates the need for an explicit, privately-funded DIS for South Africa, the main objective being the protection of less financially sophisticated depositors in the event of a bank failure. It presents proposals on the key design features of such a DIS and aims to solicit views on these proposals. The paper also refers to the discussion paper titled "*Strengthening South Africa's Resolution Framework for Financial Institutions*", published by the National Treasury on 13 August 2015. Together, the proposed Resolution Framework and the DIS are expected to form the comprehensive regulatory architecture for reducing the social and economic cost of failing financial institutions and will be captured by the Resolution Framework. No timelines around the Resolution Framework have been formally communicated although it is understood that the Resolution Framework does contain high-level principles of the DIS, with the actual mechanics to be captured in supplemental regulations or directives once designed and agreed. Only once finalised will banks be in a position to fully assess the potential impact of a DIS in South Africa. There is no assurance that the introduction of the DIS will not have a negative impact on the operations of the Issuer.

Arising from the curatorship of African Bank Limited, the Banks Amendment Act, 2015 (the “**Banks Amendment Act**”) was promulgated with effect from 29 June 2015 to amend (in particular) section 69 of the Banks Act which provides for the placement of a bank in financial difficulties under curatorship and the powers of the curator appointed by the Registrar of Banks under such a set of circumstances. The Banks Amendment Act is designed to facilitate the resolution of banks in distress (before the implementation of the new resolution regime to be provided for in the Financial Sector Laws Amendment Bill) in line with new international standards. The Banks Amendment Act, as well as the anticipated Financial Sector Laws Amendment Bill (when it takes effect), (will) address the uncertainty in the market and provide clarity to banks and investors alike as to the manner in which banks will be treated in the event of a bank resolution.

3.13. Political, social and economic risks in South Africa or regionally may have an adverse effect on the Issuer’s operations

The Issuer’s operations are concentrated in South Africa with the majority of its revenues deriving from operations in South Africa. Operations in this market are subject to various risks which need to be assessed in comparison to jurisdictions elsewhere. These include political, social and economic risks specific to South Africa, such as general economic volatility, recession, inflationary pressure, exchange rate risks and exchange controls, which could affect an investment in the Notes. The existence of such factors may have an impact on South Africa and the results of the Issuer in ways that cannot be predicted.

3.14. Cyber-crime could have a negative impact on the Issuer’s operations

The Issuer’s operations are dependent on its own information technology systems and those of its third party service providers. The Issuer could be negatively impacted by cyber-attacks on any of these. As the Issuer moves banking to the digital and mobile world, the risk of cyber-crime increases, especially as infiltrating technology is becoming increasingly sophisticated, and there can be no assurance that the Issuer will be able to prevent all threats.

3.15. The Group may suffer losses as a result of fraudulent activity

Similar to other financial institutions, the Issuer is susceptible to losses as a result of fraudulent activity. The main contributor of fraudulent loss to the Issuer’s business is card fraud. The Issuer has implemented a number of strategies aimed at reducing the

ability of persons to utilise counterfeit cards at the Issuer's ATMs, however there is no assurance that such strategies will be effective in eliminating card fraud entirely.

Online banking fraud is the second highest contributor to losses as a result of fraudulent activity driven by an increase in the level of online fraud attempts. Fraudsters are using increasingly sophisticated social engineering techniques to secure account numbers, personal identification numbers and passwords from customers.

Other illegal activities such as market abuse, market manipulation, rogue trading and increasing trends of syndicate fraud with potential staff involvement as a result of the recent economic downturns are also factors which the Issuer considers could also have a material adverse effect on the operations of the Issuer.

- 3.16. The Issuer may suffer a failure or interruption in or breach of its information technology systems and its businesses are subject to its ability to quickly adapt to disruptions while maintaining continuous business operations

Information technology ("IT") risk encompasses both IT and IT change risk. The Issuer's IT risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Issuer. IT change risk refers to the risk arising from changes, updates or alterations made to the IT infrastructure, systems or applications of the Issuer that could affect service reliability and availability.

The Issuer's main IT risks include the failure or interruption of critical systems, cybercrime and the unauthorised access to systems each of which may result in the inability of the Issuer to serve its customers' needs in a timely manner.

The Issuer has a high dependency on its own IT systems and operations infrastructure in addition to those of third party service providers to conduct its business. The Issuer regards these systems as critical to improving productivity and ensuring the Group and the Issuer remain competitive in the market.

Any failure, interruption or breach in security of these systems could result in failures or interruptions in the Issuer's risk management, general ledger, deposit servicing, loan servicing, debt recovery, payment custody and/or other important systems. If the Issuer's information systems fail, even for a short period of time, it could be unable to serve some or all customers' needs on a timely basis which could result in a loss of business. In addition, a temporary shutdown of the Issuer's information systems could result in costs that are required for information retrieval and verification.

The occurrence of any such failures or interruptions in the Issuer's IT systems, operations infrastructure and those of third party service providers could cause a failure in the continuity of the Issuer's operations and services and consequently, could have a materially adverse effect on the Issuer's business, financial condition and/or results of operations.

3.17. A downgrade in the Issuer's credit ratings or the credit rating of South Africa could have an adverse effect on the Issuer's access to liquidity sources and funding costs

The Issuer's credit ratings affect the cost and other terms upon which the Issuer is able to obtain funding. Rating agencies regularly evaluate the Issuer and their ratings of its long-term debt are based on a number of factors, including capital adequacy levels, quality of earnings, credit exposure, the risk management framework and funding diversification. These parameters and their possible impact on the Issuer's credit rating are monitored closely and incorporated into its liquidity risk management and contingency planning considerations.

The Issuer's credit ratings and credit outlook are subject to change at any time and the Issuer's credit ratings could be downgraded or the credit outlook changed as a result of many factors, including the failure to successfully implement the Issuer's strategies, the general downgrading of the credit ratings of financial institutions in the South African banking sector or a downgrade in the South African sovereign rating, which could negatively impact the ratings of the Issuer due to the Issuer's sizeable exposure to government securities, effectively linking its creditworthiness to that of the national government. A downgrade or potential downgrade of the South African sovereign rating or a change in rating agency methodologies relating to systemic support provided by the South African sovereign could also negatively affect the credit rating of the Issuer. A downgrade of the Issuer's credit ratings, or being placed on a negative ratings watch, may increase its cost of borrowing, adversely affect its liquidity and competitive position, limit its ability to raise capital, result in reputational damage and could lead to a loss of clients which could have a material adverse impact on its business, results, financial condition or prospects.

There can also be no assurance that the rating agencies will maintain the Issuer's current ratings or outlooks or those of South Africa. Ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently of any other rating.

In addition to any direct losses that the Issuer might incur, a default, or the perception of increased risk of default on obligations, and any further downgrade in South Africa's credit rating would likely have a significant negative impact on the South African banking sector generally and could have a material adverse impact on the Issuer's business, results, financial condition, prospects or rating.

- 3.18. Inappropriate management and execution of the Issuer's Controlling Company, ABSA Group Limited ("AGL"), separation from Barclays Bank PLC could result in an elevation in conduct, operational and funding risks

Separation from Barclays Bank PLC (the "**Separation**") is one of AGL's most important strategic deliverables (see further "Description of the Group's Business - Barclays Sell down and Separation"). AGL intends to complete the majority of the activities relating to the Separation by June 2020. As is common with large scale change initiatives, the Separation is susceptible to a number of risks which may cause an impact on the wider Group and may impact the Issuer's ability to implement the Separation within the agreed timeline and budget. This could in turn, have a material adverse impact on the Group's business results, financial conditions and prospects.

- 3.19. The Issuer may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and have a material adverse effect on it

The Issuer is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in South Africa. These laws and regulations require the Issuer, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. While the Issuer has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances in which the Issuer may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent the Issuer may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on the Issuer. In addition, the Issuer's business and reputation could suffer if customers use it for money laundering or illegal or improper purposes.

3.20. The impact of any future change in law or regulation on the Issuer's business is uncertain

The nature and impact of future changes in laws, regulations and regulatory policies are not predictable and are beyond the Issuer's control, and changes in such laws, regulations and regulatory policies may have an adverse effect on the Issuer's financial condition and results of operations.

3.21. Legal Proceedings

The Group has been party to proceedings against it during the financial year ending 31 December 2017, including the following material cases:

Five plaintiffs, including Pinnacle Point Holdings Proprietary Limited, New Port Finance Company and the trustees of the Winifred Trust allege that a local bank conducted itself unlawfully and that Absa was privy to such conduct. The plaintiffs instituted proceedings against Absa for damages in an amount of R1,387 million. Although Pinnacle Point Holdings Property Limited's claim has been withdrawn, claims of the remaining four plaintiffs remain outstanding and will proceed to trial. The date of the trial has not been set as at the date of this Prospectus.

Absa Capital Investor Services was the trustee of the Ayanda Collective Investment Scheme (the "**Scheme**"), in which Corporate Money Managers ("**CMM**") managed a portfolio of assets within the Scheme. The joint curators of the CMM group of companies and the Altron Pension Fund (an investor in the Scheme) allege that the defendants, which include Absa, caused them losses as a result of their alleged failure to meet their obligations under the trust deed and alleged failure to comply with their statutory obligations set out in the Collective Investment Scheme Act. The joint curators of the CMM group of companies and the Altron Pension Fund are seeking damages in an amount of R1,157 million

The Issuer is engaged in various legal, competition and regulatory matters. It is involved in legal proceedings which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, employment, environmental and other statutory and common law issues.

The Issuer is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection

measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Issuer is or has been engaged.

At the present time, the Issuer does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described above, there can be no assurance that the outcome of a particular matter or matters will not be material to the Issuer's results of operations or cash flow for a particular period, depending on, amongst other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

- 3.22. The Issuer does not disclose contingent liabilities associated with specific matters where it cannot reasonably be estimated or where such disclosure could be prejudicial to the outcome of the matter. The Issuer does, however, report its contingent liabilities on an aggregated basis. Provision is made for all liabilities which are expected to materialise.

#### 4. **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:

- 4.1. 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 Master Programme Memorandum, an Applicable Product Supplement and/or the Applicable Pricing Supplement;
- 4.2. 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;
- 4.3. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- 4.4. understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- 4.5. be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The 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 and legal 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.

**5. THERE IS NO ACTIVE TRADING MARKET FOR THE NOTES**

The Notes issued under the Master Programme Memorandum will be new securities which may not be widely distributed and for which there is currently no active trading market. While application may be made for the Notes to be traded on the JSE or on such other Financial Exchange(s) as may be determined by the Issuer, there can be no assurance that the Issuer will be able to maintain such listing or that a trading market will develop for the Notes. If the Notes are traded after their initial issuance, they may trade at a discount or premium to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general political and economic conditions, the condition of the financial sector, the financial condition of the Issuer, the Issuer's financial performance and future prospects.

**6. 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 the most common such features.

**6.1. The Notes may be redeemed prior to maturity**

6.1.1. In the event that the Issuer is obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any taxes, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions.

6.1.2. In addition, if the Terms and Conditions provide that Notes are in certain circumstances redeemable prior to the Maturity Date, the Notes may be redeemed 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.

6.2. Notes subject to optional redemption by the Issuer

- 6.2.1. An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.
- 6.2.2. 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 reinvest 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.

6.3. Index Linked Notes and Dual Currency Notes

- 6.3.1. The Issuer may issue Notes with principal or interest 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:
- 6.3.1.1. the market price of such Notes may be volatile;
  - 6.3.1.2. they may receive no interest;
  - 6.3.1.3. payment of principal or interest may occur at a different time or in a different currency than expected;
  - 6.3.1.4. they may lose all or a substantial portion of their principal;
  - 6.3.1.5. a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
  - 6.3.1.6. 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

6.3.1.7. 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.

6.3.2. The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

6.4. Partly paid Notes

The Issuer may issue Notes, subject to the Applicable Laws, the JSE Debt Listings Requirements and the JSE Listings Requirements, where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

6.5. 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.

**7. RISKS RELATED TO NOTES GENERALLY**

7.1. Modification, waivers and substitution

The conditions of the Notes 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.

7.2. Change of law

No assurance can be given as to the impact of any possible judicial decision or change to South African law or the law of any other jurisdiction or administrative practice after the issuance of the Notes.

7.3. Legal investment considerations may restrict certain investments

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

7.4. Foreign Exchange Control

Foreign derived loan capital or equity capital may be introduced into South Africa through a formal system of Exchange Control as summarised in Section III-C of this Master Programme Memorandum headed "*South African Exchange Control*". However, unless the prior approval of the South African Reserve Bank has been obtained, the proceeds from the sale of assets in South Africa owned by a non-resident are not remittable to the non-resident.

8. **FINANCIAL MARKETS**

8.1. Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

8.2. A prospective investor of the Notes should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby

there is a general lack of liquidity in the secondary markets for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of the Issuer. The Issuer cannot predict if and when these circumstances will change, and if and when they do, whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in future.

- 8.3. The Issuer will pay principal and interest on the Notes in the Issuance Currency. 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 Issuance Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Issuance Currency or revaluation of the Investor's Currency). An appreciation in the value of the Investor's Currency relative to the Issuance Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.
- 8.4. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.
- 8.5. Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.
- 8.6. One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Any adverse change in the applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

## 9. **RISKS RELATING TO SOUTH AFRICA**

- 9.1. 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, significant legal and political risks.

- 9.2. Economic instability in South Africa in the past and in other emerging market countries has been caused by many different factors, including the following:
- 9.2.1. high interest rates
  - 9.2.2. changes in currency values;
  - 9.2.3. high levels of inflation;
  - 9.2.4. exchange controls;
  - 9.2.5. wage and price controls;
  - 9.2.6. changes in economic or tax policies;
  - 9.2.7. the imposition of trade barriers; and
  - 9.2.8. 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.

- 9.3. 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 advisers before making an investment in the Notes.
- 9.4. Investors should also note that developing markets, such as South Africa, are subject to rapid change and that the information set out in this Master Programme Memorandum may become outdated relatively quickly.
- 9.5. 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.
- 9.6. 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.



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**SECTION I-E: FORM OF THE NOTES**

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*Capitalised Terms used in this Section I-E of this Master Programme Memorandum headed “Form of the Notes” shall bear the same meanings as used in the Glossary of Terms, except to the extent that such meanings would be clearly inappropriate from the context.*

A Tranche of Notes may be issued in the form of Listed Notes or Unlisted Notes as specified in an Applicable Product Supplement or the Applicable Pricing Supplement.

**Registered Notes**

A Tranche of registered Notes will be issued in certificated form or in uncertificated form as specified in the Applicable Pricing Supplement. Each Tranche of Listed Notes may be listed on the Relevant Board of the JSE or on such other or further exchange(s) as may be determined by the Issuer and the Dealer(s) and subject to any applicable laws. Listed Notes listed on the Relevant Board of the JSE must, subject to applicable laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act and will be held in the CSD in the name of, and for the account of, the relevant Participant. A Tranche of Unlisted Notes may also be issued under the Master Structured Note Programme and may, if issued in uncertificated form, be held in the CSD. Unlisted Notes are not regulated by the JSE.

Each Tranche of Notes will be issued in the form of registered Notes in accordance with the Terms and Conditions and represented by (i) Individual Certificates, or (ii) no Individual Certificates, if issued in uncertificated form in terms of section 33 of the Financial Markets Act.

**Notes issued in certificated form**

A Tranche of Notes may, subject to applicable laws and the Applicable Procedures, be issued in certificated form.

All certificated Notes will be represented by single Individual Certificates in registered form. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

Title to Notes represented by Individual Certificates will pass upon registration of transfer in accordance with Condition 12.1.2 (*Transfer of Notes represented by Individual Certificates*) of the Terms and Conditions.

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

Payments of all amounts due and payable in respect of Notes represented by Individual Certificates will be made in accordance with Condition 7 (*Payments*) of the Terms and Conditions to the person reflected as the registered Noteholder of such Notes in the Register at 17h00 (South African time) on the Last Day to Register, and the Issuer will be discharged by proper payment to or to the order of such registered holder in respect of each amount so paid.

#### **Notes issued in uncertificated form**

A Tranche of Notes which is listed on the Relevant Board of the JSE must, subject to applicable laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act.

Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche of Notes issued in uncertificated form will be held in its entirety in the relevant Participant, and the relevant Participant will be named in the Register as the registered Noteholder of that Tranche of Notes.

#### **Beneficial Interests in Notes held in the CSD**

A Tranche of Listed Notes which is listed on the Relevant Board of the JSE will be issued in uncertificated form and held in the CSD. A Tranche of Unlisted Notes may either be issued in certificated form or issued in uncertificated form. Unlisted, uncertificated Notes may also be lodged in the CSD. While a Tranche of Notes is held in its entirety in the CSD, the Register will indicate that the entire Tranche of such Notes is held in uncertificated form in the CSD.

The CSD will hold each Tranche of Notes subject to the Financial Markets Act and the Applicable Procedures. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD for the holders of Beneficial Interests in such Notes.

The CSD maintains central securities accounts for Participants only. As at the date of this Master Programme Memorandum, the Participants include (but are not limited to) Citibank N.A, South Africa branch, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch and the South African Reserve Bank. Beneficial Interests which are held by Participants will be held directly through the CSD, and the CSD will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the CSD for such Participants.

The Participants are in turn required to maintain securities accounts for their clients. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts

maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests in the Notes or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants. Euroclear and Clearstream may hold Notes through their Participant.

In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular outstanding Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the outstanding Nominal Amount of such Notes standing to the account of any person shall be *prima facie* proof of such Beneficial Interest. The relevant Participant (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Issuer Agent and the relevant Participant as the holder of that outstanding Nominal Amount of such Notes for all purposes.

Title to Beneficial Interests held by Participants directly through the CSD will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Title to Beneficial Interests held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the securities accounts maintained by such Participants for such clients. Beneficial Interests may be transferred only in accordance with the Applicable Procedures. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

The holder of a Beneficial Interest will only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 10 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Terms and Conditions.

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**SECTION II: THE NOTES****SECTION II-A: TERMS AND CONDITIONS OF THE NOTES**

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*The following are the Terms and Conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each Note. A Tranche of Notes will be issued on, and subject to, the below Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in an Applicable Product Supplement and/or the Applicable Pricing Supplement.*

Before the Issuer issues any Tranche of Listed Notes, the Issuer shall complete, sign and deliver to the JSE or such other or further Financial Exchange(s) and the CSD, a pricing supplement based on the *pro forma* Applicable Pricing Supplement included in the Master Programme Memorandum or the relevant Applicable Product Supplement, setting out the details of such Tranche of Notes. The Applicable Pricing Supplement will be attached to each Individual Certificate, if applicable.

If there is any conflict or inconsistency between provisions set out in an Applicable Product Supplement or the Applicable Pricing Supplement and the provisions set out in these Terms and Conditions of the Notes, the Applicable Product Supplement or the Applicable Pricing Supplement will prevail.

Words and expressions used in an Applicable Product Supplement and/or the Applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated. Any reference to legislation or a statute shall be to such legislation or statute as amended, varied or re-enacted from time to time.

**1. INTERPRETATION**

Unless inconsistent with the context or separately defined in the Applicable Product Supplement and/or the Applicable Pricing Supplement, capitalised terms in these Terms and Conditions shall have the meanings given in the Glossary of Terms.

**2. ISSUE**

2.1. The Issuer may, at any time and from time to time (without the consent of any Noteholder), issue one or more Tranche(s) of Notes pursuant to the Master Structured Note Programme; provided that the aggregate outstanding Nominal Amount of all of the Notes issued under the Master Structured Note Programme from time to time does not exceed the Programme Amount.

2.2. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the

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

- 2.3. The applicable Terms and Conditions of a Tranche of Notes are incorporated by reference into the Individual Certificate(s) (if any) representing the Notes in that Tranche. The Applicable Pricing Supplement relating to a Tranche of Notes issued in certificated form will be attached to the Individual Certificate(s) representing the Notes in that Tranche.

### 3. **FORM AND DENOMINATION**

#### 3.1. General

3.1.1. A Tranche of Notes may be issued in the form of Listed Notes or registered Unlisted Notes, as specified in an Applicable Product Supplement or the Applicable Pricing Supplement.

3.1.2. Each Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Note, a Dual Currency Note, a Mixed Rate Note, an Instalment Note, an Exchangeable Note, a Partly Paid Note or such combination of any of the foregoing or such other type of Note that is approved by the JSE, or its successor, or such other or further Financial Exchange(s), as may be determined by the Issuer and specified in an Applicable Product Supplement or the Applicable Pricing Supplement.

3.1.3. All payments in relation to the Notes will be made in the Issuance Currency. Each Note will be issued in the Specified Denomination.

3.1.4. A Tranche of Listed Notes may be listed on the Relevant Board of the JSE or on such other or further Financial Exchange(s) as may be determined by the Issuer and the Dealer(s), subject to any applicable laws. Unlisted Notes may also be issued under the Master Structured Note Programme. Unlisted Notes are not regulated by the JSE.

#### 3.2. Registered Notes

A Tranche of registered Notes will be issued in certificated form, as contemplated in Condition 3.2.1 (*Notes issued in certificated form*) or in uncertificated form, as

contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*), as specified in the Applicable Pricing Supplement. Each Tranche of Listed Notes which is listed on the Relevant Board of the JSE will be held in the CSD, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*). A Tranche of Unlisted Notes may also be held in the CSD, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*).

3.2.1. Notes issued in certificated form

3.2.1.1. Each Tranche of Notes may, subject to applicable laws and the Applicable Procedures, be issued in certificated form.

3.2.1.2. All Notes issued in certificated form will be represented by Individual Certificates and a Register of Noteholders will be maintained.

3.2.2. Notes issued in uncertificated form

A Tranche of Listed Notes which is listed on the Relevant Board of the JSE must, subject to applicable laws and the Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act. Notes issued in uncertificated form will be held in the CSD. Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Note which is represented by an Individual Certificate may be replaced by uncertificated securities in terms of section 33 of the Financial Markets Act.

3.2.3. Beneficial Interests in Notes held in the CSD

3.2.3.1. A Tranche of Listed Notes which is listed on the Relevant Board of the JSE will be issued in uncertificated form and held in the CSD. A Tranche of uncertificated Unlisted Notes may also be held in the CSD.

3.2.3.2. The CSD will hold Notes issued in uncertificated form subject to the Financial Markets Act and the Applicable Procedures.

3.2.3.3. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD for the holders of Beneficial Interests in such Notes.

3.2.3.4. A holder of a Beneficial Interest shall only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 10 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*).

3.2.4. Recourse to the JSE Guarantee Fund Trust and/or the BESA Guarantee Fund Trust

The holders of Notes that are not listed on the Relevant Board of the JSE will have no recourse against the JSE Guarantee Fund Trust and/or the BESA Guarantee Fund Trust, as applicable, even if such Notes are settled through the electronic settlement procedures of the JSE and the CSD. Claims against the JSE Guarantee Fund Trust and/or the BESA Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Relevant Board of the JSE and in accordance with the rules of the JSE Guarantee Fund Trust and/or the BESA Guarantee Fund Trust, as applicable. Unlisted Notes are not regulated by the JSE.

4. **TITLE**

4.1. Notes issued in certificated form

4.1.1. Each holder of Notes represented by an Individual Certificate will be named in the Register as the registered holder of such Notes.

4.1.2. Title to Notes represented by an Individual Certificate will pass upon registration of transfer in the Register in accordance with Condition 12.1.2 (*Transfer of Notes represented by Individual Certificates*).

4.1.3. The Issuer, the Transfer Agent and the Paying Agent shall recognise a Noteholder as the sole and absolute owner of the Notes registered in that Noteholder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Note may be subject.

4.2. Notes issued in uncertificated form

The CSD will be named in the Register as the registered holder of each Tranche of Notes which is issued in uncertificated form.

4.3. Beneficial Interests in Notes held in the CSD

4.3.1. While a Tranche of uncertificated Notes is held in its entirety in the CSD, the relevant Participant will be named in the Register as the sole Noteholder of the Notes in that Tranche.

4.3.2. Beneficial Interests which are held by Participants will be held directly through the CSD, and the CSD will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the CSD for such Participants.

4.3.3. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants.

4.3.4. In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the aggregate Nominal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The relevant Participant (as the registered holder of such Notes named in the Register) will be treated by the Issuer and the relevant Participant as the holder of that aggregate Nominal Amount of such Notes for all purposes.

4.3.5. Beneficial Interests in Notes may be transferred only in accordance with the Applicable Procedures. Such transfers will not be recorded in the Register and the CSD will continue to be reflected in the Register as the registered holder of such Notes, notwithstanding such transfers.

- 4.3.6. Any reference in these Terms and Conditions to the relevant Participant shall, in respect of a Beneficial Interest, be a reference to the Participant appointed to act as such by the holder of such Beneficial Interest.

## 5. STATUS OF NOTES

Unless otherwise specified in the Applicable Pricing Supplement, Notes are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (save for certain debts required to be preferred by law) equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

## 6. INTEREST

If the Applicable Pricing Supplement so specifies, the Notes of any Tranche will bear interest from the Interest Commencement Date at the Interest Rate(s) specified in, or determined in accordance with, the Applicable Pricing Supplement and such interest will be payable in respect of each Interest Period on the Interest Payment Date(s) specified in the Applicable Pricing Supplement. The interest payable on the Notes of any Tranche for a period other than a full Interest Period shall be determined in accordance with the Applicable Pricing Supplement. An announcement will be made on SENS at least 3 (three) Business Days before the relevant Interest Payment Date.

### 6.1. Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding Nominal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in an Applicable Product Supplement or the Applicable Pricing Supplement at the rate(s) per annum equal to the Fixed Interest Rate so specified, payable in arrear on the Fixed Interest Payment Dates in each year up to and including the Maturity Date.

The first payment of interest will be made on the Fixed Interest Payment Date next following the Interest Commencement Date.

Except as provided in an Applicable Product Supplement or the Applicable Pricing Supplement, the amount of interest payable per Note on each Fixed Interest Payment

Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount, provided that:

- 6.1.1. if an Initial Broken Amount is specified in an Applicable Product Supplement or the Applicable Pricing Supplement, then the first Interest Amount shall equal the Initial Broken Amount specified in the Applicable Product Supplement or Applicable Pricing Supplement; and
- 6.1.2. if a Final Broken Amount is specified in an Applicable Product Supplement or the Applicable Pricing Supplement, then the final Interest Amount shall equal the Final Broken Amount specified in the Applicable Product Supplement or the Applicable Pricing Supplement.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Fixed Interest Rate to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, as specified in an Applicable Product Supplement or the Applicable Pricing Supplement, and rounding the resultant figure to the nearest Sub-unit of the relevant Issuance Currency, half such Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

## 6.2. Floating Rate Notes

### 6.2.1. Interest Payment Dates

Each Floating Rate Note bears interest on its outstanding Nominal Amount (or if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in an Applicable Product Supplement or the Applicable Pricing Supplement, and such interest will be payable in arrear on the Interest Payment Date(s) in each year specified in the Applicable Product Supplement or Applicable Pricing Supplement. Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

6.2.2. Interest Rate

The Interest Rate payable from time to time in respect of the Floating Rate Notes will be determined in the manner specified in an Applicable Product Supplement or the Applicable Pricing Supplement.

6.2.3. Minimum and/or Maximum Interest Rate

If an Applicable Product Supplement or the Applicable Pricing Supplement specifies a Minimum Interest Rate for any Interest Period, then, in the event that the Interest Rate in respect of any such Interest Period determined in accordance with the above provisions is less than such Minimum Interest Rate, the Interest Rate for such Interest Period shall be such Minimum Interest Rate. If an Applicable Product Supplement or the Applicable Pricing Supplement specifies a Maximum Interest Rate for any Interest Period, then, in the event that the Interest Rate in respect of any such Interest Period determined in accordance with the above provisions is greater than such Maximum Interest Rate, the Interest Rate for such Interest Period shall be such Maximum Interest Rate.

6.2.4. Determination of Interest Rate and Calculation of Interest Amount

The Calculation Agent, in the case of Floating Rate Notes will at, or as soon as is practicable after, each time at which the Interest Rate is to be determined, determine the Interest Rate and calculate the Interest Amount payable in respect of each Floating Rate Note in respect of each Specified Denomination for the relevant Interest Period, and the Calculation Agent shall notify the Issuer of the Interest Rate for the relevant Interest Period as soon as is practicable after calculating the same. Each Interest Amount shall be calculated by applying the Interest Rate to the Specified Denomination, and multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest Sub-unit of the relevant Issuance Currency, half a Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

6.2.5. Interest Determination, Screen Rate Determination including Fallback Provisions

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will be the relevant ISDA Rate

plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph, “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in an Applicable Product Supplement or the Applicable Pricing Supplement under an interest rate swap transaction if that agent were acting as calculation agent for that swap transaction under the terms of an agreement incorporating the most recent ISDA Definitions and under which:

- 6.2.5.1. the Floating Rate Option is as specified in the Applicable Product Supplement or the Applicable Pricing Supplement;
- 6.2.5.2. the Designated Maturity is the period specified in the Applicable Product Supplement or the Applicable Pricing Supplement; and
- 6.2.5.3. the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on ZAR-JIBAR-SAFEX, the first day of that Interest Period; or (ii) in any other case, as specified in the Applicable Product Supplement or the Applicable Pricing Supplement.

For the purposes of the above sub-paragraph “**Floating Rate**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will, subject to the provisions below, be either:

- 6.2.5.4. if the Relevant Screen Page is available,
  - 6.2.5.4.1. the offered quotation (if only one quotation appears on the screen page); or
  - 6.2.5.4.2. the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage per annum) for the Reference Rate which appears on the Relevant Screen Page as at 11h00 (or as otherwise specified in the Applicable Pricing Supplement) (Johannesburg time) on the Interest Determination Date in question plus or minus (as indicated in an Applicable Product Supplement or the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If 5 (five) or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than 1 (one) such highest quotation, 1 (one) only of such quotations) and the lowest (or, if there is more than 1 (one) such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations; or

- 6.2.5.5. if the Relevant Screen Page is not available or if, in the case of Condition 6.2.5.4.1 above, no such offered quotation appears or, in the case of Condition 6.2.5.4.2 above, fewer than 3 (three) such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11h00 (Johannesburg time) on the Interest Determination Date in question. If 2 (two) or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Interest Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the 5<sup>th</sup> (fifth) decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent; or
- 6.2.5.6. if the Interest Rate cannot be determined by applying the provisions of Condition 6.2.5.4 and Condition 6.2.5.5 above, the Interest Rate for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the

5<sup>th</sup> (fifth) decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any 2 (two) or more of them, at which such banks offered, at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate to prime banks in the Johannesburg inter-bank market plus or minus (as appropriate) the Margin (if any). If fewer than 2 (two) of the Reference Banks provide the Calculation Agent with such offered rates, the Interest Rate for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, by the Reference Banks plus or minus (as appropriate) the Margin (if any). If the Interest Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the Interest Rate shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than ZAR-JIBAR-SAFEX, the Interest Rate in respect of such Notes will be determined as provided in the Applicable Pricing Supplement.

#### 6.2.6. Notification of Interest Rate and Interest Amount

The Issuer will cause the Interest Rate and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to

the JSE and the CSD and/or every other relevant Financial Exchange or authority, and to be published on SENS at least 3 (three) business days before the relevant interest payment date. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the JSE, the CSD and/or every other relevant Financial Exchange or authority and to the Noteholders in accordance with Condition 16 (*Notices*).

6.2.7. Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2, by the Calculation Agent shall (in the absence of wilful deceit, bad faith or manifest error or proven error) be binding on the Issuer and all Noteholders and in the absence as aforesaid no liability to the Issuer or the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.3. Dual Currency Notes

In the case of Dual Currency Notes, the Interest Rate or Interest Amount payable shall be determined in the manner specified in an Applicable Product Supplement or the Applicable Pricing Supplement.

6.4. Mixed Rate Notes

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on the form of interest-bearing Note (be it a Fixed Rate Note, Floating Rate Note, Index Linked Note or Dual Currency Note) specified for each respective period, each as specified in an Applicable Product Supplement or the Applicable Pricing Supplement. During each such applicable period, the Interest Rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes, Index Linked Notes or Dual Currency Notes, as the case may be.

6.5. Index Linked Notes

6.5.1. Index Linked Notes may be:

6.5.1.1. Indexed Interest Notes, in respect of which the Interest Amounts and timing thereof may be calculated by reference to a formula or formulae; or

6.5.1.2. Indexed Redemption Amount Notes, in respect of which the Final Redemption Amount and timing thereof may be calculated by reference to a formula or formulae,

in each case as set out in an Applicable Product Supplement or Applicable Pricing Supplement with reference to the performance of an Index.

6.5.2. The Applicable Product Supplement or Applicable Pricing Supplement may contain provisions for adjusting the applicable formulae in circumstances where, owing to market disruption events or otherwise, the level of the Index is not able to be measured.

6.6. Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue on the paid-up Nominal Amount of such Notes and otherwise as specified in the Applicable Product Supplement or Applicable Pricing Supplement.

6.7. Interest on Instalment Notes

In the case of Instalment Notes, interest will accrue on the amount outstanding on the relevant Note from time to time and otherwise as specified in the Applicable Product Supplement or Applicable Pricing Supplement.

6.8. Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption (or earlier if specified in the Applicable Product Supplement or Applicable Pricing Supplement) unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate specified in an Applicable Product Supplement or the Applicable Pricing Supplement until the date on which all amounts due in respect of such Note have been paid, or, in respect of

uncertificated Notes, the date on which the full amount of the money payable has been received by the CSD and/or the Participants and notice to that effect has been given to Noteholders in accordance with Condition 16 (*Notices*).

6.9. Business Day Convention

If any Interest Payment Date (or other date), which is specified in an Applicable Product Supplement or the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention, falls on a day that is not a Business Day, then, if the Business Day Convention specified is:

- 6.9.1. the “**Floating Rate Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months, or other period specified as the Interest Period in the Applicable Product Supplement or Applicable Pricing Supplement, after the preceding applicable Interest Payment Date (or other date) has occurred; or
- 6.9.2. the “**Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- 6.9.3. the “**Modified Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or
- 6.9.4. the “**Preceding Business Day Convention**”, such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

## 7. PAYMENTS

### 7.1. General

Payments of principal and/or interest on an Individual Certificate shall be made to the Transfer Agent, who will in turn, acting on behalf of the Issuer in accordance with the terms and conditions of the Agency Agreement, make payment to the registered holder of such Note, as set forth in the Register on the close of business on the Last Day to Register (as specified in an Applicable Product Supplement or the Applicable Pricing Supplement). In addition to the above, in the case of a final redemption payment, the holder of the Individual Certificate shall be required, on or before the Last Day to Register prior to the Maturity Date, to surrender such Individual Certificate at the offices of the Transfer Agent.

Payments of principal and/or interest in respect of uncertificated Notes shall be made to the CSD and/or the Participants, as shown in the Register on the Last Day to Register, and the Issuer will be discharged by proper payment to the CSD and/or the Participants, in respect of each amount so paid. Each of the persons shown in the records of the CSD and the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such uncertificated Notes.

### 7.2. Method of Payment

Payments will be made in the Issuance Currency by credit or transfer, by means of electronic settlement, to the Noteholder.

Payments will be subject in all cases to any fiscal or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*).

If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding paragraph (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque marked "not transferable" (or by such number of cheques as may be required in accordance with applicable banking law and practice to make payment of any such amounts). Such payments by cheque shall be sent by post to the address of the Noteholder as set forth in the Register or, in the case of joint Noteholders, the

address set forth in the Register of that one of them who is first named in the Register in respect of that Note.

Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer, nor the Paying Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 7.2 (*Method of Payment*).

In the case of joint Noteholders, payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes.

Payments will be subject in all cases to any fiscal or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*).

7.3. Payment Day

If the date for payment of any amount in respect of any Note is not a Business Day, the holder thereof shall be entitled to payment on the relevant Business Day determined in accordance with the Business Day Convention (specified in an Applicable Product Supplement or the Applicable Pricing Supplement) in the relevant place and shall not be entitled to further interest or other payment in respect of any delay arising from the application of the Business Day Convention.

7.4. Interpretation of principal and interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- 7.4.1. any additional amounts which may be payable with respect to principal under Condition 9 (*Taxation*);
- 7.4.2. the Final Redemption Amount of the Notes or the Early Redemption Amount of the Notes, as the case may be;
- 7.4.3. the Optional Redemption Amount(s) (if any), as specified in an Applicable Product Supplement or the Applicable Pricing Supplement;

- 7.4.4. in relation to Instalment Notes, the Instalment Amounts;
- 7.4.5. in relation to Zero Coupon Notes, the Amortised Face Amount; and
- 7.4.6. any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 (*Taxation*).

## 8. REDEMPTION AND PURCHASE

### 8.1. Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer in the Issuance Currency at its Final Redemption Amount specified in, or determined in the manner specified in, an Applicable Product Supplement or the Applicable Pricing Supplement on the Maturity Date.

### 8.2. Redemption for Tax Reasons or due to a Change in Law

Notes may be redeemed at the option of the Issuer at any time (in the case of Notes other than Floating Rate Notes, Indexed Interest Notes or Mixed Rate Notes having an Interest Rate then determined on a floating or indexed basis) or on any Interest Payment Date (in the case of Floating Rate Notes, Indexed Interest Notes or Mixed Rate Notes), on giving not less than 30 (thirty) nor more than 60 (sixty) calendar days' notice to the Noteholders prior to such redemption, in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable), if the Issuer, immediately prior to the giving of such notice, is of the reasonable opinion that:

- 8.2.1. as a result of any change in, or amendment to, any applicable laws or regulations of any authority having power to tax, or any change or amendment which becomes effective after the relevant Issue Date, the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 9 (*Taxation*); and
- 8.2.2. the requirement cannot be avoided by the Issuer taking reasonable measures available to it; or
- 8.2.3. a Change in Law has occurred.

A redemption in part may be effected by the Issuer:

- 8.2.4. notwithstanding that such partial redemption may not entirely avoid such obligation to pay additional amounts as provided for or referred to in Condition 9 (*Taxation*); and
- 8.2.5. *mutatis mutandis* in the manner described in Condition 8.3 (*Redemption at the Option of the Issuer*), provided that the references to the giving of notice therein and to the Minimum Redemption Amount and the Higher Redemption Amount (both as specified in the Applicable Pricing Supplement) therein shall be disregarded for such purposes.

Notes redeemed for tax reasons or due to a Change in Law pursuant to this Condition 8.2 (*Redemption for Tax Reasons or due to a Change in Law*) will be redeemed at their Early Redemption Amount referred to in Condition 8.5 (*Early Redemption Amounts*), together (if appropriate) with interest accrued from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of redemption or as specified in an Applicable Product Supplement or the Applicable Pricing Supplement.

8.3. Redemption at the Option of the Issuer

If the Issuer is specified in an Applicable Product Supplement or the Applicable Pricing Supplement as having an option to redeem, the Issuer may, having given not less than 15 (fifteen) nor more than 60 (sixty) calendar days' irrevocable notice to the Noteholders in accordance with Condition 16 (*Notices*), or unless otherwise specified in an Applicable Product Supplement or the Applicable Pricing Supplement, redeem all or some of the Notes (to which such Applicable Product Supplement or Applicable Pricing Supplement relates) then Outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Applicable Pricing Supplement, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

Any such redemption must be of a Nominal Amount equal to the Minimum Redemption Amount or a Higher Redemption Amount, both as indicated in the Applicable Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by Individual Certificates, and in accordance with the Applicable Procedures in the case of Redeemed Notes which are uncertificated, and in each case not more than 60 (sixty)

calendar days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”).

In the case of Redeemed Notes represented by Individual Certificates, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 16 (*Notices*) not less than 15 (fifteen) calendar days prior to the date fixed for redemption. The aggregate Nominal Amount of Redeemed Notes represented by Individual Certificates shall bear the same proportion to the aggregate Nominal Amount of all Redeemed Notes as the aggregate Nominal Amount of Individual Certificates outstanding bears to the aggregate Nominal Amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned Nominal Amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate Nominal Amount of Redeemed Notes which are uncertificated shall be equal to the balance of the Redeemed Notes. No exchange of the relevant uncertificated Notes will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this subparagraph, and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*) at least 10 (ten) calendar days prior to the Selection Date.

Holders of Redeemed Notes shall surrender the Individual Certificates, if any, representing the Notes in accordance with the provisions of the notice given to them by the Issuer as contemplated above. Where only a portion of the Notes represented by such Individual Certificates is redeemed, the Transfer Agent shall deliver new Individual Certificates to the Noteholders in respect of the balance of the Notes.

#### 8.4. Redemption at the Option of the Noteholders

If Noteholders are specified in the Applicable Pricing Supplement as having an option to request the redemption of Notes, such Noteholders may exercise such option in respect of such Notes represented by Individual Certificates by delivering to the Transfer Agent, in accordance with Condition 16 (*Notices*), a duly executed notice (“**Put Notice**”) in unaltered form, at least 30 (thirty) calendar days but not more than 60 (sixty) calendar days, prior to the Optional Redemption Date.

Where redemption in part has been permitted in the Applicable Pricing Supplement, the redemption amount specified in such Put Notice in respect of any such Note must be of a principal amount equal to or greater than the Minimum Redemption Amount or equal to or less than the Higher Redemption Amount, each as indicated in the Applicable Pricing Supplement.

The redemption by the Noteholders of uncertificated Notes shall take place in accordance with the Applicable Procedures.

The Issuer shall proceed to redeem the Notes in respect of which such option has been exercised in accordance with the terms of the Applicable Pricing Supplement, at the Optional Redemption Amount and on the Optional Redemption Date, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

In the event that the redeeming Noteholder is the holder of an Individual Certificate, then such Noteholder shall (attached to the Put Notice) deliver the Individual Certificate to the Transfer Agent at least 1 (one) Business Day prior to the Optional Redemption Date, for cancellation failing which the Put Notice shall be invalid. A holder of an Individual Certificate shall in that holder's Put Notice specify a bank account in South Africa into which the redemption payment amount is to be paid.

The delivery of Put Notices shall be required to take place during normal office hours to the Issuer and Transfer Agent. Put Notices shall be available for inspection at the Specified Office of the Transfer Agent.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where after giving the notice but prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such Noteholder, at its option, may elect by notice to the Issuer, delivered at least 1 (one) Business Day prior to the Optional Redemption Date, to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 14 (*Events of Default*).

The Issuer shall have no obligation to remedy any defects in any Put Notice or bring any such defects to the attention of any Noteholder and shall not be liable whatsoever for any claims or losses arising in connection with a defective or invalid Put Notice.

#### 8.5. Early Redemption Amounts

For the purpose of Condition 8.2 (*Redemption for Tax Reasons or due to a Change in Law*) and Condition 14 (*Events of Default*), unless otherwise specified in an Applicable Product Supplement or the Applicable Pricing Supplement, the Notes will be redeemed at the Early Redemption Amount determined by the Calculation Agent as the market value of the Notes following the event triggering the early redemption, adjusted to take into account any costs, losses and expenses which are incurred (or expected to be incurred) by (or on behalf of) the Issuer in connection with the early redemption or

cancellation of the Notes, including (without duplication or limitation) hedging termination and funding breakage costs.

In determining the Early Redemption Amount, the Calculation Agent may take into account prevailing market prices and/or proprietary pricing models or, where these pricing methods may not yield a commercially reasonable result, may estimate such Early Redemption Amount in a commercially reasonable manner.

The Early Redemption Amount will be determined by the Calculation Agent on or as soon as reasonably practicable following the event giving rise to the early redemption or cancellation of the Notes.

For the purposes of calculating any Early Redemption Amount at any time following an Event of Default, the Calculation Agent will ignore the effect of such Event of Default upon the market value of the Notes.

Where the Calculation Agent's determination is to be made for a period which is not a whole number of years, it shall be calculated on the basis of actual days elapsed divided by 365 (three hundred and sixty five), or such other calculation basis as may be specified in the Applicable Pricing Supplement.

8.6. Instalment Notes

Instalment Notes will be redeemed at the Instalment Amounts and on the Instalment Dates. In the case of early redemption in accordance with Condition 8.2 (*Redemption for Tax Reasons or due to a Change in Law*) or Condition 14 (*Events of Default*), the Early Redemption Amount will be determined pursuant to Condition 8.5 (*Early Redemption Amounts*).

8.7. Partly Paid Notes

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 8.7 (*Partly Paid Notes*) and the Applicable Pricing Supplement. In the case of early redemption in accordance with Condition 8.2 (*Redemption for Tax Reasons or due to a Change in Law*) or Condition 14 (*Events of Default*), the Early Redemption Amount will be determined pursuant to Condition 8.5 (*Early Redemption Amounts*).

8.8. Exchangeable Notes

If the Notes are Exchangeable Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in the manner indicated in the Applicable Pricing Supplement.

Exchangeable Notes in respect of which Mandatory Exchange is indicated in the Applicable Pricing Supplement as applying, or upon the exercise by the Noteholder of the Noteholder's Exchange Right (if applicable), will be redeemed by the Issuer's delivering to each Noteholder as many of the Exchange Securities as are required in accordance with the Exchange Price. The delivery by the Issuer of the Exchange Securities in the manner set out in the Applicable Pricing Supplement shall constitute the *in specie* redemption in full of such Notes.

8.9. Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes at any price in the open market or otherwise. Such Notes may, subject to applicable law, be held, resold, or, at the option of the Issuer, surrendered to the Transfer Agent for cancellation. The Issuer shall not have any voting rights on any Notes repurchased or otherwise held by it.

8.10. Cancellation

All Notes which have been redeemed will forthwith be cancelled. All Notes so cancelled shall be forwarded to the Issuer and cannot be re-issued or resold. Where only a portion of Notes represented by an Individual Certificate is cancelled, the Transfer Agent shall deliver an Individual Certificate to such Noteholder in respect of the balance of the Notes.

8.11. Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8 (*Redemption and Purchase*) or upon its becoming due and repayable as provided in Condition 14 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated pursuant to the definition of Amortised Face Amount as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of: (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and (ii) 5 (five) calendar days after the date on which the full amount of the monies payable has been received by the CSD, and notice to that effect has been given to the Noteholder in accordance with Condition 16 (*Notices*) below.

#### 8.12. Applicable Procedures

The redemption and partial redemption of Beneficial Interests shall take place in accordance with the Applicable Procedures and the Financial Markets Act.

### 9. **TAXATION**

9.1. All payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of South Africa or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law (for a summary of the current law in relation to the withholding or deduction of taxes levied in South Africa, see "*South African Taxation*" below).

9.2. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note:

9.2.1. held by or on behalf of a Noteholder who is liable for such taxes or duties in respect of such Note by reason of having some connection with South Africa other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or

9.2.2. held by or on behalf of a Noteholder who could lawfully avoid (but has not so avoided) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future including, without limitation, by making a declaration of non-residence or other similar claim or filing for exemption to which it is entitled to the relevant tax authority or the Paying Agent (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or

9.2.3. held by or on behalf of a Noteholder who could lawfully reduce (but has not so reduced) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future including, without limitation, by making a declaration of non-residence or other similar claim or filing for the reduction to which it is entitled to the relevant tax authority or the Paying Agent (the effect of which is not to

require the disclosure of the identity of the relevant Noteholder) – provided that this exception shall apply only to that portion of withholding or deduction which could lawfully have been so reduced; or

- 9.2.4. where such withholding or deduction is in respect of taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the income or taxable income (as defined in section 1 of the Income Tax Act) or capital gain (as contemplated in paragraph 3 of Schedule 8 to the Income Tax Act) or taxable capital gain (as defined in paragraph 1 of Schedule 8 to the Income Tax Act) of any Noteholder; or
- 9.2.5. where (in the case of payment of principal and/or interest which is conditional on surrender and/or presentation of the relevant Individual Certificate in accordance with the Terms and Conditions) the relevant Individual Certificate is surrendered and/or presented more than 30 (thirty) days after the Relevant Date, except to the extent that the Noteholder thereof would have been entitled to an additional amount on presenting or surrendering the Individual Certificate for payment on such thirtieth day; or
- 9.2.6. if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters; or
- 9.2.7. if such withholding or deduction arises in terms of FATCA, any regulations or agreements thereunder, official interpretations thereof, any intergovernmental approach thereto, or implementing legislation adopted by another jurisdiction in connection with FATCA; or
- 9.2.8. 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 2312<sup>th</sup> Economic and Financial Affairs Council (ECOFIN) meeting of 26 and 27 November 2000) on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive; or
- 9.2.9. held by or on behalf of a Noteholder in circumstances where such party could lawfully reduce the amount of taxation otherwise levied or leviable upon the principal or interest by virtue of any tax treaty or non-South African tax laws applicable to such Noteholder, whether by way of a tax

credit, rebate deduction or reduction equal to all or part of the amount withheld or otherwise, and whether or not it is actually claimed and/or granted and/or allowed; or

9.2.10. in respect of any present or future taxes, duties, assessments or governmental charges of whatever nature which are payable otherwise than by withholding from payment of principal or interest, if any, with respect to such Note; or

9.2.11. where any combination of the scenarios or occurrences contemplated in Conditions 9.2.1 to 9.2.10 above occurs.

9.3. The Issuer is not liable for or otherwise obliged to pay any taxes that may arise as a result of the ownership, transfer or redemption of any Note.

9.4. If the Issuer becomes subject generally at any time to any taxing jurisdiction, authority or agency other than or in addition to South Africa, references in Condition 8.2 (*Redemption for Tax Reasons or due to a Change in Law*) and Condition 9 (*Taxation*) to South Africa shall be read and construed as references to South Africa and/or to such other jurisdiction, authority or agency.

9.5. Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under these Terms and Conditions or under any undertakings given in addition to, or in substitution for, these Terms and Conditions.

## 10. **EXCHANGE OF BENEFICIAL INTERESTS AND REPLACEMENT OF INDIVIDUAL CERTIFICATES**

### 10.1. Exchange of Beneficial Interests

10.1.1. The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and subject to section 42 read with section 35(2)(i) of the Financial Markets Act, by written notice to the holder's nominated Participant (or, if such holder is a Participant, the CSD), request that such Beneficial Interest be exchanged for Notes in definitive form represented by an Individual Certificate (the "**Exchange Notice**"). The Exchange Notice shall specify (i) the name, address and bank account details of the holder of the Beneficial Interest and (ii) the day on which such Beneficial Interest is to be exchanged for an Individual Certificate; provided that such day shall be a Business Day and shall fall not less than 30 (thirty) calendar

days after the day on which such Exchange Notice is given (the “Exchange Date”).

- 10.1.2. The holder’s nominated Participant will, following receipt of the Exchange Notice, through the CSD, notify the Transfer Agent that it is required to exchange such Beneficial Interest for Notes represented by an Individual Certificate. The Transfer Agent will, as soon as is practicable but within 14 (fourteen) calendar days after receiving such notice, in accordance with the Applicable Procedures, procure that an Individual Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 (fourteen) day period, to the Participant acting on behalf of the holder of the Beneficial Interest in respect of the conversion at the Specified Office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding, and the delivery to one of those joint holders shall be delivery to all of them.
  
- 10.1.3. In the case of the exchange of a Beneficial Interest in Notes issued in uncertificated form:
  - 10.1.3.1. the CSD shall, prior to the Exchange Date, surrender (through the CSD system) such uncertificated Notes to the Transfer Agent at its Specified Office; and
  - 10.1.3.2. the Transfer Agent will obtain the release of such uncertificated Notes from the CSD in accordance with the Applicable Procedures.
  
- 10.1.4. An Individual Certificate shall, in relation to a Beneficial Interest:
  - 10.1.4.1. in a Tranche of Notes which is held in the CSD, represent that number of Notes as have, in the aggregate, the same aggregate Nominal Amount of Notes standing to the account of the holder of such Beneficial Interest; or
  - 10.1.4.2. in any number of Notes issued in uncertificated form of a particular aggregate Nominal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Nominal Amount,

as the case may be, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Nominal Amount is equivalent to a fraction of the Specified Denomination or a fraction of any multiple thereof, such Individual Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

- 10.1.5. Subject always to applicable laws and the Applicable Procedures, upon the replacement of a Beneficial Interest in Notes with Notes in definitive form represented by an Individual Certificate in accordance with this Condition 10 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*), such Notes (now represented by an Individual Certificate) will cease to be listed on the Financial Exchange and will no longer be lodged in the CSD. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

10.2. Replacement

If any Individual Certificate is worn out, mutilated, defaced, stolen, destroyed or lost it may be replaced at the Specified Office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity as the Issuer and the Transfer Agent may reasonably require. Mutilated or defaced Individual Certificates must be surrendered at the Specified Office of the Transfer Agent before replacements will be issued.

10.3. Death and sequestration or liquidation of Noteholder

Any person becoming entitled to Registered Notes in consequence of the death, sequestration or liquidation of the holder of such Notes may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this Condition 10.3 (*Death and sequestration or liquidation of Noteholder*) or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the Applicable Procedures, this Condition 10.3 (*Death and sequestration or liquidation of Noteholder*) and Condition 12.1.2 (*Transfer of Notes represented by Individual Certificates*), may transfer such Notes. The Issuer and (if applicable) the CSD and the relevant Participant shall be entitled to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or shall duly transfer the Notes.

#### 10.4. Costs

The costs and expenses of the printing, issue and delivery of each Individual Certificate and all taxes and governmental charges or insurance charges that may be imposed in relation to such Individual Certificate and/or the printing, issue and delivery of such Individual Certificate shall be borne by the holder of the Notes represented by that Individual Certificate. Separate costs and expenses relating to the provision of Individual Certificates and/or the transfer of Notes may be levied by other persons, such as a Participant, under the Applicable Procedures, and such costs and expenses shall not be borne by the Issuer.

### 11. REGISTER

#### 11.1. The Register of Noteholders shall:

- 11.1.1. be kept at the Specified Office of the Transfer Agent or such other person as may be appointed for the time being by the Issuer to maintain the Register;
- 11.1.2. contain the names, addresses and bank account numbers of the registered Noteholders;
- 11.1.3. show the total Nominal Amount of the Notes held by Noteholders;
- 11.1.4. show the dates upon which each of the Noteholders was registered as such;
- 11.1.5. show the serial numbers of the Individual Certificates and the dates of issue thereof;
- 11.1.6. be open for inspection at all reasonable times during business hours on Business Days by any Noteholder or any person authorised in writing by a Noteholder; and
- 11.1.7. be closed during each Books Closed Period.

11.2. The Transfer Agent shall alter the Register in respect of any change of name, address or account number of any of the Noteholders of which it is notified.

11.3. Except as provided for in these Terms and Conditions or as required by law, in respect of Notes, the Issuer will only recognise a Noteholder as the owner of the Notes registered in that Noteholder's name as per the Register.

- 11.4. Except as provided for in these Terms and Conditions or as required by law, the Issuer shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Individual Certificate may be subject.

## 12. TRANSFER OF NOTES

### 12.1. Transfer of registered Notes

#### 12.1.1. Transfer of Beneficial Interests in Notes held in the CSD

- 12.1.1.1. Beneficial Interests may be transferred only in accordance with the Applicable Procedures through the CSD.
- 12.1.1.2. Transfers of Beneficial Interests to and from clients of Participants occur by way of electronic book entry in the securities accounts maintained by the Participants for their clients, in accordance with the Applicable Procedures.
- 12.1.1.3. Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the CSD for the Participants, in accordance with the Applicable Procedures.
- 12.1.1.4. Transfers of Beneficial Interests in Notes will not be recorded in the Register and the CSD will continue to be reflected in the Register as the Noteholder of such Notes notwithstanding such transfers.

#### 12.1.2. Transfer of Notes represented by Individual Certificates

- 12.1.2.1. In order for any transfer of Notes represented by an Individual Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:
- 12.1.2.1.1. the transfer of such Notes must be embodied in a Transfer Form;
- 12.1.2.1.2. the Transfer Form must be signed by the registered Noteholder of such Notes and the transferee, or any authorised representatives

of that registered Noteholder or transferee;  
and

- 12.1.2.1.3. the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the Individual Certificate representing such Notes for cancellation.
- 12.1.2.2. Notes represented by an Individual Certificate may only be transferred, in whole or in part, in amounts of not less than the Specified Denomination (or any multiple thereof).
- 12.1.2.3. Subject to this Condition 12.1.2 (*Transfer of Notes represented by Individual Certificates*), the Transfer Agent will, within 3 (three) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any applicable laws and/or Applicable Procedures), record the transfer of Notes represented by an Individual Certificate (or the relevant portion of such Notes) in the Register, and authenticate and deliver to the transferee at the Transfer Agent's Specified Office or, at the risk of the transferee, send by mail to such address as the transferee may request, a new Individual Certificate in respect of the Notes transferred reflecting the outstanding Nominal Amount of the Notes transferred.
- 12.1.2.4. Where a Noteholder has transferred a portion only of Notes represented by an Individual Certificate, the Transfer Agent will authenticate and deliver to such Noteholder at the Transfer Agent's Specified Office or, at the risk of such Noteholder, send by mail to such address as such Noteholder may request a new Individual Certificate representing the balance of the Notes held by such Noteholder.
- 12.1.2.5. The transferor of any Notes represented by an Individual Certificate will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.

12.1.2.6. Before any transfer of Notes represented by an Individual Certificate is registered in the Register, all relevant transfer taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Issuer and the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.

12.1.2.7. No transfer of any Notes represented by an Individual Certificate will be registered whilst the Register is closed as contemplated in Condition 11 (*Register*).

12.2. If a transfer of any Notes represented by an Individual Certificate is registered in the Register, the Transfer Form and cancelled Individual Certificate will be retained by the Transfer Agent.

12.3. If a transfer is registered then the Transfer Form and cancelled Individual Certificate will be retained by the Transfer Agent.

12.4. In the event of a partial redemption of Notes under Condition 8.3 (*Redemption of the Option at the Issuer*), the Transfer Agent shall not be required in terms of Condition 8.3 (*Redemption of the Option at the Issuer*), to register the transfer of any Notes during the period beginning on the tenth day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive).

12.5. The Notes shall, upon transfer, be fully paid up.

### 13. **PRESCRIPTION**

The Notes will become void unless presented for payment of principal within a period of 3 (three) years after their redemption date.

### 14. **EVENTS OF DEFAULT**

#### 14.1. In respect of Notes:

If, for any particular Series of Notes, one or more of the following events (“**Events of Default**”), or unless otherwise set out in the Applicable Product Supplement and/or the Applicable Pricing Supplement, shall have occurred and be continuing:

14.1.1. the Issuer fails to pay any Nominal Amount due under the Notes on its due date for payment thereof and any such failure continues for a period of 10 (ten) Business Days, after receiving written notice from any of the

Noteholders demanding such payment, provided that no Event of Default shall occur if such failure is for purposes of the Issuer complying with a mandatory law, regulation or order of any court of competent jurisdiction. In the event of any doubt as to the validity or applicability of any such law, regulation or order, no Event of Default shall occur if the Issuer has acted on the advice of independent legal advisers during such 10 (ten) Business Day period; or

- 14.1.2. the Issuer fails to pay any interest due under the Notes on its due date for payment thereof and any such failure continues for a period of 10 (ten) Business Days, after receiving written notice from any of the Noteholders demanding such payment, provided that no Event of Default shall occur if such failure is for purposes of the Issuer complying with a mandatory law, regulation or order of any court of competent jurisdiction. In the event of any doubt as to the validity or applicability of any such law, regulation or order, no Event of Default shall occur if the Issuer has acted on the advice of independent legal advisers during such 10 (ten) Business Day period; or
- 14.1.3. any action, condition or thing, including obtaining any consent, licence approval or authorisation now or in future necessary to enable the Issuer to comply with its material obligations under the Notes is not in place or any such consent, licence, approval or authorisation shall be revoked, modified, withdrawn or withheld or shall cease to be in full force and effect, resulting in the Issuer being unable to perform any of its respective payment or other material obligations in terms of the Notes and the Issuer fails to take reasonable steps to remedy such circumstances within 7 (seven) Business Days of receiving written notice from the Noteholders demanding such remedy; or
- 14.1.4. the Issuer initiates or consents to the commencement of business rescue proceedings or other judicial proceedings in respect of itself under any applicable compromise with creditors, any meeting of creditors is convened by the Issuer to consider a proposal for an arrangement or compromise with creditors generally (or any significant class of creditors (other than for purposes of an internal reconstruction or reorganisation) or an order by any court of competent jurisdiction or authority for the liquidation or curatorship, winding-up, dissolution, commencement of business rescue proceedings or analogous proceedings of the Issuer is

made, whether provisionally (and not dismissed or withdrawn within 21 (twenty one) Court Days thereof) or finally, provided that no liquidation, curatorship, winding-up, dissolution, business rescue or analogous proceedings shall constitute an Event of Default if (i) such liquidation, winding-up, dissolution, business rescue or analogous proceedings are for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the Group with any third party; or (ii) the liquidation, winding-up, dissolution, business rescue or analogous proceedings are for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganization or other similar arrangement, the terms of which were approved by an Extraordinary Resolution of Noteholders before the date of the liquidation, winding-up, dissolution, business rescue or analogous proceedings; or

- 14.1.5. any step is taken by or under any authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of the Issuer, a material part of the assets of the Issuer or any of the securities issued by the Issuer; or
- 14.1.6. any other Event of Default provided for such Series, as specified in the Applicable Pricing Supplement,

then any Noteholder may, by written notice to the Issuer at the Specified Office of the Issuer, effective upon the date of receipt thereof by the Issuer, declare the Note held by that Noteholder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 8.5 (*Early Redemption Amounts*)), together with accrued interest (if any) to the date of repayment, or as specified in the Applicable Pricing Supplement, provided that although an amount may be due it will not be regarded as being payable if the Issuer withholds or refuses to make any such payment in order to comply with any law or regulation of South Africa or to comply with any order of a court of competent jurisdiction.

#### 14.2. Notification of Event of Default

If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Noteholders in accordance with Condition 16 (*Notices*) and the JSE in writing.

15. **ISSUER AGENT, CALCULATION AGENT, TRANSFER AGENT, PAYING AGENT AND SETTLEMENT AGENT**

- 15.1. Any third party appointed by the Issuer as Issuer Agent, Calculation Agent, Transfer Agent, Paying Agent and/or Settlement Agent, shall act solely as the agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with any Noteholders.
- 15.2. If the Issuer elects to appoint another entity (not being the Issuer) as Issuer Agent, Calculation Agent, Transfer Agent, Paying Agent and/or Settlement Agent, that other entity, on execution of an appropriate agency agreement or an appropriate accession letter to the Agency Agreement, as the case may be, shall serve in that capacity in respect of the Notes. The Issuer shall notify the Noteholders in the manner set out in Condition 16 (*Notices*) of any such appointment and, if any Notes are listed on the JSE, the Issuer shall notify the JSE of any such appointment.
- 15.3. The Issuer is entitled to vary or terminate the appointment of the Issuer Agent, Calculation Agent, Transfer Agent, Paying Agent and/or Settlement Agent and/or appoint additional or other agents and/or approve any change in the Specified Office through which any such agent acts, provided that there will at all times be an Issuer Agent, Calculation Agent, Transfer Agent, Paying Agent and/or Settlement Agent with an office in such place as may be required by the Applicable Procedures.
- 15.4. To the extent that the Issuer also acts as the Issuer Agent, Calculation Agent, Transfer Agent, Paying Agent and/or Settlement Agent, all references to:
- 15.4.1. any action, conduct or functions in such role shall be understood to mean that the Issuer shall perform such action, conduct or function itself; and
- 15.4.2. requirements for consultation, indemnification by or of, payment by or to, delivery by or to, notice by or to, consent by or to or agreement between the Issuer and the Issuer Agent, Calculation Agent, Transfer Agent, Paying Agent and/or Settlement Agent shall be disregarded to the extent that the Issuer performs such role.

16. **NOTICES**

- 16.1. Notices to holders of uncertificated Notes shall be valid if mailed to their registered addresses appearing in the Register or if electronically published on SENS, or any other similar service, established by the JSE. Any such notice shall be deemed to have been given on the 3<sup>rd</sup> (third) day after the day on which it is mailed or the day of its

publication, as the case may be. In the event of there being any Individual Certificates in issue, such notices shall be published, not earlier than 4 (four) calendar days after the date of posting of such notice in terms of this Condition 16 (*Notices*) in an English language daily newspaper of general circulation in South Africa, and any such notice shall be deemed to have been given on the date of first publication.

- 16.2. If any notice is given to holders of uncertificated Notes, a copy thereof shall be delivered to the JSE (and published on SENS) (if the Notes are listed on the JSE), the CSD and the Participants and such delivery shall discharge the Issuer of its obligations to give such notice to the holders of the Notes. Any notice to the Issuer shall be deemed to have been received by the Issuer, if delivered to the Specified Office of the Issuer, on the date of delivery, and if sent by registered mail, on the 7<sup>th</sup> (seventh) day after the day on which it is sent. The Issuer may change its registered office upon prior written notice to Noteholders specifying such new registered office.
- 16.3. For so long as any of the Notes are uncertificated, notice may be given by any holder of an uncertificated Note to the Issuer *via* the relevant Participant in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Participants may approve for this purpose.

17. **AMENDMENT OF THESE CONDITIONS**

- 17.1. Subject to the Companies Act, any regulations promulgated under the Companies Act, the JSE Debt Listings Requirements and section 19 of the JSE Listings Requirements, and the listings requirements of any other applicable Financial Exchange, as the case may be, the Issuer may effect, without the consent of the relevant Class of Noteholders, any modification of the Terms and Conditions which is of a technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is established and/or the governing law in accordance with which the Notes are issued. Any such modification shall be communicated to the relevant Class of Noteholders in accordance with Condition 16 as soon as practical thereafter.
- 17.2. Upon making any modification of the Terms and Conditions which is of a technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law as contemplated in Condition 17.1 above, the Issuer will submit the amended Terms and Conditions to the JSE immediately upon finalising such amendments. Thereafter, the Issuer will release an announcement on SENS, providing a summary of the amendments made, and information regarding where the amended Terms and Conditions will be available for inspection.

17.3. Save as provided in Condition 17.1, no amendment, variation or modification of these Terms and Conditions may be effected unless:

17.3.1. in writing and signed by or on behalf of the Issuer and by or on behalf of the members of the relevant Class of Noteholders holding not less than 66.67% (sixty six point six seven percent) in Nominal Amount, of the Notes in that Series for the time being Outstanding; or

17.3.2. sanctioned by an Extraordinary Resolution of the relevant Class of Noteholders,

provided that no such amendment, variation or modification shall be of any force or effect unless notice of the intention to make such amendment, variation or modification shall have been given to all of the relevant Class of Noteholders in terms of Condition 16 (*Notices*) of the Terms and Conditions.

17.4. The Issuer shall be obliged to first obtain approval from the JSE prior to seeking the approval of the relevant Noteholders as contemplated in Condition 17.3, or otherwise making any other modification of the Terms and Conditions applicable to Notes listed on the JSE.

17.5. The Issuer shall effect any modification of the Terms and Conditions, strictly in accordance with the JSE Debt Listings Requirements and section 19 of the JSE Listings Requirements in force from time to time.

17.6. Any such modification shall be binding on the relevant Class of Noteholders and any such modification shall be notified to the relevant Class of Noteholders in accordance with Condition 16 (*Notices*) of the Terms and Conditions as soon as practicable after making such modification.

17.7. For the avoidance of doubt:

17.7.1. the exercise by the Issuer of its rights under Condition 15 (*The Issuer Agent*) shall not constitute a modification of these Terms and Conditions; and

17.7.2. it is recorded that the Applicable Pricing Supplement in relation to any Tranche of Notes may specify any other terms and conditions which shall, to the extent so specified or the extent inconsistent with the Terms and Conditions, amend, replace or modify the Terms and Conditions for purposes of such Tranche of Notes. The issuing of any Applicable Pricing

Supplement shall not constitute an amendment of these Terms and Conditions requiring the approval of the JSE.

18. **MEETINGS OF NOTEHOLDERS**

- 18.1. The Issuer may at any time convene a meeting of all Noteholders or holders of any Series of Notes upon at least 15 (fifteen) business days prior written notice to such Noteholders, in accordance with the Companies Act. This notice will include the date that the Issuer has selected to determine which Noteholders will receive the notice and the last date by which proxy forms will be submitted. This notice is required to be given in terms of Condition 16 (*Notices*). Such notice shall specify the date, place and time of the meeting to be held, which place shall be in South Africa.
- 18.2. Every director or duly appointed representative of the Issuer may attend and speak (in each case including but not limited to, by means of video conferencing, telephone and other electronic means) at a meeting of Noteholders, but shall not be entitled to vote, other than as a proxy or representative of a Noteholder.
- 18.3. Noteholders holding not less than 25% (twenty-five percent) in Nominal Amount of the Outstanding Notes shall be able to request the Issuer to convene a meeting of Noteholders. Should the Issuer fail to requisition such a meeting within 10 (ten) calendar days of such a request being received by the Issuer, the Noteholders requesting such a meeting may convene such meeting.
- 18.4. A Noteholder may by an instrument in writing (a **“form of proxy”**) signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person (a **“proxy”**) to act on his or its behalf in connection with any meeting or proposed meeting of the Noteholders.
- 18.5. Any Noteholder which is a corporation may by resolution of its directors or other governing body authorise any person to act as its representative (a **“representative”**) in connection with any meeting or proposed meeting of the Noteholders.
- 18.6. Any proxy or representative appointed shall, so long as the appointment remains in force, be deemed for all purposes in connection with any meeting or proposed meeting of the Noteholders specified in the appointment, to be the holder of the Notes to which the appointment relates and the holder of the Notes shall be deemed for such purposes not to be the holder.

18.7. The chairperson of the meeting shall be appointed by the Issuer. The procedures to be followed at the meeting shall be as determined by the chairperson subject to the remaining provisions of this Condition 18 (*Meetings of Noteholders*). Should the Noteholders requisition a meeting, and the Issuer fail to call such a meeting within 10 (ten) calendar days of the requisition, then the chairperson of the meeting held at the instance of the Noteholders shall be selected by a majority of Noteholders present in person, by representative or by proxy.

18.8. At any such meeting one or more Noteholders present in person, by representative or by proxy, holding in aggregate not less than one third of the Nominal Amount of the relevant Notes for the time being Outstanding shall form a quorum for the transaction of business. On a poll, each Noteholder present in person, by representative or by proxy at the meeting shall have the number of votes equal to the number of Notes, by Specified Denomination, held by the Noteholder.

19. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes having terms and conditions the same as any of the other Notes issued under the Master Structured Note Programme or the same in all respects save for the amount and date of the first payment of interest thereon, the Issue Price and the Issue Date, so that the further Notes shall be consolidated to form a single Series with the relevant Outstanding Notes.

20. **GOVERNING LAW**

The Master Programme Memorandum, the Notes and all rights and obligations to the Notes are governed by, and shall be construed in accordance with, the laws of South Africa in force from time to time.

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**SCHEDULE 1: GLOSSARY OF TERMS**

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The following terms and expressions will have the meanings set out below in the Terms and Conditions and the other Series Transaction Documents, unless inconsistent with the context or separately defined in the Terms and Conditions, the Applicable Series Pricing Supplement or any other Series Transaction Document:

<b>“Absa”</b>	Absa Bank Limited (incorporated in the Republic of South Africa with limited liability under registration number 1986/004794/06 and registered as a bank in terms of the Banks Act), whose financial results are prepared in accordance with IFRS and the Companies Act;
<b>“Agency Agreement”</b>	the amended and restated agency agreement entered into amongst the Issuer, the Issuer Agent, the Calculation Agent, the Paying Agent, Transfer Agent and the Settlement Agent, dated on or about the date of this Master Programme Memorandum, as may be amended, supplemented or restated from time to time;
<b>“Agreement Date”</b>	in relation to a Tranche of Notes, the date of agreement to issue such Notes;
<b>“Amortised Face Amount”</b>	in respect of Zero Coupon Notes, the sum of: (i) the Reference Price; and (ii) the product of the Implied 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 such Note becomes due and repayable, or such other amount as is provided in the Applicable Pricing Supplement;
<b>“Applicable Laws”</b>	in relation to a person, all and any (i) statutes and subordinate legislation; (ii) regulations, rules, ordinances and directives; (iii) by-laws; (iv) codes of practice, circulars, guidance notes, judgments and decisions of any competent authority, and (v) other similar provisions, from time to time;
<b>“Applicable Pricing Supplement”</b>	in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to that Tranche of Notes, setting out the additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the <i>pro forma</i> pricing supplement which is set out in Schedule 2 to the Terms and

	Conditions headed " <i>Pro Forma Applicable Pricing Supplement</i> ", or such other <i>pro forma</i> applicable pricing supplement as may be provided in an Applicable Product Supplement;
<b>"Applicable Procedures"</b>	the rules and operating procedures for the time being of the CSD, the Participants and the debt listings requirements of the JSE and/or any other Financial Exchange, as the case may be;
<b>"Applicable Product Supplement"</b>	in relation to one or more Series and/or Tranches of Notes of a particular type not already provided for in this Master Programme Memorandum, the product supplement completed and signed by the Issuer in relation to such Series or Tranches identified in the Applicable Pricing Supplement, setting out, if applicable, the replacement, amended and/or supplemental terms and conditions as are applicable to those Notes;
<b>"Arranger"</b>	Absa, or such other Arranger as may be appointed by the Issuer, as specified in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>"Banks Act"</b>	the Banks Act, 1990 (as amended or replaced from time to time);
<b>"Beneficial Interest"</b>	in relation to a Tranche of Notes which is held in the CSD, the beneficial interest as co-owner of an undivided share of all of the Notes in that Tranche, as contemplated in section 37(1) of the Financial Markets Act, the nominal value of which beneficial interest, in relation to any number of Notes in that Tranche, is determined by reference to the proportion that the aggregate outstanding Nominal Amount of such number of Notes bears to the aggregate outstanding Nominal Amount of all of the Notes in that Tranche, as provided for in section 37(3) of the Financial Markets Act;
<b>"BESA Guarantee Fund Trust"</b>	the guarantee fund established and operated by the JSE as a separate guarantee fund for notes listed on the Interest Rate Market of the JSE, in terms of the rules of the JSE, as required by sections 8(1)(h) and 17(2)(w) of the Financial Markets Act, or any successor fund;

<b>“Blocked Rand”</b>	funds which may not be remitted out of South Africa or paid into a non-South African resident’s bank account as regulated by the Exchange Control Regulations;
<b>“Books Closed Period”</b>	in relation to a Tranche of Notes, the period(s), as specified in the Applicable Product Supplement or the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfers of the Notes will not be registered, or such shorter period as the Issuer may decide in order to determine those Noteholders entitled to receive principal and/or interest or redemption monies;
<b>“Business Day”</b>	a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) on which commercial banks settle ZAR payments in Johannesburg or any other business centre specified in the Applicable Pricing Supplement;
<b>“Calculation Agent”</b>	the Issuer, unless the Issuer elects to appoint, in relation to a Series or Tranche of Notes, another entity as Calculation Agent in respect of that Series or Tranche;
<b>“Change in Law”</b>	on or after the Issue Date of any Series of Notes, (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, an tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including, without limitation, any action taken by a taxing authority), the Issuer determines in good faith that (a) it has become illegal or contrary to such applicable law or regulation to hold, acquire, deal in or dispose of any hedge position, underlying securities or other property or assets comprised in an index, any currency, futures contracts, commodities or contracts in securities, options, futures, derivatives or foreign exchange, (b) it will incur a materially increased cost in performing its obligations under such Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect in respect of its tax position), or (c) the Issuer or any of its affiliates will be subjected to materially less favourable regulatory capital treatment in respect of such Notes or any related hedge positions;

<b>“Class of Noteholders”</b>	the holders of a Series of Notes or, where appropriate, the holders of different Series of Notes;
<b>“Clearstream”</b>	Clearstream Banking, société anonyme, (Clearstream Luxembourg);
<b>“Common Monetary Area”</b>	South Africa, Lesotho, Namibia, and Swaziland;
<b>“Companies Act”</b>	the Companies Act, 2008 (as amended or replaced from time to time);
<b>“Controlling Company”</b>	Absa Group Limited (registration number 1986/003934/06) or any successor entity, and/or any other company that is a “controlling company” in relation to the Issuer as contemplated in terms of the Banks Act;
<b>“Conversion Rate”</b>	the spot rate for the sale of the South African Rand against the purchase of the relevant Issuance Currency in the South African foreign exchange market quoted by any leading bank selected by the Issuer on the Agreement Date;
<b>“Court Day”</b>	during the term of a court, any day other than a Saturday, Sunday or public holiday within the meaning of the Public Holidays Act, 1994;
<b>“CSD”</b>	Strate Proprietary Limited (registration number 1998/022242/07), being a registered central securities depository operating in terms of the Financial Markets Act, or any additional or alternate central securities depository approved by the Issuer;
<b>“Day Count Fraction”</b>	<p>in relation to a Tranche of Notes (where applicable) and the calculation of an amount for any period of time (the “<b>Calculation Period</b>”), the Day Count Fraction specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement and:</p> <p>(a) if “<b>Actual/365</b>”, “<b>Act/365</b>”, or “<b>Act/Act</b>” is specified, Day Count Fraction means the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (three hundred and sixty five) (or, if any portion of the Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 (three hundred and sixty six) and (ii) the actual number of days in that portion of the Interest</p>

Period falling in a non-leap year divided by 365 (three hundred and sixty five));

(b) if “**Actual/Actual (ICMA)**” is specified, Day Count Fraction means:

(i) 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 (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

a. the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods in any year; and

b. the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods normally ending in any year;

(c) if “**Actual/Actual (ISDA)**” is specified, Day Count Fraction means the actual number of days in the Calculation Period divided by 365 (three hundred and sixty five) (or, if any portion of the Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 (three hundred and sixty six) and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365 (three hundred and sixty five));

- (d) if “**Actual/365 (Fixed)**” is specified, Day Count Fraction means the actual number of days in the Calculation Period divided by 365 (three hundred and sixty five);
- (e) if “**Actual/360**” is specified, Day Count Fraction means the actual number of days in the Calculation Period divided by 360 (three hundred and sixty);
- (f) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified, Day Count Fraction means the number of days in the Calculation period divided by 360 (three hundred and sixty), calculated on a formula basis as follows:

Day count fraction =

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

where:

“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 (thirty one), in which case D1 will be 30 (thirty); 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 (thirty one) and D1 is greater than 29 (twenty nine), in which case D2 will be 30(thirty);

- (g) if “**30E/360**” or “**Eurobond Basis**” is specified, Day Count Fraction means the number of days in the Calculation Period divided by 360 (three hundred and sixty), calculated on a formula basis as follows:

Day count fraction =

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

where:

“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 (thirty one), in which case D1 will be 30 (thirty); 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 (thirty one), in which case D2 will be 30 (thirty);

- (h) if “**30E/360 (ISDA)**” is specified, Day Count Fraction means the number of days in the Calculation Period divided by 360 (three hundred and sixty), calculated on a formula basis as follows:

Day count fraction =

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

where:

“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 (thirty one), in which case D1 will be 30 (thirty); 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 (thirty one), in which case D2 will be 30 (thirty);

**“Dealers”**

the Issuer, unless the Issuer elects to appoint any other entity(ies) as Dealer, which appointment may be for a specific issue or on an on-going basis, subject to the Issuer’s right to terminate the appointment of any such Dealer, as indicated in an Applicable Product Supplement or the Applicable Pricing Supplement;

**“Debt Sponsor”**

the Issuer or such other Debt Sponsor as may be appointed by the Issuer subject to the approval of the JSE in accordance with the Applicable Procedures, as specified in an Applicable Product Supplement or the Applicable Pricing Supplement, provided that the

	Issuer shall maintain the appointment of at least one Debt Sponsor for so long as any of the Notes are listed on the JSE;
<b>“Default Rate”</b>	in relation to a Tranche of Notes, the default rate specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Designated Maturity”</b>	if applicable, means the period specified as such in an Applicable Product Supplement or the relevant Applicable Pricing Supplement;
<b>“Determination Date”</b>	in relation to a Tranche of Notes (where applicable), the date specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Determination Period”</b>	in relation to a Tranche of Notes (where applicable), the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);
<b>“Dual Currency Notes”</b>	Notes which pay interest in a base currency and the principal in a non-base currency or <i>vice versa</i> as indicated in an Applicable Product Supplement or the Applicable Pricing Supplement, subject to the Exchange Control Regulations;
<b>“Early Redemption Amount”</b>	the amount, as set out in Condition 8.5 ( <i>Early Redemption Amounts</i> ), at which the Notes will be redeemed by the Issuer, pursuant to the provisions of Condition 8.2 ( <i>Redemption for Tax Reasons or due to a Change in Law</i> ) and/or Condition 14 ( <i>Events of Default</i> );
<b>“Euroclear”</b>	Euroclear Bank S.A./N.V. as operator of the Euroclear System;
<b>“Event of Default”</b>	any of the events described in Condition 14 ( <i>Events of Default</i> );
<b>“Exchangeable Notes”</b>	Notes which may be redeemed by the Issuer in the manner indicated in an Applicable Product Supplement or the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as is determined in accordance with the Applicable Pricing Supplement;

<b>“Exchange Control Regulations”</b>	the Exchange Control Regulations, 1961, promulgated pursuant to the Currency and Exchanges Act, 1933 (as amended from time to time);
<b>“Exchange Period”</b>	in relation to a Tranche of Notes (where applicable), the period indicated in an Applicable Product Supplement or the Applicable Pricing Supplement during which the Noteholders’ Exchange Right may be exercised;
<b>“Exchange Price”</b>	in relation to a Tranche of Notes (where applicable), the amount determined in accordance with the manner described in an Applicable Product Supplement or the Applicable Pricing Supplement, according to which the number of Exchange Securities which may be delivered in redemption of an Exchangeable Note will be determined;
<b>“Exchange Securities”</b>	in relation to a Tranche of Notes (where applicable), the securities indicated in an Applicable Product Supplement or the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of Exchangeable Notes to the value of the Exchange Price;
<b>“Extraordinary Resolution”</b>	<p>(a) a resolution passed at a meeting (duly convened) of the Noteholders or, as the case may be, by a majority representing not less than 66,67% (sixty six comma sixty seven percent) of the value of the Notes held by the Noteholders or the relevant Noteholders, as the case may be (being determined with reference to the aggregate Outstanding Nominal Amount of the Notes Outstanding held by such relevant Noteholders as it bears to the aggregate Outstanding Nominal Amount of all of the relevant Notes Outstanding), present in person or by proxy and voting at such meeting; or</p> <p>(b) a resolution passed, other than at a meeting (duly convened) of the Noteholders, in respect of which Noteholders or the relevant Class of Noteholders representing not less than 66.67% (sixty six comma sixty seven percent) of the value of all relevant Notes of the relevant Noteholders (being determined with reference to the aggregate Outstanding</p>

Nominal Amount of the Notes Outstanding held by such relevant Noteholders as it bears to the aggregate Outstanding Nominal Amount of all of the relevant Notes Outstanding), voted in favour by signing in writing, a round robin resolution which may be signed in counterparts. Where the requisite approval is obtained within 20 (twenty) Business Days from the date the resolution is submitted to the Noteholders, such a resolution shall be as valid and effectual as if it had been passed at a meeting (duly convened) of the Noteholders, provided that notice shall have been given to all Noteholders in terms of Condition 16 (*Notices*), unless all of the Noteholders consent in writing to the waiver of the required notice contemplated in Condition 16 (*Notices*),

where, for purposes of this definition, “**relevant Noteholders**” refers to a meeting of (a) all of the Noteholders or (b) holders of Notes of a particular Series of Notes or (c) holders of Notes of a particular ranking (such as Senior Notes or Subordinated Notes), as the case may be, depending on whether the matter under consideration at such meeting affects such holders’ rights under such Notes or requires their approval in terms of the Terms and Conditions or Applicable Law, and “**relevant Notes**” refers to all Notes of a particular Series or Notes of a particular ranking, as the case may be;

“ <b>FATCA</b> ”	the US Foreign Account Tax Compliance Act;
“ <b>Final Broken Amount</b> ”	in relation to a Tranche of Notes (where applicable), the final broken amount specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
“ <b>Final Redemption Amount</b> ”	the amount of principal specified in an Applicable Product Supplement or the Applicable Pricing Supplement payable in respect of each Tranche of Notes upon the Maturity Date;
“ <b>Financial Exchange</b> ”	the JSE and/or such other (or additional) financial exchange(s) as may be determined by the Issuer and the relevant Dealer, subject to applicable laws and as specified in an Applicable Product Supplement or the Applicable Pricing Supplement;

<b>“Financial Markets Act”</b>	the Financial Markets Act, 2012, as may be amended, supplemented or replaced from time to time;
<b>“Fitch”</b>	Fitch Ratings Limited (or, if applicable, any South African subsidiary or associated company of Fitch Ratings Limited) and its successors in title;
<b>“Fixed Coupon Amounts”</b>	in relation to a Tranche of Fixed Rate Notes (where applicable), the amounts specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Fixed Interest Payment Dates”</b>	in relation to a Tranche of Fixed Rate Notes (where applicable), the dates specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Fixed Interest Period”</b>	in relation to a Tranche of Fixed Rate Notes (where applicable), the period from (and including) a Fixed Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Fixed Interest Payment Date;
<b>“Fixed Rate Notes”</b>	Notes which will bear interest at the Fixed Interest Rate, as indicated in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Fixed Interest Rate”</b>	in relation to a Tranche of Fixed Rate Notes (where applicable), the fixed Interest Rate specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Floating Rate Notes”</b>	Notes which will bear interest at a floating rate as indicated in the an Applicable Product Supplement or Applicable Pricing Supplement and more fully described in Condition 6.2 ( <i>Floating Rate Notes</i> );
<b>“GCR”</b>	Global Credit Ratings Co. Proprietary Limited (Registration Number: 1995/005001/07) (or, if applicable, any South African subsidiary or associated company of Global Credit Ratings Co. Proprietary Limited) and its successors in title;
<b>“Group”</b>	the Controlling Company, the Issuer and all of the wholly-owned consolidated subsidiaries of the Controlling Company and the Issuer;

<b>“Higher Redemption Amount”</b>	if applicable, in relation to a Tranche of Notes, the amount specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“IFRS”</b>	the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);
<b>“Implied Yield”</b>	if applicable, in relation to a Tranche of Notes, the yield accruing on the Issue Price, as specified in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Income Tax Act”</b>	Income Tax Act, 1962 (as amended);
<b>“Index Linked Notes”</b>	Indexed Interest Notes and/or an Indexed Redemption Amount Notes, as applicable;
<b>“Indexed Interest Notes”</b>	Notes in respect of which the Interest Amount is calculated by reference to an index and/or a formula, as indicated in the an Applicable Product Supplement or Applicable Pricing Supplement;
<b>“Indexed Redemption Amount Notes”</b>	Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or a formula, as indicated in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Individual Certificate”</b>	a Note in the definitive registered form of a single certificate and being a certificate exchanged for a Beneficial Interest in accordance with Condition 10 ( <i>Exchange of Beneficial Interests and Replacement of Individual Certificates</i> ) and any further certificate issued in consequence of a transfer thereof;
<b>“Initial Broken Amount”</b>	if applicable, in relation to a Tranche of Notes, the initial broken amount specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Instalment Amount”</b>	if applicable, in relation to a Tranche of Notes, the amount expressed as a percentage of the Nominal Amount of an Instalment Note, being

	an instalment of principal (other than the final instalment) on an Instalment Note;
<b>“Instalment Dates”</b>	if applicable, in relation to a Tranche of Notes, the dates specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Instalment Notes”</b>	Notes issued on the same date but redeemed in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as specified in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Interest Amount”</b>	if applicable, in relation to a Tranche of Notes, the amount of interest payable in respect of each Note, as determined in accordance with Condition 6 ( <i>Interest</i> );
<b>“Interest Commencement Date”</b>	if applicable, in relation to a Tranche of Notes, the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Interest Rate Determination Date(s) or Reset Dates”</b>	if applicable, in relation to a Tranche of Notes, the date(s) on which an Interest Rate is determined, as specified in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Interest Payment Date(s)”</b>	if applicable, in relation to a Tranche of Notes, the Interest Payment Date(s) specified in Schedule 2: Pro Forma Applicable Pricing Supplement and the Pro Forma Applicable Pricing Supplement – Credit Linked Notes;
<b>“Interest Period”</b>	if applicable, in relation to a Tranche of Notes, the date as specified in Schedule 2: Pro Forma Applicable Pricing Supplement and the Pro Forma Applicable Pricing Supplement – Credit Linked Notes;;
<b>“Interest Rate”</b>	if applicable, in relation to a Tranche of Notes, the rate or rates of interest applicable to the Notes, other than Zero Coupon Notes, as indicated in an Applicable Product Supplement or the Applicable Pricing Supplement;

<b>“Interest Rate Market”</b>	the separate platform or sub-market of the JSE designated as the “Interest Rate Market” and on which notes (and other debt securities) may be listed;
<b>“ISDA”</b>	the International Swaps and Derivatives Association Inc.;
<b>“ISDA Definitions”</b>	the 2006 ISDA Definitions published by ISDA (as amended, supplemented, revised or republished from time to time) that are specified as applying to the Notes in this Master Programme Memorandum, an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Issuance Currency”</b>	in relation to each Note in a Tranche of Notes, subject to all applicable laws and in the case of Notes listed on the Relevant Board of the JSE situated in Johannesburg, South Africa, and subject to the rules of the JSE, the currency specified in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Issue Date”</b>	in relation to a Tranche of Notes, the date specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Issue Price”</b>	in relation to a Tranche of Notes, the price specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Issuer”</b>	Absa Bank Limited (incorporated in the Republic of South Africa with limited liability under registration number 1986/004794/06 and registered as a bank in terms of the Banks Act), whose financial results are prepared in accordance with IFRS and the Companies Act;
<b>“Issuer Agent”</b>	the Issuer, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Issuer Agent in respect of that Tranche or Series of Notes, in order to facilitate direct communication with Strate in accordance with Strate’s Debt Instruments Solution;

<b>“JSE”</b>	the JSE Limited (registration number 2005/022939/06), a licensed financial exchange in terms of the Financial Markets Act or any exchange which operates as a successor exchange to the JSE;
<b>“JSE Listings Requirements”</b>	the criteria and disclosure requirements for the listing of, amongst other securities, specialist securities (as defined therein) on the JSE, as amended from time to time by the JSE;
<b>“JSE Debt Listings Requirements”</b>	the criteria and disclosure requirements for the listing of notes (and other debt securities) on the JSE, as amended from time to time by the JSE;
<b>“JSE Guarantee Fund Trust”</b>	the guarantee fund established and operated by the JSE as a separate guarantee fund for Noteholders with Notes listed on the Main Board in terms of the rules of the JSE, as required by sections 8(1)(h) and 17(2)(w) of the Financial Markets Act, or any successor fund;
<b>“Listed Notes”</b>	if specified in relation to a Tranche of Notes in the Applicable Pricing Supplement, such Notes will be listed on the Relevant Board of the JSE or on such other additional Financial Exchange(s) as may be determined by the Issuer;
<b>“Last Day to Register”</b>	with respect to a particular Tranche of Notes (as reflected in the Applicable Pricing Supplement), the last date or dates preceding a Payment Day on which the Transfer Agent will accept Transfer Forms and record the transfer of Notes in the Register for that particular Tranche of Notes and whereafter the Register is closed for further transfers or entries until the Payment Day;
<b>“Main Board”</b>	the main board of the JSE on which notes (and other debt securities) may be listed;
<b>“Mandatory Exchange”</b>	if applicable, in relation to a Tranche of Notes, the mandatory exchange specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Margin”</b>	if applicable, in relation to a Tranche of Notes (where applicable), the margin specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;

<b>“Maturity Date”</b>	in relation to a Tranche of Notes, the date specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Minimum Redemption Amount”</b>	in relation to a Tranche of Notes, the amount specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Mixed Rate Notes”</b>	Notes which will bear interest over respective periods at differing Interest Rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Index Linked Notes, each as indicated in an Applicable Product Supplement or the Applicable Pricing Supplement and as more fully described in Condition 6.4 ( <i>Mixed Rate Notes</i> );
<b>“Moody’s”</b>	Moody’s Investor Services Limited (or, if applicable, any South African subsidiary or associated company of Moody’s Investor Services Limited) and its successors in title and assigns;
<b>“NACA”</b>	nominal annual compounded annually;
<b>“NACM”</b>	nominal annual compounded monthly;
<b>“NACQ”</b>	nominal annual compounded quarterly;
<b>“NACS”</b>	nominal annual compounded semi-annually;
<b>“Nominal Amount”</b>	in relation to a Note, the total amount, excluding interest and any adjustments on account of any formula, owing by the Issuer under the Note;
<b>“Noteholders”</b>	the holders of the Notes (as recorded in the Register);
<b>“Noteholders’ Exchange Right”</b>	if applicable, in relation to a Tranche of Notes, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the Exchange Securities in lieu of cash from the Issuer upon redemption of such Notes as specified in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Notes”</b>	the secured or unsecured notes issued or to be issued by the Issuer under this Master Programme Memorandum;

<b>“Optional Redemption Amount”</b>	if applicable, in relation to a Tranche of Notes, the amount specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Optional Redemption Date”</b>	if applicable, in relation to a Tranche of Notes, each date specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Outstanding”</b>	<p>in relation to the Notes, all the Notes issued other than:</p> <ul style="list-style-type: none"> <li>(a) those which have been redeemed in full;</li> <li>(b) those in respect of which the date for redemption in accordance with the Terms and Conditions has occurred and the redemption monies wherefor (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Terms and Conditions after such date) remain available for payment;</li> <li>(c) those which have been purchased and cancelled as provided in Condition 8 (<i>Redemption and Purchase</i>);</li> <li>(d) those which have become prescribed under Condition 13 (<i>Prescription</i>);</li> <li>(e) those represented by those mutilated or defaced Individual Certificates which have been surrendered in exchange for replacement Individual Certificates pursuant to Condition 10 (<i>Exchange of Beneficial Interests and Replacement of Individual Certificates</i>); and</li> <li>(f) (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Individual Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Individual Certificates have been issued pursuant to Condition 10 (<i>Exchange of Beneficial Interests and Replacement of Individual Certificates</i>),</li> </ul> <p>provided that for each of the following purposes:</p>

- (i) the right to attend and vote at any meeting of the Noteholders; and
- (ii) the determination of how many and which Notes are for the time being Outstanding for the purposes of Condition 17 (*Amendment of these Conditions*) and Condition 18 (*Meetings of Noteholders*),

all Notes (if any) which are for the time being held by the Issuer (subject to any applicable law) or by any person for the benefit of the Issuer and not cancelled shall (unless and until ceasing to be so held), shall be deemed not to be Outstanding;

<b>“Participant”</b>	a person accepted by the CSD as a participant in terms of section 31 of the Financial Markets Act;
<b>“Partly Paid Notes”</b>	Notes which are issued subject to the Applicable Laws, the JSE Debt Listings Requirements and the JSE Listings Requirements, with the Issue Price partly paid and which Issue Price is paid up fully by the Noteholder in instalments (as indicated in an Applicable Product Supplement or the Applicable Pricing Supplement);
<b>“Paying Agent”</b>	Absa Bank Limited, or such other entity appointed by the Issuer as Paying Agent and specified in an Applicable Product Supplement or the Applicable Pricing Supplement, in which event that other entity shall act as Paying Agent in respect of that Tranche or Series of Notes;
<b>“Payment Day”</b>	any day which is a Business Day and upon which a payment is due by the Issuer in respect of the Notes;
<b>“Programme Agreement”</b>	the amended and restated programme agreement entered into between the Issuer, the Arranger and the Dealer(s) dated on or about the date of this Master Programme Memorandum, as may be amended, supplemented or restated from time to time;
<b>“Programme Amount”</b>	the maximum aggregate outstanding Nominal Amount of all of the Notes that may be issued under the Master Structured Note Programme at any one point in time, being the authorised amount of ZAR40,000,000,000 or such increased amount as is determined by the Issuer from time to time, subject to the Applicable Procedures,

applicable laws and the Programme Agreement, as set out in Section I-B of this Master Programme Memorandum headed “*General Description of the Master Structured Note Programme*”;

**“Programme Date”**

7 November 2018;

**“Rating”**

if applicable:

- (a) in relation to a Tranche of Notes, the rating of the Tranche of Notes, the Issuer or the Master Structured Note Programme granted by the Rating Agency, as specified in an Applicable Product Supplement or the Applicable Pricing Supplement; and
- (b) in relation to the Issuer, the rating of the Issuer granted by the Rating Agency, as specified in an Applicable Product Supplement or the Applicable Pricing Supplement,

and where a Tranche of Notes and/or the Issuer (as the case may be) is rated by more than 1 (one) Rating Agency, the lowest rating applied to such Tranche of Notes and/or the Issuer (as the case may be) will be deemed to be the applicable rating of such Tranche of Notes and/or the Issuer (as the case may be);

**“Rating Agency”**

Moody’s and/or Fitch and/or S&P and/or GCR and/or such other internationally recognised rating agency/ies as may be appointed by the Issuer from time to time for the purpose of rating a Tranche of Notes, the Issuer or the Master Structured Note Programme and as specified in an Applicable Product Supplement or the Applicable Pricing Supplement;

**“Redemption Date”**

the date upon which the Notes are redeemed by the Issuer, whether by way of, but not limited to, redemption or maturity in terms of Condition 8.1 (*Redemption at Maturity*) or redemption for tax reasons or due to a Change in Law in terms of Condition 8.2 (*Redemption for Tax Reasons or due to a Change in Law*), as the case may be;

**“Reference Banks”**

three leading banks in the South African inter-bank market selected by the Calculation Agent;

<b>“Reference Price”</b>	if applicable, in relation to a Tranche of Notes, the price specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Reference Rate”</b>	if applicable, in relation to a Tranche of Notes, the rate specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Register”</b>	the register maintained by the Transfer Agent in terms of Condition 11 ( <i>Register</i> ) of which any Uncertificated Securities Register (which is administered and maintained by a Participant or the CSD, as determined in accordance with the Applicable Procedures) forms part;
<b>“Regulations Relating to Banks”</b>	the Regulations promulgated under section 90 of the Banks Act (published on 12 December 2012 in Government Gazette No. 35950), as such Regulations may be amended, supplemented or replaced from time to time;
<b>“Relevant Board of the JSE”</b>	Any of the Interest Rate Market or the Main Board;
<b>“Relevant Date”</b>	in respect of any payment relating to the Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the CSD in accordance with these Terms and Conditions, it means the first date on which (i) the full amount of such monies have been received by the CSD, (ii) such monies are available for payment to the holders of Beneficial Interests and (iii) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
<b>“Relevant Screen Page”</b>	if applicable, in relation to a Tranche of Notes, the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in an Applicable Product Supplement or the Applicable Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

<b>“SENS”</b>	the Stock Exchange News Service;
<b>“Series”</b>	<p>a Tranche of Notes together with any further Tranche or Tranches of Notes which are:</p> <p>(a) expressed to be consolidated and form a single series; and</p> <p>(b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;</p>
<b>“Settlement Agent”</b>	the Issuer, unless the Issuer elects to appoint another entity as Settlement Agent in which event that other entity shall act as Settlement Agent in respect of that Tranche or Series of Notes as specified in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“S&amp;P”</b>	Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. and its successors in title;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“Specified Denomination”</b>	in relation to each Note in a Tranche of Notes, the amount specified as such in an Applicable Product Supplement or the Applicable Pricing Supplement, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank or regulator or any laws or regulations applicable to the Notes;
<b>“Specified Office”</b>	in relation to each of the Issuer, the Arranger, the Issuer Agent, the Debt Sponsor and the stabilising manager (if any), the address of the office in respect of such entity as specified under its name at the end of this Programme Memorandum, in the Applicable Pricing Supplement, or such other address as is notified by such entity (or where applicable, a successor to such entity) to the Noteholders in accordance with Condition 16 ( <i>Notices</i> ) of the Terms and Conditions;
<b>“Subsidiary”</b>	a subsidiary company as defined in section 3(1)(a) of the Companies Act;

<b>“Sub-unit”</b>	with respect to any currency, the lowest amount of such currency that is available as legal tender in the country of such currency;
<b>“Terms and Conditions”</b>	the terms and conditions incorporated in this Section II-A headed “ <i>Terms and Conditions of the Notes</i> ” read together in relation to each Tranche of Notes, with any Applicable Product Supplement and/or the Applicable Pricing Supplement and in accordance with which the Notes will be issued, as amended, novated and/or replaced from time to time in accordance with their terms;
<b>“Tranche”</b>	in relation to any particular Series, all Notes which are identical in all respects (including as to listing);
<b>“Transfer Agent”</b>	the Issuer, unless the Issuer elects to appoint another entity as Transfer Agent in which event that other entity shall act as Transfer Agent in respect of that Tranche or Series of Notes as specified in an Applicable Product Supplement or the Applicable Pricing Supplement;
<b>“Transfer Form”</b>	the written form for the transfer of a Note, in the form approved by the Transfer Agent, and signed by the transferor and transferee;
<b>“Uncertificated Securities Register”</b>	the record of uncertificated securities administered and maintained by the relevant Participant or the CSD, as determined in accordance with the Applicable Procedures;
<b>“United States Securities Act”</b>	the United States Securities Act of 1933 (as amended);
<b>“Unlisted”</b>	if specified in relation to a Tranche of Notes in the Applicable Pricing Supplement, such Notes shall not be listed on any Financial Exchange;
<b>“ZAR”</b>	the lawful currency of South Africa, being South African Rand, or any successor currency;
<b>“ZAR-JIBAR-SAFEX”</b>	the mid-market rate for deposits in ZAR for a period of the Designated Maturity (as indicated in the Applicable Pricing Supplement) that appears on the Reuters Screen SAFEX Page as at 11h00, Johannesburg time on the relevant date; and
<b>“Zero Coupon Notes”</b>	Notes which will be offered and sold at a discount to their Nominal Amount or at par and will not bear interest other than in the case of late payment.

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**SCHEDULE 2: PRO FORMA APPLICABLE PRICING SUPPLEMENT**

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Unless otherwise provided in an Applicable Product Supplement, below is the form of Applicable Pricing Supplement that will be completed for each Tranche of Notes issued under this Master Programme Memorandum.

**ABSA BANK LIMITED**

*(incorporated in the Republic of South Africa with limited liability under registration number 1986/004794/06)*

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**under its ZAR40,000,000,000 Master Structured Note Programme**

This Applicable Pricing Supplement must be read in conjunction with the Master Programme Memorandum, dated on or about 7 November 2018 and approved by the JSE on 31 October 2018, prepared by Absa Bank Limited in connection with the Absa Bank Limited ZAR40,000,000,000 Master Structured Note Programme, as amended and/or supplemented from time to time (the “**Master Programme Memorandum**”) and the Applicable Product Supplement, dated 7 November 2018, as amended and/or supplemented from time to time (the “**Applicable Product Supplement**”).

Any capitalised terms not defined in this Applicable Pricing Supplement have the meanings ascribed to them in the Glossary of Terms, as amended by the Applicable Product Supplement].

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as replaced, amended and/or supplemented by the Applicable Product Supplement and/or this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the provisions of this Applicable Pricing Supplement and the provisions of the Master Programme Memorandum and/or the Applicable Product Supplement, the provisions of this Applicable Pricing Supplement will prevail.

This Applicable Pricing Supplement supersedes any previous pricing supplement, confirmation, term sheet or other communication in respect of the Notes described below.

## DESCRIPTION OF THE NOTES

- |     |                                |                                                                                                                                                                                                                                                                 |
|-----|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  | Issuer                         | Absa Bank Limited                                                                                                                                                                                                                                               |
| 2.  | [Applicable Product Supplement | [provide reference]]                                                                                                                                                                                                                                            |
| 3.  | Status of Notes                | [Unsubordinated / Subordinated] and [unsecured / secured].<br><br>(The default status of the Notes under the Master Structured Note Programme is “unsubordinated and unsecured” per Condition 5 ( <i>Status of Notes</i> ) of the Master Programme Memorandum.) |
| 4.  | Listing                        | [Listed Notes / Unlisted Notes]                                                                                                                                                                                                                                 |
| 5.  | Issuance Currency              | [●]                                                                                                                                                                                                                                                             |
| 6.  | Rated                          | [Yes/No]<br><br>[If Yes: [●] Rating on the long-term [national] / [international] scale.                                                                                                                                                                        |
| 7.  | Rating Agency                  | [Moody's / Fitch / S&P / GCR]                                                                                                                                                                                                                                   |
| 8.  | Series Number                  | [●]                                                                                                                                                                                                                                                             |
| 9.  | Tranche Number                 | [●]                                                                                                                                                                                                                                                             |
| 10. | Aggregate Nominal Amount:      |                                                                                                                                                                                                                                                                 |
|     | (a) Series                     | [●]                                                                                                                                                                                                                                                             |
|     | (b) Tranche                    | [●]                                                                                                                                                                                                                                                             |
| 11. | Interest                       | [Interest-bearing / Non-interest-bearing]                                                                                                                                                                                                                       |
| 12. | Interest Payment Basis         | [[Fixed Rate / Floating Rate / Zero Coupon/Index Linked / Dual Currency / Partly Paid / Instalment] Notes / other]                                                                                                                                              |
| 13. | Interest Payment Date(s)       | means [please insert the specific interest payment dates of each calendar year] or, if such day is not a Business Day, the Business Day on which                                                                                                                |

interest will be paid, as determined in accordance with the applicable Business Day Convention (as specified in the Applicable Pricing Supplement)

14. Interest Period(s) means each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period will commence on (and include) the interest commencement date and end on (but exclude) [the following Interest Payment Date/state specific Interest Payment Date] (each Interest Payment Date as adjusted in accordance with the applicable Business Day Convention)
15. Interest Rate Determination Date(s) or Reset Dates means [please insert the interest rate determination date/s or reset dates of each interest period for example, the auction date for the first Interest Period and thereafter the first business day of each Interest Period]
16. Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another [insert details including date for conversion]
17. Form of Notes [Registered Listed uncertified Notes] [Registered Unlisted uncertified Notes]: [The Notes in this Tranche are issued in uncertificated form and held in an account at the CSD]. [Registered Unlisted certified Notes][The Notes in this Tranche are issued in certificated form]].
18. Trade Date [•]
19. Issue Date [•]
20. Nominal Amount per Note [•]
21. Specified Denomination [•]
22. Issue Price [•]

- |     |                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                            |
|-----|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 23. | Interest Commencement Date                                                                                            | [●]                                                                                                                                                                                                                                                                                                                                                                                        |
| 24. | Maturity Date                                                                                                         | [●]                                                                                                                                                                                                                                                                                                                                                                                        |
| 25. | Applicable Business Day Convention                                                                                    | Floating Rate Business Day / Following Business Day / Modified Following Business Day / Preceding Business Day / other convention – insert details                                                                                                                                                                                                                                         |
| 26. | Definition of Business Day (if different from that set out in the Glossary of Terms)                                  | [●]                                                                                                                                                                                                                                                                                                                                                                                        |
| 27. | Final Redemption Amount                                                                                               | [●]                                                                                                                                                                                                                                                                                                                                                                                        |
| 28. | Last Date to Register                                                                                                 | [●]                                                                                                                                                                                                                                                                                                                                                                                        |
| 29. | Books Closed Period(s)                                                                                                | The Register will be closed from [●] to [●] and from [●] to [●] (all dates inclusive) in each year until the Maturity Date                                                                                                                                                                                                                                                                 |
| 30. | Default Rate                                                                                                          | [●]                                                                                                                                                                                                                                                                                                                                                                                        |
| 31. | Value of aggregate Nominal Amount of all Notes issued under the Master Structured Note Programme as at the Issue Date | <p>As at the date of this issue, the Issuer has issued Notes in the aggregate total amount of [●] under the Master Structured Note Programme.</p> <p>The aggregate Nominal Amount of all Notes issued under the Master Structured Note Programme as at the Issue Date, together with the aggregate Nominal Amount of this Tranche (when issued), will not exceed the Programme Amount.</p> |

#### **FIXED RATE NOTES**

- |     |                                    |                                                                                  |
|-----|------------------------------------|----------------------------------------------------------------------------------|
| 32. | (a) Fixed Interest Rate            | [●] percent per annum [payable [annually / semi-annually / quarterly] in arrear] |
|     | (b) Fixed Interest Payment Date(s) | [●] in each year up to and including the Maturity Date / other                   |
|     | (c) Fixed Coupon Amount(s)         | [●] per [●] in Nominal Amount                                                    |

- (d) Initial Broken Amount [●]
- (e) Final Broken Amount [●]
- (f) Determination Date(s) [●] in each year
- (g) Day Count Fraction [●]
- (h) Any other terms relating to the particular method of calculating interest [●]

### FLOATING RATE NOTES

33. (a) Floating Interest Payment Date(s) [●]
- (b) Minimum Interest Rate [●] percent per annum
- (c) Maximum Interest Rate [●] percent per annum
- (d) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision) [●]
- (e) Manner in which the Interest Rate is to be determined [ISDA Determination / Screen Rate Determination / other – insert details]
- (f) Margin [[●] basis points to be added to / subtracted from the relevant ISDA Rate / Reference Rate]
- (g) If ISDA Determination:
- (i) Floating Rate [●]
  - (ii) Floating Rate Option [●]
  - (iii) Designated Maturity [●]
  - (iv) Reset Date(s) [●]

- (v) ISDA Definitions to apply [●]
- (h) If Screen Determination:
  - (i) Reference Rate (including relevant period by reference to which the Interest Rate is to be calculated) [●]
  - (ii) Interest Rate Determination Date(s) [●]
  - (iii) Relevant Screen Page and Reference Code [●]
- (i) If Interest Rate to be calculated otherwise than by ISDA Determination or Screen Determination, insert basis for determining Interest Rate/Margin/ Fallback provisions [●]
- (j) Calculation Agent responsible for calculating amount of principal and interest [●]

#### ZERO COUPON NOTES

- 34. (a) Implied Yield [●]
- (b) Reference Price Per cent [NACA] [NACM] [NACQ] [NACS] [other method of compounding]
- (c) Any other formula or basis for determining amount(s) payable [●]

#### INSTALMENT NOTES

- 35. (a) Instalment Dates [●]

- (b) Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes) [●]

#### **PARTLY PAID NOTES**

- 36. (a) Amount of each payment comprising the Issue Price [●]
- (b) Dates upon which each payment is to be made by Noteholder [●]
- (c) Consequences (if any) of failure to make any such payment by Noteholder [●]
- (d) Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments [●]

#### **MIXED RATE NOTES**

- 37. (a) Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for:
  - (i) Fixed Rate Notes [●]
  - (ii) Floating Rate Notes [●]
  - (iii) Index Linked Notes [●]
  - (iv) Dual Currency Notes [●]
  - (v) Other Notes [●]
- (b) The interest rate and other pertinent details are set out

under the headings relating to  
the applicable forms of Notes

### INDEX LINKED NOTES

- |     |     |                                                                                         |                                                            |
|-----|-----|-----------------------------------------------------------------------------------------|------------------------------------------------------------|
| 38. | (a) | Type of Index Linked Notes                                                              | [Indexed Interest Notes / Indexed Redemption Amount Notes] |
|     | (b) | Code                                                                                    | [•]                                                        |
|     | (c) | Name of Index Calculator                                                                | [•]                                                        |
|     | (d) | Currency of Index                                                                       | [•]                                                        |
|     | (e) | Index Sponsor                                                                           | [•]                                                        |
|     | (f) | Authority from Index Sponsor to use Index                                               | [•]                                                        |
|     | (g) | Highs and lows of Index for last five years                                             | [•]                                                        |
|     | (h) | Closing price at last practicable date                                                  | [•]                                                        |
|     | (i) | Index/Formula by reference to which Interest Rate / Interest Amount is to be determined | [•]                                                        |
|     | (j) | Manner in which the Interest Rate / Interest Amount is to be determined                 | [•]                                                        |
|     | (k) | Interest Period(s)                                                                      | [•]                                                        |
|     | (l) | Interest Payment Date(s)                                                                | [•]                                                        |
|     | (m) | [Base CPI for Indexed-Linked Notes]                                                     | [•]                                                        |
|     | (n) | Calculation Agent                                                                       | [•]                                                        |

*[Please note: if the performance of an instrument relates to the performance of an index and/or the*

*calculation thereof, the index Calculation Agent for Debt Securities must be registered as such with the JSE – paragraph 4.11(j) of the JSE Debt Listings Requirements.]*

- (o) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable [●]
- (p) Minimum Interest Rate [●] percent per annum
- (q) Maximum Interest Rate [●] percent per annum
- (r) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision) [●]
- (s) Other terms relating to Index Linked Notes *[Please note: Additional JSE requirements may be applicable if Index Linked Notes are issued. See the JSE guidelines for Acceptable Index Providers and section 19 of the JSE Listings Requirements]*
- (t) Any changes to the index methodology will be published on SENS and communicated to the JSE
- (u) All ground rules relating to Index Linked Notes will be published on the website
- (v) All other changes as detailed in the ground rules document will be published on the index calculator's website
- (w) The level of the index is published [Daily/Monthly]

- (x) The level of the index will be published on the website [Insert website addresses]]
- (y) Indices underlying the index being referenced [•]
- (z) The level of each of the indices underlying the index being referenced is published [[•]]
- (aa) The level of each of the indices underlying the index being referenced will be published on the website [YES/NO][

#### DUAL CURRENCY NOTES

39. (a) Type of Dual Currency Notes [Dual Currency Interest / Dual Currency Redemption Amount] Notes
- (b) Rate of Exchange/method of calculating Rate of Exchange [•]
- (c) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable [•]
- (d) Person at whose option Issuance Currency(ies) is/are payable [•]

#### EXCHANGEABLE NOTES

40. (a) Mandatory Exchange applicable [Yes/No]
- (b) Noteholders' Exchange Right applicable [Yes/No]
- (c) Exchange Securities [•]
- (d) Manner of determining Exchange Price [•]

- (e) Exchange Period [●]
- (f) Other [●]

#### OTHER NOTES

41. If the Notes are not Partly Paid Notes, Instalment Notes, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Index Linked Notes, Dual Currency Notes, Exchangeable Notes or Zero Coupon Notes or if the Notes are a combination of any of the foregoing, set out the relevant description and any additional Terms and Conditions, approved by the JSE, relating to such Notes. [●]

#### PROVISIONS REGARDING REDEMPTION/MATURITY

42. Redemption at the option of the Issuer: [Yes/No]

If yes:

- (a) Optional Redemption Date(s) [●]
- (b) Optional Redemption Amount(s) [●]  
and method, if any, of calculation of such amount(s)
- (c) Minimum period of notice (if different from Condition 8.3 (*Redemption at the Option of the Issuer*)) [●]
- (d) If redeemable in part: [●]
  - Minimum Redemption Amount(s) [●]
  - Higher Redemption Amount(s) [●]

- (e) Other terms applicable on Redemption In respect of all Notes which will be automatically redeemed on the occurrence of a trigger event, the early redemption date of the Notes will be a minimum of 5 (five) business days after the date on which the trigger event occurred. Such early redemption date will be announced on SENS in accordance with the timetable set out in paragraph 3 of Schedule 4, Form A4 of the JSE Debt Listings Requirements.

For the purposes of this item, “**trigger event**” means an event that precipitates an automatic redemption in relation to the Notes.

43. Redemption at the Option of Noteholders: [Yes/No]

If yes:

- (a) Optional Redemption Date(s)
- (b) Optional Redemption Amount(s)
- (c) Minimum period of notice (if different from Condition 8.4 *(Redemption at the Option of the Noteholders)*)
- (d) If redeemable in part:
- Minimum Redemption Amount(s)
- Higher Redemption Amount(s)
- (e) Other terms applicable on Redemption
- (f) Attach pro forma put notice(s)

44. Early Redemption Amount(s) payable on redemption for taxation reasons, Change [Yes/No]

in Law or on Event of Default if different from that set out in the Condition 8.5 (*Early Redemption Amounts*).

If an amount other than the Early Redemption Amount is payable on redemption for taxation reasons, Change in Law or on Event of Default [only complete if “no” elected in item 44 above]:

- (a) Amount payable; or [●]
- (b) Method of calculation of amount payable [●]

#### **GENERAL**

- 45. Financial Exchange [●]
- 46. Calculation Agent [●]
- 47. Specified Office of the Calculation [●]
- 48. Paying Agent [●]
- 49. Specified Office of the Paying Agent [●]
- 50. Transfer Agent [●]
- 51. Specified office of the Transfer Agent [●]
- 52. Settlement Agent [●]
- 53. Specified office of the Settlement Agent [●]
- 54. Provisions relating to stabilisation [●]
- 55. Stabilising manager [●]
- 56. Additional selling restrictions [●]
- 57. ISIN No. [●]

- |     |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 58. | Stock Code                                                                 | [●]                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 59. | Method of distribution                                                     | <i>[Dutch auction or other]</i>                                                                                                                                                                                                                                                                                                                                                                                                       |
| 60. | If syndicated, names of Managers                                           | [●]                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 61. | If non-syndicated, name of Dealer                                          | [●]                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 62. | Governing law (if the laws of Republic of South Africa are not applicable) | [●]                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 63. | Use of proceeds                                                            | [●]                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 64. | Other provisions                                                           | [●]                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 65. | Issuer Rating and issue date                                               | [●] / [●]                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 66. | Programme Rating and issue date                                            | [●] / [●]                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 67. | Notes Rating and issue date                                                | [●] / [●]                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 68. | Date of Rating review                                                      | [●]                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 69. | Rating Agency                                                              | [●]                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 70. | Material Change Statement                                                  | As at the date of this Applicable Pricing Supplement, after due and careful enquiry, there has been no material change in the financial or trading position of the Issuer and/or any of its subsidiaries since the date of the Issuer's latest audited consolidated financial statements. As at the date of this Applicable Pricing Supplement, there has been no involvement by the auditors in making the aforementioned statement. |
| 71. | Debt Listing Requirements                                                  | In accordance with section 4.22 of the JSE Debt Listing Requirements, the Issuer hereby confirms that the Programme Amount has not been exceeded at the time of the issuing of the Notes.                                                                                                                                                                                                                                             |

**Responsibility:**

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the pricing supplement contains all information required by law, the Debt Listings Requirements and section 19 of the JSE Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in the placing document and the annual financial statements and/or the pricing supplements.

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

Application [is hereby]/[will not be] made to list this issue of Notes on [●].

SIGNED at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 20[●]

for and on behalf of

**ABSA BANK LIMITED**

\_\_\_\_\_  
Name:

Capacity: Authorised Signatory

Who warrants his/her authority hereto

\_\_\_\_\_  
Name:

Capacity: Authorised Signatory

Who warrants his/her authority hereto

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**SECTION II-B: USE OF PROCEEDS**

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*This section should be read in conjunction with, and is qualified in its entirety by, the detailed information contained elsewhere in this Master Programme Memorandum, any Applicable Product Supplement and/or any Applicable Pricing Supplement. Capitalised terms used in this Section II-B headed "Use of Proceeds" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.*

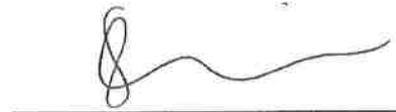
The Issuer will use the issue proceeds of the Notes for its general corporate purposes, or as may otherwise be described in the Applicable Product Supplement or Applicable Pricing Supplement.

SIGNED at JOHANNESBURG on this 7<sup>th</sup> day of NOVEMBER 2018

for and on behalf of

ABSA BANK LIMITED

  
Name: Garth Kintworth  
Capacity: Authorised Signatory  
Who warrants his/her authority hereto

  
Name: Jason Quin  
Capacity: Authorised Signatory  
Who warrants his/her authority hereto

---

**SECTION II-C: SETTLEMENT, CLEARING AND TRANSFER OF NOTES**

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*This section should be read in conjunction with, and is qualified in its entirety by, the detailed information contained elsewhere in this Master Programme Memorandum, any Applicable Product Supplement and/or any Applicable Pricing Supplement. Capitalised terms used in this Section II-C headed "Settlement, Clearing and Transfer of Notes" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.*

**Notes listed on the Relevant Board of the JSE and/or held in the CSD**

Each Tranche of Notes which is listed on the Relevant Board of the JSE will be held in the CSD. A Tranche of Unlisted Notes may also be held in the CSD.

**Clearing systems**

Each Tranche of Listed Notes listed on the Relevant Board of the JSE and/or Unlisted Notes that are held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures for the time being of the JSE and the CSD through the electronic settlement system of the CSD. Such Notes will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD.

The CSD has, as the operator of an electronic clearing system, been appointed by the JSE to match, clear and facilitate the settlement of transactions concluded on the JSE. Subject as aforesaid each Tranche of Listed Notes which is listed on the Relevant Board of the JSE and/or Unlisted Notes that are held in the CSD will be issued, cleared and transferred in accordance with the Applicable Procedures and the Terms and Conditions, and will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the CSD. The Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Dealer(s).

**Participants**

The CSD maintains accounts only for Participants. As at the date of the Master Programme Memorandum, the Participants which are approved by the CSD, in terms of the rules of the CSD, and who act as settlement agents to perform electronic settlement of funds and scrip include (but are not limited to) Citibank N.A., South Africa branch, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited, Standard Chartered Bank Limited, Johannesburg branch, Société Générale, Johannesburg branch and the South African Reserve Bank. Euroclear, as operator of the

Euroclear System, and Clearstream will settle transfers in the Notes to off-shore Noteholders through their South African Participants.

### **Settlement and clearing**

Participants will be responsible for the settlement of scrip and payment transfers through the CSD, the JSE and the South African Reserve Bank.

While a Tranche of Notes is held in its entirety in the CSD, the CSD will be named in the Register as the sole Noteholder of the Notes in that Tranche. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD for the holders of Beneficial Interests in such Notes.

In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the Nominal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The relevant Participant (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer as the holder of that aggregate Nominal Amount of such Notes for all purposes.

Payments of all amounts in respect of a Tranche of Listed Notes issued in uncertificated form and held in the relevant Participant will be made to the relevant Participant, as the registered Noteholder of such Notes, which in turn will transfer such funds, to the holders of Beneficial Interests. Each of the persons reflected in the records of the relevant Participant, as the holders of Beneficial Interests in Notes shall look solely to the relevant Participant for such person's share of each payment so made by (or on behalf of) the Issuer to, or for the order of, the relevant Participant, as the registered Noteholder of such Notes.

Payments of all amounts in respect of a Tranche of Listed Notes issued in uncertificated form and held in the relevant Participant will be recorded by the relevant Participant, as the registered Noteholder of such Notes, distinguishing between interest and principal, and such record of payments by the relevant Participant, as the registered Noteholder of such Notes, shall be *prima facie* proof of such payments.

### **Transfers and exchanges**

Title to Beneficial Interests held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the securities accounts maintained by such Participants for such clients. Title to Beneficial Interests held by Participants directly through the CSD will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Beneficial Interests may be transferred only in accordance with the Applicable Procedures.

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 10.1 (*Exchange of Beneficial Interests*).

#### **Records of payments, trust and voting**

Neither the Issuer nor the Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to Beneficial Interests. Neither of the Issuer, nor the Paying Agent nor the Transfer Agent will be bound to record any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

#### **JSE Guarantee Fund Trust**

The holders of Notes that are not listed on the Relevant Board of the JSE will have no recourse against the JSE Guarantee Fund Trust. Claims against the JSE Guarantee Fund Trust may only be made in respect of the trading of the Notes listed on the Relevant Board of the JSE and in accordance with the rules of the JSE Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE.

#### **Notes listed on any Financial Exchange other than (or in addition to) the Relevant Board of the JSE**

Each Tranche of Listed Notes which is listed on any Financial Exchange other than (or in addition to) the Relevant Board of the JSE will be issued, cleared and settled in accordance with the rules and settlement procedures for the time being of that Financial Exchange. The settlement and redemption procedures for a Tranche of Listed Notes which is listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

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## SECTION II-D: SUBSCRIPTION AND SALE

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*This section should be read in conjunction with, and is qualified in its entirety by, the detailed information contained elsewhere in this Master Programme Memorandum, any Applicable Product Supplement and/or any Applicable Pricing Supplement. Capitalised terms used in this Section II-D headed "Subscription and Sale" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.*

The Dealers have in terms of the Programme Agreement agreed with the Issuer a basis upon which they may from time to time agree to subscribe for Notes or procure the subscription of the Notes.

### **Selling restrictions**

#### South Africa

Prior to the issue of any Tranche of Notes under the Master Structured Note Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that it will not solicit any offers for subscription for or sale of the Notes in that Tranche, and will itself not sell the Notes in that Tranche of Notes, in South Africa, in contravention of the Companies Act, the Banks Act, the Exchange Control Regulations and/or any other applicable laws and regulations of South Africa in force from time to time.

#### United States of America

The Notes have not been and will not be registered under the United States Securities Act. Notes may not be offered, sold or delivered within the United States or to United States persons except in accordance with Regulation S under the United States Securities Act.

### **General**

Prior to the issue of any Tranche of Notes under the Master Structured Note Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to agree that:

- (a) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Master Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscription, offers or sales; and

- (b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement.

Neither the Issuer nor any of the Dealers represent(s) that Notes may at any time lawfully be subscribed for or sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to any exemption available thereunder or assume(s) any responsibility for facilitating such subscription or sale.

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## SECTION III: OTHER INFORMATION

### SECTION III-A: DESCRIPTION OF ABSA BANK LIMITED

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*Capitalised terms used in this Section III-A headed "Description of Absa Bank Limited" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.*

#### 1. INTRODUCTION

Absa Bank Limited ("**Absa Bank**", the "**Issuer**" or the "**Company**"), with preference shares listed on the JSE Limited, is a wholly-owned subsidiary of Absa Group Limited ("**AGL**" or the "**Controlling Company**", and together with its subsidiaries, the "**Group**") (in terms of assets and contribution to revenue). Absa Bank offers a range of retail, business, corporate and investment banking, and wealth management products and services primarily in South Africa and has representative offices in Namibia and Nigeria. Absa Bank (registration number 1986/004794/06) is a public company duly established and registered in South Africa as a bank in accordance with the laws of South Africa (the Companies Act and the Banks Act). Absa Bank's registered office is at 7<sup>th</sup> Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001.

AGL is listed on the JSE Limited and is one of Africa's major financial services providers offering personal and business banking, credit cards, corporate and investment banking, wealth and investment management as well as bancassurance.

AGL was expanded through combining Absa Group Limited and Barclays Bank PLC's African operations on 31 July 2013. Reflecting the enlarged group's pan-African focus, the Group's name changed from Absa Group Limited, to Barclays Africa Group Limited on 2 August 2013. On 15 May 2018, AGL's shareholders approved the change of AGL's name from "*Barclays Africa Group Limited*" to "*Absa Group Limited*", subject to regulatory approval. "*Barclays Africa Group Limited*" will become "*Absa Group Limited*" and the Issuer's operations across Africa will be rebranded as "*Absa*".

AGL's registered head office is in South Africa and AGL has majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa (via Absa Bank), Tanzania (Barclays Bank Tanzania and National Bank of Commerce), Uganda and Zambia. The Group also has representative offices in Namibia and Nigeria, as well as bancassurance operations in Botswana, Mozambique, South Africa and Zambia.

## 2. **BACKGROUND AND HISTORY**

The Issuer was formed in April 1991 when UBS Holdings Limited, the holding company of, *inter alia*, United Building Society Limited (the largest building society in South Africa at the time) and United Bank Limited merged all the assets of the Allied Group Limited, the holding company of, *inter alia*, Allied Building Society Limited (one of the largest building societies in South Africa at the time) and Allied Bank Limited, and all the assets of Volkskas Group Limited, the holding company of, *inter alia*, Volkskas Bank Limited (one of the largest commercial banks in South Africa at the time), MLS Bank Limited and Volkskas Motorbank Limited (which later changed its name to Absa Motorbank Limited).

In April 1992, all the assets and liabilities of Bankorp Holdings Limited (formerly Die Trustbank van Afrika until 1 June 1990), the holding company of, *inter alia*, TrustBank Limited (one of the largest commercial banks in South Africa at that time), Senbank and Bankfin, were taken over by Absa Bank Limited. Volkskas Bank Limited was incorporated under the name Volkspaar- en Voorskot Kas (Koöperatief) Beperk on 3 April 1934. On 30 September 1991 all the assets and liabilities of this company were transferred to United Bank Limited. Johannesburg Building Society Limited (incorporated on 3 June 1978) became Allied Building Society Limited which became Alliance (1991) Limited after its assets and liabilities were transferred to Absa Bank Limited.

UBS Holdings Limited (incorporated on 26 November 1986) changed its name to Amalgamated Banks of South Africa Limited. Absa Bank traded as a bank under the names Allied Bank, TrustBank, United Bank and Volkskas Bank with assets exceeding R52 billion (as at March 1991). Amalgamated Banks of South Africa Limited changed its name to Absa Group Limited in 1997. From November 1998, the Group's retail, business, and corporate and investment banking operations in South Africa have traded as Absa Bank Limited.

## 3. **LEGAL STATUS**

The Issuer was incorporated on 26 November 1986 under the laws of South Africa and is regulated under the Companies Act and the Banks Act. The Company is a public company.

The Controlling Company and the Issuer's financial year end is currently 31 December of each year.

The annual audited financial statements of the Issuer is drawn up in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act.

<b>Company Secretary</b>	Nadine R Drutman
<b>Company Secretary Address</b>	Absa Towers West 15 Troye Street Johannesburg 2001
<b>Registration number</b>	1986/004794/06
<b>Share code</b>	ABSP and ABMN
<b>ISIN code</b>	ZAE000079810
<b>Registered place of business:</b>	Absa Towers West 15 Troye Street Johannesburg 2001

#### 4. **NATURE OF BUSINESS**

Absa Bank is one of South Africa's largest banks. Absa Bank contributes the majority of the Group's headline earnings.

Absa Bank's major businesses and/or divisions are described in more detail below.

The banking businesses work together to provide customers and clients the best offerings in:

- Retail Banking;
- Business Banking; and
- Corporate and Investment Banking (“**CIB**”).

Absa Bank works closely with Absa Financial Services (a member of AGL) to offer a range of bancassurance and wealth solutions.

##### 4.1. Retail Banking

Retail Banking South Africa offers a comprehensive suite of retail banking products and services to individual customers and SMME (small, mid and medium enterprises). It caters for the full spectrum of customers, from those needing basic banking services to those requiring sophisticated financial solutions. The focus is on providing a

consistently superior experience across each of the channels matched closely to the needs and expectations of each customer segment. Customers are served through an extensive branch and self-service terminal network, electronic and mobile channels, relationship managers as well as call centre agents.

4.1.1. Home Loans – offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.

4.1.2. Vehicle and Asset Finance (“VAF”) – offers a comprehensive range of funding solutions for assets such as vehicles, aviation, marine, agricultural equipment, commercial, plant and office equipment as well as vehicle fleet and fleet card management. These solutions are provided to both individual and business customers through the branch network, approved dealerships, preferred suppliers and a specialist sales force.

4.1.3. Card and Payments – offers credit cards and merchant acquiring solutions via a mix of Absa-branded and cobranded offerings including British Airways, Avios and Virgin Money. Included in this portfolio are strategic partnerships with Edcon, which offers in-store cards and Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products.

4.1.4. Personal Loans – offers unsecured instalment loans through face-to-face engagements, call centre agents as well as electronic and mobile channels.

4.1.5. Transactional and Deposits – offers a full range of transactional banking, savings and investment products, rewards programmes and services through a variety of channels. These include the branch network, digital channels, ATMs, priority suites and call centres.

4.1.6. Other – includes distribution channel costs not recovered from product houses, strategic initiative expenditure and funding costs held centrally for Retail Banking South Africa.

#### 4.2. Business Banking

Business Banking offers debt, deposit and transactional products to enterprise and commercial customers. Business Banking South Africa operates a well-defined

coverage model based on specific customer value propositions. These value propositions align to customer needs and range from direct interactions *via* multi-channel interfaces such as electronic banking through to a dedicated relationship-based model. Customers within the enterprise segment, with an annual turnover of up to R20 million, are serviced using a direct coverage model with a predominately branch-based interface. Customers in the commercial segment, with an annual turnover of between R20 million and R500 million, are serviced using a relationship-based model, where dedicated sales and service teams provide customised solutions.

The relationship-based model includes a sector overlay focusing primarily on agriculture, public sector, wholesale, retail and franchising.

#### 4.3. Corporate and Investment Bank

CIB provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate banking, financing, risk management and advisory solutions. A variety of clients across industry sectors such as corporates, financial institutions and public sector bodies are serviced by combining CIB's product knowledge with regional expertise and extensive, well-established local presence. CIB's goal is to build a sustainable, trustworthy business that helps clients achieve their ambitions with the aim of creating shared growth for clients, colleagues and communities.

##### **Key business areas in CIB**

4.3.1. Investment Bank – provides holistic solutions to clients through end-to-end relationship management and origination activities, leveraging the deep segment and sector specialisation within CIB, across the following business areas:

- **Markets** – engages in trading, sales and research activities across all major asset classes and products in Africa, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients;
- **Banking** – structures innovative solutions to meet clients' strategic advisory, financing and risk management requirements across industry sectors;
- **Commercial Property Finance** – specialises in financing commercial, industrial, retail and residential development property

(with a focus on affordable housing) across CIB's African footprint as well as cross border financing in other jurisdictions;

- **Infrastructure Investments and Private Equity** – acts as a principal by investing in equity of entities focused on infrastructure development in Sub-Saharan Africa. The private equity business traditionally acted as a principal by investing in unlisted equity exposures. This portfolio continues to be reduced in line with the Group's strategy to exit non-core businesses.

4.3.2. Corporate – provides corporate banking solutions spanning financing and transactional banking requirements, including trade and working capital solutions, as well as a full suite of cash management, payments and liquidity products and solutions.

#### 4.4. Other activities

##### 4.4.1. Central operations

In addition to the banking services described above, Absa Bank has various support functions. These divisions focus on assisting business units in achieving their goals and objectives while ensuring continued alignment with Absa Bank's corporate and financial strategies.

##### 4.4.2. Absa Financial Services

Working closely with Absa Financial Services, Absa Bank is able to provide insurance, fiduciary, wealth management and non-banking-related investment products and services to retail, commercial and corporate customers.

## 5. **OWNERSHIP AND CONTROL**

As at the Programme Date, Absa Bank is a subsidiary of AGL and has preference shares listed on the JSE Limited.

## 6. CORPORATE GOVERNANCE

### 6.1. Absa Group Limited

The AGL board (the “**Board**”) is the apex governance forum for the Group. The leadership provided by the Board creates value for our shareholders and benefits for all stakeholders.

The Board actively engages management in setting, approving and overseeing execution of the strategy and related policies. It monitors that management (i) maintains internal controls for assurance of effective and efficient operations, and compliance with laws and regulations; and (ii) does this within an ethical environment.

#### Directors of the AGL Board

The following table sets out the members of the Board as of the date hereof, the year of their election or appointment to the Board, the expiration of their current term and their position(s).

<b>Name</b>	<b>Year Elected / Appointed</b>	<b>Year current term expires</b>	<b>Born</b>	<b>Position</b>
Jason Quinn	2016	2020	1974	Executive Director, Group Financial Director
Maria Ramos	2009	2018	1959	Executive Director, Group CEO
Peter Matlare	2011	2020	1959	Executive Director, Group Deputy CEO for Rest of Africa
Colin Beggs	2010	2018	1948	Independent Director
Yolanda Cuba	2006	2018	1977	Independent Director
Alex Darko	2014	2020	1952	Independent Director
Daniel Hodge	2017	2020	1973	Non-executive Director

Mark Merson	2014	2018	1968	Independent Director
Daisy Naidoo	2016	2020	1972	Independent Director
Francis Okomo-Okello	2014	2020	1949	Independent Director
Mohamed Husain	2008	2018	1960	Independent Director
Wendy Lucas-Bull	2013	2018	1953	Independent Director, Chairman
Paul O’Flaherty	2016	2019	1963	Independent Director
Monwabisi Fandeso	2017	2020	1958	Independent Director
René van Wyk	2017	2020	1956	Independent Director
Tasneem Abdool-Samad	2018	2021	1974	Independent Director

*1. KS Africa specific the base rectors of BAGL are Executive management*

The Group’s Executive Committee is responsible for the execution of Group strategy and day-to-day management and is guided by relevant frameworks, policies and standards, such as the enterprise risk management framework and our code of conduct.

The Executive Committee, and its various committees, report to the Board and Board committees in accordance with their respective mandates to ensure the appropriate flow of information from

The Board committees have oversight over Absa Bank and there is formal reporting by the Board committees to the board of Absa Bank (the “**Absa Board**”) back into the group committees.

**Board committees**

Directors’ Affairs Committee

The Directors’ Affairs Committee supports the Board in corporate governance, Board nominations and related matters. The committee reviews the Group’s governance

structure, focusing on director succession planning and appropriate skill sets as well as membership of the Group and subsidiary boards and committees to establish and maintain optimal size, independence, tenure, skills, and diversity.

The committee monitors the Group's reputational risk, matters arising from inappropriate conduct and other control failures and the actions taken by management in response, matters pertaining to regulatory engagement and regulatory commitments, progress on the Board/corporate governance objectives, board and committee attendance, and findings and actions from Board and board committee evaluations (including peer review).

#### Group Audit and Compliance Committee

The Group Audit and Compliance Committee, which includes the Disclosure Committee, supports the Board by overseeing internal controls, compliance, internal and external audits, accounting, and external reporting.

The committee monitors the Group's control environment, impairments in credit portfolios, internal audit plans and audit outcomes, regulatory engagements and compliance plans and matters pertaining to operational risk. The Committee also monitors progress on financial focus areas.

The committee has reviewed the Group's progress on the preparation for IFRS 9, the financial implications of the separation from Barclays Bank PLC (the "**Separation**") and the reporting on a normalised and IFRS basis as a result, the approach to fraud risk management, the stability in the payments and settlements area, and the Group's tax philosophy.

#### Group Risk and Capital Management Committee

The Group Risk and Capital Management Committee supports the Board in assessing risk, risk appetite, capital and liquidity management.

In particular, the committee reviews principle risk types, execution against risk appetite, the impact of recommended dividends on the Group's capital and liquidity position, market development of total loss-absorbing capacity for globally systemically important banks, cyber risk developments, updates on business continuity management metrics and business programmes; the embedment of the risk data aggregation and reporting framework for Basel Committee on Banking Supervision 239, the structural hedge programme in place for a portion of Absa Bank's liabilities; stress testing for the

integrated planning (budgeting) process, and developments with regard to the Basel III Net Stable Funding Ratio.

#### Group Remuneration Committee

The Group Remuneration Committee supports the Board of Directors in establishing remuneration and incentive arrangements, policy, disclosures, and executive appointments. The committee has focused on improving the link between pay and performance, improving the balance of pay across the organisation; ensuring appropriate and compliant disclosure of remuneration principles, philosophies and outcomes; engaging with investors regarding the Group's remuneration policy and disclosure; managing the implications of European Union's Capital Requirements Directive IV on pay for the Group's executives and material risk takers; and retaining key individuals in the context of the Separation.

The committee reviews remuneration structure, policy, governance and philosophy, performance reviews including the Group Chairman's performance review of the Chief Executive Officer, and the Chief Executive Officer's performance reviews of the Group's Deputy Chief Executive Officer, Financial Director and other Executive Committee members. The committee also reviews proposals for senior hires and terminations, updates from the management's Remuneration Review Panel on risk, compliance and conduct-related incidents, updates on pensions and benefits across the Group, reports on subsidiary entities pertaining to pay and benefits, peer local and international trends in disclosure of executive pay, and reports from external advisers on trends in compensation practices, impact of King IV, and industry approaches.

King IV requires increased disclosure around remuneration, requiring the Group to expand on how it addresses and approaches remuneration throughout the Group. To achieve this the Group must revise its reward/remuneration policy to more comprehensively (i) address the principles of fair and responsible remuneration; (ii) address the approach to remuneration Group-wide; and (iii) incorporate all the elements of remuneration that are offered in the organisation.

The committee approves compensation for all Executive Committee members, the salary mandates for bargaining unit and non-bargaining unit employees, and the remuneration report for inclusion in the integrated report.

### Social and Ethics Committee

The Social and Ethics Committee monitors key organisational health indicators including ethics management; talent retention and acquisition; labour turnover; wellness; learning and development reach and spend; employee relations; diversity and inclusion; and conduct and reputation risks; and the Group's activities having regard to any relevant legislation and codes of best practice on matters relating to:

- social and economic development;
- good corporate citizenship;
- ethics;
- sustainable development;
- labour and employment;
- consumer relations;
- stakeholder management;
- transformation;
- the environment; and
- health and safety.

The committee monitors the status of the Group's premises, health and safety and remediation of any issues thereof, initiatives to improve service delivery by the human resources function, customer and client engagement and retention, as well as complaints trends and root cause analysis in specific business areas and corresponding remedial action.

The committee has reviewed regulatory and general developments that could influence conduct risk management, key organisational health indicators such as ethics management, talent attraction and acquisition, employee turnover and wellness, human resource-related process improvements, learning and development, employee relations, diversity and inclusion, disability initiatives, and leadership programmes, employee opinion and culture surveys, customer complaints and other satisfaction metrics, assurance activities performed on conduct and ethics by Internal Audit and Compliance, and advertising approaches and the sponsorship portfolio. The committee

also reviews the Group's environmental impact, the mapping of sustainability frameworks, and participation in environmental, social and governance frameworks and related reporting, as well as the promotion of equality in the context of the Employment Equity Act, 1998 the Broad-Based Black Economic Empowerment Act, 2003 and related regulatory landscape. The committee also oversees the execution of the shared growth plan, which focuses on citizenship initiatives and spend, education and skills, community enterprise development and financial inclusion.

#### Information Technology Committee

The IT Committee assists the Board with effective oversight and governance of technology and information for the Group. King IV distinguishes between governance oversight of (i) the organisation's information assets, and (ii) the technology infrastructure used to generate, process and store that information. The IT Committee's mandate has been updated accordingly.

The committee monitors among others, technology stability, resilience and risk in South Africa and the Rest of Africa, top technology priorities (including customer stability, regulatory commitments, and technological separation from Barclays Bank PLC, technology investment spend, operational stability of the Group's payments systems, core infrastructure and platforms in the Rest of Africa, and progress on the Group's new digital strategy and cyber security strategy, as well as disaster recovery and data centre migration).

#### Board Finance Committee

The Board Finance Committee assists the Board in approving certain levels of investments and types of transactions within its mandate. The Committee is also mandated by the AGL and Absa boards to consider and approve their dividend declarations within the parameters determined by the boards, and to finalise the profit commentary as it relates to interim and year-end financial results. The committee considers, and recommends to the Board the medium-term plan developed in terms of the Group strategy.

In particular, the committee has assessed, among others, the progress of the property consolidation strategy upgrades throughout the portfolio, the disposal of certain private equity investments, the development of the international operations strategy for securities and payment licences in the context of the Separation, and outsourcing certain IT applications maintenance and development.

### Credit Concentration Risk Committee

The Credit Concentration Risk Committee supports the Board in addressing exposures above 10% of the Group's qualifying capital and reserves, portfolio exposures, applicable impairment trends and concentration risks.

The committee monitors levels of wholesale and retail credit and credit risk appetite in all jurisdictions in which the Group operates, key sectors including agriculture (primary and secondary), banking, mining and metals, retail, and public sector, commercial property finance and prime services businesses, the impact of a possible sovereign downgrade in South Africa, forex rate risk, country limits for the Group's Rest of Africa portfolio, as well as stress triggers, stress losses, and mandate and scale.

### Models Committee

The Models Committee is the designated committee responsible for approving the Group's material risk models on inception and annually thereafter, in accordance with guidelines set out in the relevant policy and by the SARB and other applicable regulatory requirements.

The committee monitors the governance of models including the embedment of the model risk policy, the results and levels of model validation coverage, and compliance with regulatory standards. The committee approves the Group's regulatory capital, economic capital, impairment and other Group-level material models in accordance with the model risk policy and based on the recommendations of the independent validation unit, as well as the implementation of appropriate post-model adjustments.

### Separation Oversight Committee

The Separation Oversight Committee supports the Board by providing oversight and guidance to management on the execution of the Separation from Barclays Bank PLC pursuant to the sell-down.

In the last year, the Separation Oversight Committee considered and supervised, advised or guided on, amongst others:

- the transitional governance framework in terms of the Separation agreement which applies until regulatory deconsolidation;
- the governance structure put in place to manage the Separation to conclusion;

- the critical path to Separation with appropriate sequencing, dependencies, capabilities, capacity and migration management;
- execution updates including progress, scope management and the impact of regulatory and stability changes;
- prioritising and managing strategic investments as a single book of work across the business;
- the status of service management by Barclays Bank PLC under the three year transitional service agreement (comprising approximately 129 material service schedules);
- the regulatory engagements with the SARB and the Prudential Regulatory Authority as part of the process for Barclays Bank PLC to achieve regulatory de-consolidation, and with the regulators for the Rest of Africa countries;
- the manner in which the necessary capital support is provided to each of the Rest of Africa country banks to enable the required Separation investments to be made; and
- the overall financial impact and implications of the Separation and the projected Separation spend for 2018 and beyond.

The committee noted the risk management that is being applied throughout the Separation Programme with appropriate risk assessments and independent assurance.

6.2. Absa Bank LimitedDirectors of the Absa Bank Board

The abridged curricula vitae of the board of directors of the Issuer are set out below, accurate as at the date hereof.

**Absa Board of Directors**

<b>Name of Director</b>	<b>Age and nationality</b>	<b>Contact details: Business Address; Telephone number; Email Address</b>	<b>Experience and Expertise</b>
Wendy Elizabeth Lucas-Bull (Independent Non-executive Director and Chairman)	64  South African	Via the Group Secretary, Ms Nadine Drutman  Absa Towers West, 15 Troye Street, Johannesburg, 2001  PO Box 7735, Johannesburg, 2000  011 350 5347  Nadine.Drutman@absa.africa	Ms Lucas-Bull joined the AGL and Absa Bank Boards as an independent director and Chairman in 2013. She is also Chairman of the Absa Financial Services board. Ms Lucas-Bull is the Chairman of the AGL Directors' Affairs Committee and the Separation Oversight Committee, and she is also a member of the AGL Board Finance, Group Risk and Capital Management, Group Remuneration, Credit Concentration Risk, Social and Ethics and Information Technology Committees. She is a permanent attendee of the AGL Group Audit and Compliance Committee.

		<p>Ms Lucas-Bull is one of the founders of the Peotona Group. She was previously chief executive of FirstRand Limited's retail businesses and prior to that an executive director of Rand Merchant Bank Holdings. Former non-executive directorships include those at Barclays PLC, Anglo American Platinum Limited, the Development Bank of Southern Africa, Alexander Forbes, Eskom, Nedbank, Telkom, Aveng (deputy chairman), Lafarge Industries (chairman), the South African Financial Markets Advisory Board, Discovery Holdings, Dimension Data PLC and the Momentum Group. She was also a member of the President's Advisory Council on Black Economic Empowerment.</p> <p>Qualifications: BSc.</p> <p>Ms Lucas-Bull declares that she is a fit and proper person, that she has never been bankrupt, insolvent or involved in any business rescue proceedings or liquidations.</p> <p>Ms Lucas has declared that:</p>
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			<ul style="list-style-type: none"><li>- she has not been subject to any receivership of any of her assets personally or of a partnership of which she was a partner at the time, or within the 12 months preceding such event;</li><li>- there have been no public criticisms of herself by statutory or regulatory authorities, including recognised professional bodies, and she has never been disqualified by a court from acting as director of a company or from acting in the management or conduct of the affairs of any company;</li><li>- she has not been convicted of, or involved in, any offences involving dishonesty;</li><li>- she has not been removed from an office of trust on the grounds of misconduct and dishonesty; and</li><li>- no court order has declared her as delinquent or placing</li></ul>
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			<p>her under probation in terms of Section 162 of the Companies Act, 2008 and/or section 47 of the Close Corporations Act, 1984, or disqualifying her to act as a director in terms of section 219 of the Companies Act, 1973.</p>
<p>Maria Da Conceicao Das Neves Calha Ramos (Executive Director and Chief Executive)</p>	<p>59 South African</p>	<p>Absa Towers West, 15 Troye Street, Johannesburg, 2001</p> <p>PO Box 7735, Johannesburg, 2000</p> <p>011 350 3047</p> <p>Maria.Ramos@absa.africa</p>	<p>Ms Ramos is the Chief Executive and joined the joined the AGL and Absa Bank Boards as an executive director in 2009. She is a member of the Group Risk and Capital Management, Credit Concentration Risk, Social and Ethics, Information Technology, Models, and Separation Oversight Committees.</p> <p>Ms Ramos was previously the director-general of the National Treasury and in January 2004, she was appointed as the group chief executive of Transnet Limited. Ms Ramos joined Absa as Group Chief Executive in March 2009.</p> <p>Ms Ramos is a non-executive director of Compagnie Financiere</p>

			<p>Richemont SA. She is also a member of the International Business Council Executive Committee; Business Leadership South Africa; and the Banking Association of South Africa.</p> <p>Qualifications: Institute of Bankers' Diploma (CAIB); BCom (Hons); MSc (Economics).</p> <p>Ms Ramos declares that she is a fit and proper person, that she has never been bankrupt, insolvent or involved in any business rescue proceedings or liquidations.</p> <p>Ms Ramos has declared that:</p> <ul style="list-style-type: none"> <li>- she has not been subject to any receivership of any of her assets personally or of a partnership of which she was a partner at the time, or within the 12 months preceding such event;</li> <li>- there have been no public criticisms of herself by statutory or regulatory authorities, including recognised professional bodies,</li> </ul>
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			<p>and she has never been disqualified by a court from acting as director of a company or from acting in the management or conduct of the affairs of any company;</p> <ul style="list-style-type: none"> <li>- she has not been convicted of, or involved in, any offence involving dishonesty;</li> <li>- she has not been removed from an office of trust on the grounds of misconduct and dishonesty; and</li> <li>- no court order has declared her as delinquent or placing her under probation in terms of Section 162 of the Companies Act, 2008 and/or section 47 of the Close Corporations Act, 1984, or disqualifying her to act as a director in terms of section 219 of the Companies Act, 1973.</li> </ul>
Jason Patrick Quinn	44	Absa Towers West, 15 Troye Street, Johannesburg, 2001	Mr Quinn is the Group Financial Director. He joined the AGL and Absa Bank Boards and Executive

<p>(Executive Director and Group Finance Director)</p>	<p>South African</p>	<p>PO Box 7735, Johannesburg, 2000</p> <p>011 350 7565</p> <p>Jason.Quinn@absa.africa</p>	<p>Committee in September 2016. He is the Chairman of the Group Models Committee and a member of the Group Risk and Capital Management, Credit Concentration Risk, Information Technology and Separation Oversight Committees.</p> <p>Before joining the Group, he was a partner at Ernst &amp; Young Inc. Mr Quinn joined the Group in 2008 as the Financial Controller and was appointed as the Head of Finance in 2014 after holding several senior finance positions.</p> <p>Mr Quinn is a Director of Absa Financial Services Limited, Woolworths Financial Services (Pty) Limited and is an employer appointed Trustee of the Absa Pension Fund.</p> <p>Qualifications: BAcc (Hons); CA (SA).</p> <p>Mr Quinn declares that he is a fit and proper person, that he has never been bankrupt, insolvent or involved in any business rescue proceedings or liquidations.</p>
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			<p>Mr Quinn has declared that:</p> <ul style="list-style-type: none"><li>- he has not been subject to any receivership of any of his assets personally or of a partnership of which he was a partner at the time, or within the 12 months preceding such event;</li><li>- there have been no public criticisms of himself by statutory or regulatory authorities, including recognised professional bodies, and he has never been disqualified by a court from acting as director of a company or from acting in the management or conduct of the affairs of any company;</li><li>- he has not been convicted of, or involved in, any offence involving dishonesty;</li><li>- he has not been removed from an office of trust on the grounds of misconduct and dishonesty;</li></ul>
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			<p>- and no court order has declared him as delinquent or placing him under probation in terms of Section 162 of the Companies Act, 2008 and/or section 47 of the Close Corporations Act, 1984, or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973.</p>
Colin Beggs (Independent Non-executive Director)	69  South African	<p>Via the Group Secretary, Ms Nadine Drutman Absa Towers West,  15 Troye Street, Johannesburg, 2001</p> <p>PO Box 7735, Johannesburg, 2000</p> <p>011 350 5347</p> <p>Nadine.Drutman@ab sa.africa</p>	<p>Mr Beggs joined the AGL and Absa Bank Boards as an independent director in 2010. He is the Chairman of the Group Audit and Compliance Committee and is a member of the Group Risk and Capital Management, Directors' Affairs, Separation Oversight and Board Finance Committees.</p> <p>Mr Beggs is the former senior partner and chief executive officer of PricewaterhouseCoopers (PwC) in Southern Africa and retired from that position in June 2009. He was also the chairman of the SAICA board in 2002/3 and was a member of the</p>

			<p>Accounting Practices Board.</p> <p>He is also a non-executive director of Sasol Limited, SAB Zenzele Holdings Limited and the Ethics Institute of South Africa.</p> <p>Qualifications: BCom (Hons), CA (SA).</p> <p>Mr Beggs declares that he is a fit and proper person, that he has never been bankrupt, insolvent or involved in any business rescue proceedings or liquidations.</p> <p>Mr Beggs has declared that:</p> <ul style="list-style-type: none"> <li>- he has not been subject to any receivership of any of his assets personally or of a partnership of which he was a partner at the time, or within the 12 months preceding such event;</li> <li>- there have been no public criticisms of himself by statutory or regulatory authorities, including recognised professional bodies, and he has never been disqualified by a court</li> </ul>
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			<p>from acting as director of a company or from acting in the management or conduct of the affairs of any company;</p> <ul style="list-style-type: none"> <li>- he has not been convicted of, or involved in, any offence involving dishonesty;</li> <li>- he has not been removed from an office of trust on the grounds of misconduct and dishonesty; and</li> <li>- no court order has declared him as delinquent or placing him under probation in terms of Section 162 of the Companies Act, 2008 and/or section 47 of the Close Corporations Act, 1984, or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973.</li> </ul>
Mohamed Junaid Husain (Independent Non-executive Director)	57  South African	Via the Group Secretary, Ms Nadine Drutman:  Absa Towers West,	Mr Husain joined the AGL and Absa Bank Boards as an independent director in 2008. He was appointed as the Lead Independent Director of both the AGL and

		<p>15 Troye Street, Johannesburg, 2001</p> <p>PO Box 7735, Johannesburg, 2000</p> <p>011 350 5347</p> <p>Nadine.Drutman@ab sa.africa</p>	<p>Absa Bank boards with effect from 1 June 2018. He is the Chairman of the Social and Ethics Committee and is a member of the Group Audit and Compliance, Group Remuneration, Directors' Affairs and Separation Oversight Committees.</p> <p>Mr Husain has been an attorney for 30 years, during which time he has represented a diverse range of state, institutional and individual clients in all areas of corporate practice. He is a past president of the London-based Commonwealth Lawyers Association and of the Law Society of the Northern Provinces. He is a past chairman of the Attorneys Insurance Indemnity Fund. Mr Husain was a founder member and councillor of the Law Society of South Africa and he currently serves on its audit and risk committees and chairs the remuneration committee. He has served as Judge of the High Court of South Africa.</p> <p>Mr Husain serves as director of Knowles Husain</p>
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			<p>Lindsay Incorporated and KLH Investments Proprietary Limited and is the non-executive chairman of Andulela Investment Holdings Limited.</p> <p>Qualifications: BProc.</p> <p>Mr Husain declares that he is a fit and proper person, that he has never been bankrupt, insolvent or involved in any business rescue proceedings or liquidations.</p> <p>Mr Husain has declared that:</p> <ul style="list-style-type: none"><li>- he has not been subject to any receivership of any of his assets personally or of a partnership of which he was a partner at the time, or within the 12 months preceding such event;</li><li>- there have been no public criticisms of himself by statutory or regulatory authorities, including recognised professional bodies, and he has never been disqualified by a court from acting as director of a company or from</li></ul>
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			<p>acting in the management or conduct of the affairs of any company;</p> <ul style="list-style-type: none"> <li>- he has not been convicted of, or involved in, any offence involving dishonesty;</li> <li>- he has not been removed from an office of trust on the grounds of misconduct and dishonesty;</li> <li>- and no court order has declared him as delinquent or placing him under probation in terms of Section 162 of the Companies Act, 2008 and/or section 47 of the Close Corporations Act, 1984, or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973.</li> </ul>
Paul Dean O'Flaherty (Independent Non-executive Director)	55  South African	Via the Group Secretary, Ms Nadine Drutman:  Absa Towers West,  15 Troye Street, Johannesburg, 2001	Mr O'Flaherty joined the AGL and Absa Bank Boards as an independent non-executive director in February 2016. He is the Chairman of the Group Remuneration Committee and is a member of the

		<p>PO Box 7735, Johannesburg, 2000</p> <p>011 350 5347</p> <p>Nadine.Drutman@ab sa.africa</p>	<p>Group Audit and Compliance, Group Risk and Capital Management, Separation Oversight, Directors' Affairs and Board Finance Committee Committees.</p> <p>Mr O'Flaherty started his career in auditing and became a partner at PricewaterhouseCoopers South Africa before spending time in the construction industry in South Africa, Africa and in the Middle East. He first served as chief financial officer and deputy chief executive officer of Group Five Limited and then chief financial officer of Al Naboodah Construction Group LLC. From 2010 to 2013, he was the finance director and group executive for Group Capital of Eskom Holdings (SOC) Limited. Mr O'Flaherty was the chief executive officer of ArcelorMittal South Africa Limited from July 2014 to February 2016.</p> <p>He is the chief executive officer of Al Naboodah Group Enterprises LLC and</p>
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			<p>a non-executive director of enX Group Limited.</p> <p>Qualifications: BCom; BAcc (Hons); CA (SA).</p> <p>Mr O'Flaherty declares that he is a fit and proper person, that he has never been bankrupt, insolvent or involved in any business rescue proceedings or liquidations, save for Protech Khutele Limited, previously listed on the JSE, which was put into voluntary business rescue in May 2014 and subsequently into liquidation in July 2014. Mr O'Flaherty was appointed to the Protech Khuetele board in February 2014.</p> <p>Mr O'Flaherty has declared that:</p> <ul style="list-style-type: none"><li>- he has not been subject to any receivership of any of his assets personally or of a partnership of which he was a partner at the time, or within the 12 months preceding such event;</li><li>- there have been no public criticisms of himself by statutory or</li></ul>
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			<p>regulatory authorities, including recognised professional bodies, and he has never been disqualified by a court from acting as director of a company or from acting in the management or conduct of the affairs of any company;</p> <ul style="list-style-type: none"><li>- he has not been convicted of, or involved in, any offence involving dishonesty;</li><li>- he was not removed from an office of trust on the grounds of misconduct and dishonesty;</li><li>- and no court order has declared him as delinquent or placing him under probation in terms of Section 162 of the Companies Act, 2008 and/or section 47 of the Close Corporations Act, 1984, or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973.</li></ul>
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<p>René van Wyk (Independent Non-executive Director)</p>	<p>62  South African</p>	<p>Via the Group Secretary, Ms Nadine Drutman:  Absa Towers West,  15 Troye Street, Johannesburg, 2001  PO Box 7735, Johannesburg, 2000  011 350 5347  Nadine.Drutman@ab sa.africa</p>	<p>Mr van Wyk joined the AGL and Absa Bank Boards as an independent director in 2017. He is the Chairman of the Group Risk and Capital Management Committee (GRCCM) and Credit Concentration Risk Committees (CoRC) and a member of the Director's Affairs Committee, Separation Oversight Committee and Group Audit and Compliance Committee (GACC).</p> <p>Mr van Wyk is the former Registrar of Banks and Head of Banking Supervision of the South African Reserve Bank (SARB) and retired from the Mr van Wyk was with the Nedbank Group of companies (from 1993 to 2011), where he occupied various positions, in the risk field notably executive director responsible for risk at Nedcor Investment Bank, and CEO of Imperial Bank (a subsidiary of Nedbank). In his earlier years, he joined KPMG and rose to become partner in the financial services group.</p>
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			<p>Qualifications: BCom; BCompt (Hons); CA (SA).</p> <p>Mr van Wyk declares that he is a fit and proper person, that he has never been bankrupt, insolvent or involved in any business rescue proceedings or liquidations.</p> <p>Mr van Wyk has declared that:</p> <ul style="list-style-type: none"><li>- he has not been subject to any receivership of any of his assets personally or of a partnership of which he was a partner at the time, or within the 12 months preceding such event;</li><li>- there have been no public criticisms of himself by statutory or regulatory authorities, including recognised professional bodies, and he has never been disqualified by a court from acting as director of a company or from acting in the management or conduct of the affairs of any company;</li></ul>
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			<ul style="list-style-type: none"> <li>- he has not been convicted of, or involved in, any offence involving dishonesty;</li> <li>- he has not been removed from an office of trust on the grounds of misconduct and dishonesty;</li> <li>- and no court order has declared him as delinquent or placing him under probation in terms of Section 162 of the Companies Act, 2008 and/or section 47 of the Close Corporations Act, 1984, or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973.</li> </ul>
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*All members of the Absa board of directors are members of the AGL Board.*

## 7. OTHER CORPORATE GOVERNANCE MATTERS

### 7.1. King IV

The King Report on Corporate Governance for South Africa 2016™ (“King IV” or the “Code”), the main governance code applicable to companies in South Africa, was launched by the Institute of Directors in Southern Africa on 1 November 2016 as a set of voluntary principles and leading practices with an “apply and explain” policy. The principles and practices of the Code are to be applied to the extent required and beneficial to a company (the proportionality principle), taking into consideration a

number of factors such as the size of turnover and workforce, resources, complexity and nature of business of an entity.

Absa Bank is the largest wholly-owned subsidiary (in terms of assets and contribution to revenue) of the Group. The seven directors of Absa Bank are also directors on the AGL Board and the two boards hold certain joint meetings. The Absa Board relies on the committees of the AGL Board in the discharge of its duties and responsibilities. Absa Board is the focal point of the Company's corporate governance. The Board Charter sets out the practices for implementing the corporate governance provisions set out in the Company's Memorandum of Incorporation (Mol), King IV, the Companies Act No. 71 of 2008 (as amended) (the "**Companies Act**"), the Banks Act No. 94 of 1990 (as amended) (the "**Banks Act**"), the Financial Sector Regulation Act No. 9 of 2017, other good governance practices and the governance principles determined by the Board from time to time.

The Group board monitors the overall governance practices and application of King IV by the Group on an annual basis with disclosures thereof in the Group's Integrated Report. Absa Bank's application of King IV and the disclosures as set out in this document should be read in conjunction with Absa Group's King IV application disclosure available at [www.absa.africa](http://www.absa.africa) which supplements the disclosures of the Group's governance practices in the Integrated Report, also available on the website.

A high level analysis of the application by Absa Bank of each principle of King IV is set out below with the expected outcomes ranked as 'primary' or 'secondary' depending on the degree of impact on governance of applying the practices under the principle.

All Principles are complied with. There are areas within certain Principles that require further refinement and that are work-in progress. These include Ethical conduct which is dealt with as part of the work on Culture; Stakeholder relationships (for which a policy has been approved); Fair and Responsible remuneration which is an ongoing focus of the Group Remuneration Committee; Combined Assurance which involves the streamlining of all assurance activities to ensure appropriate coverage of all areas of risk without duplication; and the Group Governance Framework which involves obtaining the views of a number of internal stakeholders (including subsidiary boards) in order to ensure alignment in regard to the draft content thereof.

<b>Leadership and Organisational Ethics</b>	
<p><b>Principle 1</b></p> <p>The governing body should lead ethically and effectively.</p>	<p><b>Absa Bank's Practices</b></p> <p>The Board is committed to the highest standards of corporate governance and in this regard the directors collectively and individually execute their duties and responsibilities in accordance with the requirements and standards of behaviour of relevant regulation and legislation, the Company's Memorandum of Incorporation (Mol) and the Board Charter.</p> <p>The directors are also committed to and adhere to the ethical standards of behaviour stipulated by the Group's Code of Conduct and related policies.</p> <p>Directors regularly declare their interests and those of their related parties, and recuse themselves from discussions or decisions on matters in which they have declared actual or potential conflicts. A director's conduct is also assessed during peer reviews and the board takes the outcomes into account in proposing directors for re-election by the shareholder.</p> <p>The Board, in conjunction with the Group's board, and through the Group's Social and Ethics Committee, is responsible for overseeing ethics and ethical conduct in the Company. The Social and Ethics Committee monitors and evaluates management's programmes aimed at embedding an ethical culture among employees.</p>
<p><b>Principle 2</b></p> <p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p> <p><b>Expected Outcomes:</b></p> <ul style="list-style-type: none"> <li>• Ethical Culture (primary)</li> <li>• Legitimacy (primary)</li> <li>• Effective Control (secondary)</li> <li>• Good Performance (secondary)</li> </ul>	

<b>Responsible Corporate Citizenship and Regulatory Compliance</b>	
<p><b>Principle 3</b></p> <p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p> <p><b>Expected Outcomes:</b></p> <ul style="list-style-type: none"> <li>• Ethical culture (primary)</li> <li>• Legitimacy (primary)</li> <li>• Good performance (secondary)</li> </ul>	<p><b>Absa Bank's Practices</b></p> <p>Absa's corporate citizenship and regulatory compliance are governed in accordance with the framework set by the Group's board. The Group board, through the Social and Ethics Committee, approves policies and strategies, and monitors and evaluates programmes that strengthen and maintain the Group's standing as a good corporate citizenship.</p>
<p><b>Principle 13</b></p> <p>The governing body should govern compliance with laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p> <p><b>Expected Outcomes:</b></p> <ul style="list-style-type: none"> <li>• Ethical culture (primary)</li> <li>• Legitimacy (primary)</li> <li>• Effective control (secondary)</li> <li>• Good performance (secondary)</li> </ul>	<p>The Group's Shared Growth philosophy guides Absa Bank's corporate citizenship programmes which leverage the Company's assets and expertise to address the societal challenges which the Company can most positively impact. Collaboration is key to the Company's approach, and the Company work with like-minded stakeholders to implement mutually beneficial solutions in supporting education and skills development, and to invest in enterprise development.</p>
<b>Strategy and performance</b>	
<p><b>Principle 4</b></p> <p>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all</p>	<p><b>Absa Bank's Practices</b></p> <p>The Board is responsible for creating and delivering sustainable value for the shareholder by overseeing the management of the business. The Board (i) approves the Company's strategic</p>

<p>inseparable elements of the value creation process.</p>	<p>objectives, business plans and annual budgets; and (ii) monitors implementation of the strategy and plans according to the approved risk appetite, the available opportunities, and the macro and regulatory environment.</p>
<p><b>Expected Outcomes:</b></p> <ul style="list-style-type: none"> <li>• Good performance (primary)</li> <li>• Effective Control (secondary)</li> </ul>	<p>In December 2017, the Group developed a longer-term strategy, and the relationship between strategy and aspects of the triple context (the combined context of the economy, society and the environment in which we operate) was debated. In particular, an operating environment analysis, a culture review, and employees' active participation informed the final strategy that the Board approved.</p>
<p><b>Reporting and Assurance</b></p>	
<p><b>Principle 5</b></p> <p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.</p>	<p><b>Absa Bank's Practices</b></p> <p>The Company's primary reports are the interim and annual financial statements, and the Pillar 3 risk and capital management reports disclosed on the corporate website covers Absa Bank. The Company's business activities are disclosed in the Group's Integrated Report.</p>
<p><b>Principle 15</b></p> <p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p> <p>Expected Outcomes:</p>	<p>The Group's Audit and Compliance Committee oversees assurance services and the effectiveness of the Company's control environment.</p> <p>The Board is ultimately responsible for the integrity of the reports and approves the financial statements.</p>

<ul style="list-style-type: none"> <li>• Effective control (primary)</li> <li>• Good performance (primary)</li> <li>• Ethical culture (secondary)</li> <li>• Legitimacy (secondary)</li> </ul>	
<b>Board's primary role and responsibility</b>	
<p><b>Principle 6</b></p> <p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p><b>Absa Bank's Practices</b></p> <p>The Board is the focal point and custodian of the Company's corporate governance as set out in the Mol and Board Charter as well as the Group's governance principles determined by the Group Board and contained in various policies and standards.</p> <p>The Board Charter is reviewed annually to ensure it remains abreast with regulatory changes and developments in corporate governance.</p>
<p><b>Expected Outcomes</b></p> <ul style="list-style-type: none"> <li>• Effective control (primary)</li> <li>• Good performance (primary)</li> </ul>	
<b>Board Composition</b>	
<p><b>Principle 7</b></p> <p>The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</p>	<p><b>Absa Bank's Practices</b></p> <p>The Company has a unitary board which currently comprises seven directors, five of whom are independent non-executive directors. The Group's Independent Chairman also chairs the Board. The chairs of all key Group committees serve on the Absa Bank Board.</p> <p>One-third of the directors retire by rotation annually at the annual general meeting with retiring directors standing for re-election, if eligible.</p>
<p><b>Expected Outcomes</b></p> <ul style="list-style-type: none"> <li>• Good performance (primary)</li> </ul>	

	<p>When appointing new directors the board considers a range of factors including educational background, personal attributes, professional expertise, industry knowledge, gender, and ethnicity so as to enhance the collective skills of the Board. The Group Directors Affairs Committee (DAC) assists in identifying and recommending candidates and facilitating the formal and transparent appointment process as set out in the Board Charter. New directors receive induction training tailor-made to their needs to facilitate their understanding of the Company's business and optimise their contribution to the Board's deliberations.</p>
<b>Delegation to Management and Committees</b>	
<p><b>Principle 8</b></p> <p>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>	<p><b>Absa Bank's Practices</b></p> <p>The shareholder/s delegate authority to the Board through the Company's Mol and shareholder resolutions passed at the shareholder's meetings.</p> <p>The Board remains ultimately responsibility for any delegated approvals made by committees on its behalf.</p>
<p><b>Principle 10</b></p> <p>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>The Board currently relies on the Absa Group Board's committees to assist in discharging its oversight duties and responsibilities. The following are the current committees:</p>

<p><b>Expected Outcomes</b></p> <ul style="list-style-type: none"> <li>• Effective control (primary)</li> <li>• Good performance (primary)</li> </ul>	<ul style="list-style-type: none"> <li>• Directors Affairs Committee</li> <li>• Group Audit and Compliance Committee</li> <li>• Group Risk and Capital Management Committee</li> <li>• Group Remuneration Committee</li> <li>• Social and Ethics Committee</li> <li>• Information Technology Committee</li> <li>• Credit Concentration Risk Committee</li> <li>• Board Finance Committee</li> <li>• Models Committee</li> <li>• Separation Oversight Committee (which is a temporary committee established to oversee the separation of the Absa Group from Barclays PLC)</li> </ul> <p>In executing its oversight responsibilities the Board regularly interacts with the Group Chief Executive Officer, Financial Director and other members of the Group Executive Committee who are executives of the Company.</p>
<b>Board and committee performance evaluation</b>	
<p><b>Principle 9</b></p> <p>The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and</p>	<p><b>Absa Bank's Practices</b></p> <p>The effectiveness of the Board and performance of individual directors, the Chairman and corporate governance</p>

<p>its individual members, support continued improvement in its performance and effectiveness.</p>	<p>processes and procedures are assessed biennially (previously annually), against set criteria. Matters arising including areas requiring improvement and the remedial plans are presented to the Board. Remediation is monitored by the DAC until the next evaluation. The Chairman engages with individual directors on the outcomes of the peer reviews to address the areas for development or those of concern.</p> <p>The next review (to be independently facilitated) will be in respect of the 2018 financial year and will be completed in the first quarter of 2019.</p>
<p><b>Expected Outcomes</b></p> <ul style="list-style-type: none"> <li>• Good performance (primary)</li> </ul>	
<p><b>Risk Governance</b></p>	
<p><b>Principle 11</b></p> <p>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p><b>Absa Bank's Practices</b></p> <p>The Board oversees the Company's risk management within the framework of the Group's enterprise risk management framework (incorporating the principal and key risks).</p>
<p><b>Expected Outcomes</b></p> <ul style="list-style-type: none"> <li>• Effective control (primary)</li> <li>• Good performance (primary)</li> </ul>	<p>The Group Risk and Capital Management Committee assists the Board with the governance and oversight of risk, capital and liquidity management, including approving the Company's risk appetite.</p> <p>Other aspects of the Company's risks are monitored by committees as relevant to their mandates.</p> <p>Executive management of the Company is responsible for embedding risk in the organisation by ensuring that employees</p>

	<p>receive the necessary training to be able to identify, mitigate, manage and, when necessary escalate actual or potential risks within their work environment.</p> <p>The Company publishes comprehensive risk management reports on the Group's website.</p>
<b>Technology and Information Governance</b>	
<p><b>Principle 12</b></p> <p>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p><b>Absa Bank's Practices</b></p> <p>The Group Information Technology Committee has overall oversight responsibility for information governance in the Group as detailed in the Absa Group's King IV disclosure and the Integrated Report.</p> <p>The Group Audit and Compliance and Group Risk and Capital Management committees oversee selected components of the Company's IT governance.</p> <p>Executive management is responsible for the day-to-day responsibility of the IT governance framework.</p>
<p><b>Expected Outcomes:</b></p> <ul style="list-style-type: none"> <li>• Effective control (primary)</li> </ul>	
<b>Remuneration Governance</b>	
<p><b>Principle 14</b></p> <p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<p><b>Absa Bank's Practices</b></p> <p>The Group Remuneration Committee assists the Group Board in overseeing group-wide strategic remuneration matters. Remuneration practices of the Company are governed within the Group's overall remuneration framework.</p>
<p><b>Expected Outcomes</b></p>	

<ul style="list-style-type: none"> <li>• Ethical culture (primary)</li> <li>• Good performance (primary)</li> <li>• Legitimacy (primary)</li> <li>• Effective control (secondary)</li> </ul>	<p>The Group's remuneration principles and practices are designed to ensure remuneration is competitive, fair, incentivises performance, assists in retaining talent, reflects regulatory requirements and aligns with the Group's conduct and risk expectations.</p>
<b>Stakeholder Relationships</b>	
<p><b>Principle 16</b></p> <p>In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p><b>Absa Bank's Practices</b></p> <p>The Company's approach to stakeholder relationships is guided by the decentralised stakeholder management approach approved by the Group Board.</p> <p>The Social and Ethics Committee is responsible for overseeing stakeholder governance in the Group.</p>
<p><b>Expected Outcomes:</b></p> <ul style="list-style-type: none"> <li>• Legitimacy (primary)</li> <li>• Good performance (secondary)</li> </ul>	<p>A comprehensive disclosure on the Group's Stakeholder management and engagement approach and activities is included in the Group's King IV application register and Integrated Report.</p>

## 8. RISKS

### Risks Relating to the Issuer

***The investments, business, profitability and results of operations of the Issuer may be adversely affected as a result of economic or business conditions***

#### *South African macroeconomic conditions*

The Group's operations are predominantly concentrated in South Africa, with the majority of its revenues deriving from operations in South Africa. The Issuer is therefore highly exposed to South African macroeconomic conditions and, as a result of their impact on the South African

economy, global economic conditions. Any material deterioration in global or South African macroeconomic conditions could lead to a reduction in business activity, higher impairment charges, increased funding costs and reduced profitability and revenues.

*South African conditions specific to the banking sector*

The South African banking sector remains well capitalised, funded, regulated and managed. The South African financial sector is widely regarded as one of the country's key pillars of economic strength. The banking sector is, however, highly exposed to South African macroeconomic conditions and will be impacted by negative macroeconomic developments.

Although household and corporate affordability conditions are currently benefiting from historically lower inflation and low interest rates, a marked slowdown in foreign capital flows may reduce the value of the Rand and lead to higher interest rates which, in turn, is likely to have a significant impact on household and corporate affordability conditions. A deterioration in the strength and organisation of the country's institutions, especially the independence of the SARB and policy conduct at the National Treasury of South Africa (the "**National Treasury**"), can also have a negative impact on the banking sector.

The Issuer's financial performance has been and is likely to remain linked to the performance of the South African economy.

Any deterioration in economic or business conditions, in policy predictability, in political and/or security stability and in social conditions in South Africa or the other countries in which the Issuer operates, could materially adversely affect the Issuer's borrowers and contractual counterparties which, in turn, could have a material adverse impact on the Issuer's business, results, financial condition or prospects.

***There are a number of risks inherent in the banking industry which may impact the performance of the Issuer***

The Issuer, in common with other banks in South Africa and elsewhere, is exposed to a variety of risks arising in the ordinary course of its business, the most significant of which are credit risk, credit concentration risk, market risk, liquidity risk and operational risk, with credit risk constituting the largest risk.

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

### *Credit Risk*

The Issuer's businesses are subject to inherent risks regarding borrower credit quality and the recoverability of loans and amounts due from counterparties. Changes in the credit quality of the Issuer's borrowers and counterparties or arising from systemic risk in the financial systems could reduce the value of the Issuer's assets, and require increased provisions for bad and doubtful debts. In addition, changes in economic conditions may result in deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default.

### *Credit Concentration Risk*

Credit concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. Due to the Issuer's position and role in the South African economy, natural concentrations exist in areas where it is largely unavoidable, namely:

- Private household clients, and specifically the home loans asset class, due to the Issuer's position as a major retail bank in the South African market;
- Sovereign exposure that is largely due to the Issuer's liquid asset portfolio holdings;
- South Africa geographic exposure due to the Issuer's being headquartered in South Africa; and
- Banks due to the Issuer's funding and hedging activities.

### *Market Risk*

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, which is caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables. The Issuer's key market risks are trading book market risk, interest rate risk in the banking book, equity risk in the banking book and foreign currency risk.

Trading book market risk is represented by financial instruments, including commodities, held in the Issuer's trading book arising out of normal global market trading activity. Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

Equity risk is defined as the risk of loss arising from a decline in the value of equity or an equity-type instrument held in the banking book, whether caused by a deterioration in the underlying operating asset performance, NAV, enterprise value of the issuing entity, or by a decline in the market price of the equity or instrument itself.

The Issuer's primary non-trading related exposures to foreign currency risk arise as a result of the translation effect on the Issuer's net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals.

Although the Issuer has implemented risk management methods, including stress testing, to seek to mitigate and control these and other market risks to which it is exposed and these exposures are constantly measured and monitored, there can be no assurance that these risk management methods will be effective, particularly in unusual or extreme market conditions.

#### *Liquidity Risk*

Liquidity risk is the risk that a bank will be unable to meet its obligations, including funding commitments, as they fall due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, wholesale and overnight funding), credit rating downgrades or market-wide stress scenarios such as market dislocation and major disasters. During the height of the financial crisis in 2008, wholesale funding providers were unwilling to lend to banks and this had a material adverse effect on global banks' ability to raise funding in both the public and private markets. This resulted in severe liquidity problems for financial institutions which forced governments and central banks to provide unprecedented financial assistance to enable financial markets to continue to operate. Although financial markets have stabilised considerably since then, they remain subject to periods of volatility. In addition, although funding spreads have tightened substantially since 2012 reflecting additional liquidity provided to the market by central banks and more stable financial markets, accommodative monetary policies may not continue.

An inability on the Issuer's part to access funds or to access the markets from which the Issuer raises funds may lead to the Issuer being unable to meet its obligations as they fall due, which in turn could have a material adverse impact on the Issuer's reputation, liquidity positions, solvency position, business, results, or prospects. The underlying operations of the Issuer and the rest of the Group takes deposits with maturities which are contractually shorter than loans made by the Issuer. This exposes the Issuer to the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strains. Additionally, the Issuer's ability to raise or access funds may be impaired by factors that

are not specific to the Issuer, such as general market conditions, severe disruption of the financial markets or negative views about the prospects for the Issuer, or the industries or regions in which the Issuer operates. In addition, the Issuer's borrowing costs and access to funds may be adversely affected by any credit rating downgrade. The Issuer has developed and implemented risk management policies, procedures and processes designed to reduce this risk through proactive monitoring, management and reporting of the Issuer's liquidity risk position, however there is no assurance that such measures will adequately address all liquidity risks that the Issuer may face.

The Issuer is reliant on both retail deposits and wholesale funding. Although the Issuer believes that its level of access to domestic and international inter-bank and capital markets and its prudent liquidity risk management will continue to allow the Issuer to meet its short-term and long-term liquidity needs, any severe liquidity stress events could have a material adverse impact on the Issuer's liquidity and solvency position results or prospects. During a liquidity stress event the Issuer is likely to obtain additional sources of funds at an increased cost which could adversely affect the financial position of the Issuer.

#### *Operational Risk*

Similar to other financial institutions, the Issuer is susceptible to direct or indirect loss resulting from human errors/failures, inadequate or failed internal processes, systems or external events. The Issuer is also subject, from time to time, to service interruptions of third party services such as telecommunications, which are beyond the Issuer's control. Such interruptions may result in interruption to services to the Issuer's branches and/or impact customer service. Given the Issuer's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult for any bank to detect quickly or at all. While the Issuer maintains a system of controls designed to monitor and control operational risk, there can be no assurance that the Issuer will not suffer losses from such risks. Losses from the failure of the Issuer's system of internal controls to discover and rectify such matters could have a material adverse impact on the Issuer's business, results, financial condition or prospects.

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 the Issuer's markets, and international economic conditions generally, and more specifically on the Issuer's business and results of operations in ways that cannot be predicted.

***The Issuer's risk management policies and procedures may not have identified or anticipated all potential risk exposures***

The Group has devoted significant resources to developing its risk management policies and procedures, particularly in connection with credit, market, liquidity, interest rate and operational risks, and expects to continue to do so in the future. Nonetheless, its risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Issuer's methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than indicated by historical measures. Other risk management methods depend upon evaluation of information regarding the markets in which the Issuer operates, its clients or other matters that are publicly available or otherwise accessible by the Issuer. This information may not be accurate in all cases, complete, up-to-date or properly evaluated. Any failure arising out of the Issuer's risk management techniques may have an adverse effect on its results of operations and financial condition.

Risk Management

The Group maintains an active approach towards managing both current and emerging risk through the continued operating effectiveness of its Board approved Enterprise Risk Management Framework ("**ERMF**"). The ERMF provides an integrated risk management framework designed to meet the challenges of the changing risk environment and to ensure that the Group's business growth plans are properly supported by effective risk management. This approach is underpinned by:

- a robust and aligned governance structure at a Group, legal entity and business cluster level;
- well defined material risk categories known as principal risks;
- a three-lines-of-defence model, with clear accountability for managing, overseeing and independently assuring risks;
- comprehensive processes to evaluate, respond to, and monitor risks; and
- a sound architecture that sets out the appropriate risk practices, tools, techniques and organisational arrangements.

### 8.1. Risk Management Objectives

All levels within the Bank, from the Board and executive level committees down to the business unit managers and their risk specialists are responsible for risk management. A strong risk awareness and accountability culture is central to the effective risk management. Risk management decisions are enacted at the most appropriate level, in line with business objectives and subject to robust and effective review as well as challenge processes. Strategic business decisions are taken in accordance with a Board-approved risk appetite with the executive and risk committees closely monitoring risk profiles against this appetite.

#### *ERMF*

The approach to managing risk is outlined in the ERMF, which provides the basis for setting policies and standards, and establishing appropriate risk practices throughout the Group. It defines the risk management process and sets out the activities, tools, techniques and organisational arrangements to ensure that material risks can be identified and managed. It ensures that appropriate responses are in place to protect the Bank and its stakeholders.

The ERMF sets out the principal risks, and assigns clear ownership and accountability for these risks. The ERMF defines credit, market, treasury and capital, insurance, operational, model, conduct, reputation and legal risks as principle risks in recognition of their significance to the Group's strategic ambitions.

Credit risk, market risk and treasury and capital risk are collectively known as "**financial principal risks**". The remaining risks are referred to as "**non-financial principal risks**" (together with the financial principal risks, the "**principal risks**").

Individual events may entail more than one principal risk. For example, internal fraud by a trader may expose the Bank to operational and market risks as well as many aspects of conduct risk.

This is not an exhaustive list of risks to which the Bank is subject. For example, the Bank is also subject to political and regulatory risks. While these may be very consequential, and assessed from time to time in the planning and decision making process, they are not considered principal risks. These other risks are, however, subject to ERMF framework and oversight by Risk Management.

The Group's Risk and Capital Management Committee periodically reviews the list of principal risks to consider if new risks have emerged that should be included in the framework.

### *Risk Process: Evaluate-respond-monitor*

A structured, practical set of three steps to manage risk: Evaluate, respond and monitor (the E-R-M process). The process enables management to identify and assess risks, determine the appropriate response, and then monitor the effectiveness of the risk response and any changes to the risk profile. This three step risk management process:

- Can be applied to every objective at every level;
- Is embedded into the business decision-making process;
- Guides the response to changes in the external or internal environment; and
- Involves all staff and all three lines of defence.

### *Risk Architecture*

The ERMF sets out the activities, tools, techniques and organisational arrangements to ensure that material risks can be identified and managed. It ensures that appropriate responses are in place to protect the Bank and its stakeholders. The following tools and techniques are key in the risk architecture:

- **Risk culture:** The code of conduct outlines the values and behaviours which govern the way of working. It constitutes a reference point covering all aspects of employees' working relationships, specifically with other employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community. The objective of the code of conduct is to define the way the Bank thinks, works and acts to ensure it delivers against its purpose of helping people to achieve their ambitions – in the right way. The code of conduct sets out the ethical and professional attitudes and behaviours expected of the Bank and its employees.
- **Three lines of defence:** A 'three lines of defence' model is applied to govern risk across all segments and functions. The ERMF assigns specific responsibilities to each line of defence:
  1. **First line:** process and control owners in customer and client-facing business segments and select functions. They are responsible for managing risk and control in their processes on an end-to-end basis;
  2. **Second line:** independent risk, compliance, legal and control functions which formulate the policies and standards for managing risk and control and ensure,

through reviews, that the first line meets the requirements of the policies and standards; and

3. **Third line:** internal and external audit functions that confirm, through control testing and other reviews, that the first and second lines execute their responsibilities in an effective and consistent manner.

- **Governance:** The Absa Board is supported by a number of committees at Board, executive, and business level.
- **Combined assurance:** A combined assurance model is applied and requires co-ordinated activity across the three lines of defence for effective combined assurance. The objective of combined assurance is to optimise overall assurance provided to the executive and Board in respect of the risk and control environment. The Bank seeks to have a greater level of process automation and a higher proportion of preventative controls, wherever possible. The combined assurance strategy is a more risk-based approach, across those areas that are most material to the enterprise.
- **Human Capital:** Sustained focus on employees, as a differentiating asset, has enabled the Bank to accelerate progress. Central to this is leadership continuity, critical skills retention, and ability to attract and engage quality employees. Significant investment in employee development and strengthening the employer brand is being made. This includes building the leadership and managerial depth to underpin future ambitions.
- **Data:** Internal and external data is utilised in meeting regulatory requirements and the management of risk. Selected data and analytics partnerships with third parties are entered into to enhance and heighten understanding of customers and clients. Third parties may include public and private sector corporate clients, bureaus and other data providers. Internal data is owned and managed by the respective business units with regular assessment of data quality via their respective risk governance structures. All key datasets are subject to the requirements of data policies and standards.

- **Technology:** Technology is a building block for risk management practices, and to this end solutions are focussed on:
  - Data collection and storage;
  - Risk analysis and modelling;
  - Risk assessment, monitoring and control; and
  - Risk reporting and communication

### *Principal Risks*

The Board-approved ERMF sets out the scope of the risks faced, and creates clear ownership and accountability for risks. The ERMF covers the nine principal risks (as detailed below).

<b>Principal Risk</b>	<b>Responsible Parties</b>
<b>Financial Principal Risks</b>  <b>Credit Risk</b>  Credit risk is the risk of suffering financial loss due to a borrower, counterparty to a derivative transaction, or an issuer of debt securities defaulting on its contractual obligations.	<b>Chief Risk Officer (through the Chief Credit Officer)</b>
<b>Market Risk</b>  Market risk is the risk that the earnings, capital or business objectives will be adversely impacted by changes in the level or volatility of market variables.	<b>Chief Risk Officer (through the Head of Market and Funding Risk)</b>
<b>Treasury &amp; Capital Risk</b>  Treasury and capital risk is the risk that the Bank is unable to achieve its business plans as a	<b>Chief Risk Officer (through the Head of Market and Funding Risk)</b>

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result of capital and liquidity shortfalls.

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**Insurance Risk**

**Chief Risk Officer  
(through the Chief Risk Officer, WIMI)**

The risk that future claims, expenses, policyholder behaviour and investment returns may be adversely different to the allowances made in measuring policyholder liabilities and in product pricing.

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**Non-Financial Principal Risks**

**Operational Risk**

The risk of direct and indirect loss resulting from human factors, inadequate or failed internal processes, systems or external events.

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**Chief Risk Officer  
(through the Head of Operational Risk)**

**Model Risk**

**Chief Risk Officer  
(through the Head of Model Risk)**

The risk of potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

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**Conduct Risk**

**Chief Compliance Officer**

The risk of detriment to customers, clients, market integrity, effective competition or the Bank from the inappropriate supply of financial services, including instances of wilful/negligent misconduct and the failure to meet regulatory requirements.

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**Reputation Risk****Chief  
Compliance  
Officer****Compliance**

The risk that an action, transaction, investment or event will reduce trust in the Bank's integrity and competence by clients, counterparties, investors, regulators, employees or the public.

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**Legal Risk****General Counsel**

The risk of loss or imposition of penalties, damages or fines from the failure of the Bank to meet its legal obligations including regulatory or contractual requirements.

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The Group Chief Risk Officer is accountable for ensuring that frameworks, policies and associated standards are developed and implemented for each of the financial principal risks, operational risk and model risk and that they are subject to limits, monitored, reported on and escalated as required. The Chief Compliance Officer is likewise accountable for conduct risk and reputation risk, and the Group General Counsel for legal risk.

**9. FINANCIAL PERFORMANCE**

Potential investors are hereby referred to the Issuer's audited consolidated annual financial statements, incorporated herein by reference and available at [www.absa.co.za](http://www.absa.co.za) and/or at the Issuer's Specified Office as set out at the end of this Master Programme Memorandum, for a summary of the Issuer's financial performance.

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## SECTION III-B: SOUTH AFRICAN TAXATION

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*This section should be read in conjunction with, and is qualified in its entirety by, the detailed information contained elsewhere in this Master Programme Memorandum, any Applicable Product Supplement and/or any Applicable Pricing Supplement. Capitalised terms used in this Section III-B headed "South African Taxation" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.*

***The comments below are intended as a general guide to certain aspects of the current relevant tax laws of South Africa as at the date of the Master Programme Memorandum. South African tax legislation is subject to frequent change and accordingly the comments as set out below may be subject to change, possibly with retrospective effect.***

***The contents of this section headed "South African Taxation" constitutes a summary of certain aspects of the relevant current South African tax laws and does 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 any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.***

### **Income Tax**

Under current taxation law effective in South Africa, a "resident" (as defined in section 1 of the Income Tax Act) is subject to income tax on his/her world-wide income. Accordingly, all holders of Notes who are residents of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any income (including income in the form of interest) earned in respect of 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 from a South African source if it is attributable to an amount incurred by a person that is a resident, unless the interest is attributable to a permanent establishment which is situated outside South Africa; or 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". Accordingly, if the interest payments in respect of the Notes are from a South African source as set out above, the interest earned by a Noteholder will 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 (*see below*).

Under section 24J of the Income Tax Act, any discount or premium to the Nominal Amount of a Tranche of Notes is treated as part of the interest income on the Notes. Interest income which accrues (or is deemed to accrue) to the 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 Notes or until maturity. The 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. The interest may qualify for the exemption under section 10(1)(h) of the Income Tax Act.

In terms of section 24JB of the Income Tax Act, specific provisions dealing with the taxation of financial assets and liabilities of a “covered person” as defined in section 24JB apply with effect from 1 January 2014 in respect of years of assessment ending on or after 1 January 2014. Noteholders should seek advice as to whether these provisions may apply to them.

Under section 10(1)(h) of the Income Tax Act, interest received by or accruing to a Noteholder who is not a resident of South Africa during any year of assessment is exempt from income tax, unless:

- (a) that person is a natural person who was physically present in South Africa for a period exceeding 183 (one hundred and eighty-three) days in aggregate during the 12 (twelve) month period preceding the date on which the interest is received or accrues to that person; or
- (b) the debt from which the interest arises is effectively connected to a permanent establishment of that person in South Africa.

If a holder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, an exemption from, or reduction of any income tax liability may be available under an applicable double taxation treaty.

Certain entities may be exempt from income tax. Prospective subscribers for or purchasers of Notes are advised to consult their own professional advisers to ascertain whether the interest income earned on the Notes will be exempt from South African income tax.

Section 8F of the Income Tax Act applies to “hybrid debt instruments”, and section 8FA of the Income Tax Act applies to “hybrid interest”. Sections 8F and 8FA provide that interest incurred on a hybrid debt instrument and hybrid interest are, for purposes of the Income Tax Act, deemed to be a dividend *in specie*. If either of these provisions applies the tax treatment of the interest paid under the Notes will differ from what is set out above and such payments may be subject to dividends tax as a result of the deemed classification as dividends *in specie*.

Prospective subscribers for or purchasers of Notes are advised to consult their own professional advisers to ascertain whether the abovementioned provisions may apply to them.

### **Capital Gains Tax**

The disposal of Notes by residents of South Africa may give rise to capital gains tax implications. Any discount or premium on acquisition of a Note 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 income (as interest), be allowed as a deduction from the income of the holder when it is incurred and accordingly will not give rise to a capital loss.

The capital gains tax provisions would not apply to the extent that the holder of the Note were to constitute a covered person and section 24JB of the Income Tax Act (see above) applies to the Note.

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 in South Africa.

Purchasers are advised to consult their own professional advisers as to whether a disposal of Notes will result in a liability for capital gains tax.

### **Securities Transfer Tax**

The issue, transfer and redemption of the Notes will not attract securities transfer tax under the Securities Transfer Tax Act, 2007 (the “**STT Act**”) because the Notes do not constitute “securities” as defined in the STT Act. Any future transfer duties and/or taxes that may be introduced in respect of (or applicable to) the transfer of Notes will be for the account of holders of the Notes.

### **Value-Added Tax**

No value-added tax is payable on the issue or transfer of the Notes. The issue, sale or transfer of the Notes constitute “financial services” as defined in section 2 of the Value-Added Tax Act, 1991 (the “**VAT Act**”). In terms of section 2 of the VAT Act, the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security as well as the buying and selling of derivatives constitute a financial service, which is exempt from Value added tax in terms of section 12(a) of the VAT Act.

However, commissions, fees or similar charges raised for the facilitation of the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of Notes that constitute “debt securities” as defined in section 2(2)(iii) of the VAT Act will be subject to Value added tax at the standard rate (currently 15% (fifteen percent)), 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, may be subject to Value added tax at the zero rate in terms of section 11(2)(l) of the VAT Act.

**Withholding tax**

The interest withholding tax applies to any amount of any interest that is paid by any person to or for the benefit of any foreign person to the extent that such amount of interest is from a South African source in terms of the Income Tax Act, and will apply to interest that is paid or that becomes due and payable on or after 1 March 2015. For the purposes of the withholding tax, a "foreign person" is defined as any person that is not a South African tax resident. Accordingly, to the extent that any interest is paid to Noteholders who are South African tax residents, the withholding tax will not apply.

An exemption from the withholding tax on interest applies in respect of any debt listed on a recognised exchange, including any debt listed on the JSE Limited.

**Definition of Interest**

The references to "interest" above mean "interest" as contemplated in the Income Tax Act. 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.

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### **SECTION III-C: SOUTH AFRICAN EXCHANGE CONTROL**

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*This section should be read in conjunction with, and is qualified in its entirety by, the detailed information contained elsewhere in this Master Programme Memorandum, any Applicable Product Supplement and/or any Applicable Pricing Supplement. Capitalised terms used in this Section III-C headed “South African Exchange Control” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.*

*The information below is intended as a general guide to the position under the Exchange Control Regulations as at the date of the Master Programme Memorandum. The contents of this section headed “South African Exchange Control” do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.*

#### **Non-South African resident Noteholders and emigrants from the Common Monetary Area**

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the applicable Terms and Conditions may be subject to the Exchange Control Regulations.

#### **Blocked Rand**

Blocked Rand may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rand may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

#### **Emigrants from the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed “emigrant”. Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant’s blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an “emigrant” account.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder’s Blocked Rand account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

**Non-residents of the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed “non-resident”. In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the CSD, the securities account maintained for such Noteholder by the relevant Participant will be designated as a “non-resident” account.

It will be incumbent on any such non-resident Noteholder to instruct the non-resident’s nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificate has been endorsed “non-resident” or the relevant securities account has been designated as a “non-resident” account, as the case may be.

**Exchange Control – Issuer**

As at the date of this Master Programme Memorandum, the Issuer does not require exchange control approval for this Master Structured Note Programme.

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**SECTION III-D: MASTER STRUCTURED NOTE PROGRAMME INFORMATION**

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*This section should be read in conjunction with, and is qualified in its entirety by, the detailed information contained elsewhere in this Master Programme Memorandum, any Applicable Product Supplement and/or any Applicable Pricing Supplement. Capitalised terms used in this Section III-D headed "Master Structured Note Programme Information" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.*

**Authorisation**

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa as at the date of this Master Programme Memorandum have been given for the establishment of the Master Structured Note Programme and the issue of Notes and for the Issuer to undertake and perform its obligations under the Master Programme Memorandum and the Notes.

**Listing**

The Master Programme Memorandum has been approved by, and is registered with, the JSE. Notes to be issued under the Master Structured Note Programme may be listed on the Relevant Board of the JSE or any other Financial Exchange. Unlisted Notes may also be issued under the Master Programme Memorandum.

**Documents Available**

So long as Notes are capable of being issued under the Master Structured Note Programme, copies of the following documents will, when published, be available from the Specified Office of the Issuer as set out at the end of this Master Programme Memorandum:

- (a) all amendments and supplements to this Master Programme Memorandum prepared by the Issuer from time to time;
- (b) in respect of any issue of Notes under the Master Structured Note Programme, the audited consolidated annual financial statements (including, where applicable, the interim financial statements), together with such statements, reports and the notes attached to or intended to be read with such financial statements thereto, of the Issuer for its three financial years prior to the date of such issue; and
- (c) each Applicable Product Supplement relating to any Series of Notes issued under the Master Structured Note Programme;

- (d) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Master Structured Note Programme; and
- (e) all information pertaining to the Issuer which is relevant to the Master Structured Note Programme and/or this Master Programme Memorandum which is electronically submitted by SENS, or other similar service, established by the JSE, to SENS subscribers, if required. This Master Programme Memorandum will be available on the JSE website, [www.jse.co.za](http://www.jse.co.za), and the audited consolidated annual financial statements of the Issuer and this Master Programme Memorandum are available on the Issuer's website, [www.absa.co.za](http://www.absa.co.za).

### **Material Change**

As at the date of this Master Programme Memorandum, after due and careful enquiry, there has been no material change in the financial or trading position of the Issuer since the date of the Issuer's latest audited consolidated financial statements. As at the date of this Master Programme Memorandum, there has been no involvement by the auditors in making the aforementioned statement.

### **Litigation**

Save as disclosed in this Master Programme Memorandum, neither the Issuer nor any of its respective consolidated Subsidiaries is or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), in the 12 months preceding the date of this Programme Memorandum, which may have or have had a material effect on the financial position of the Issuer or its consolidated Subsidiaries.

### **Auditors**

PricewaterhouseCoopers Inc. and Ernst & Young Inc. have acted as the auditors of the financial statements of the Issuer for the financial year ended 31 December 2016 and 2015 and, in respect of those years, have issued unqualified audit reports.

KPMG Inc. and Ernst & Young Inc. have acted as the auditors of the financial statements of the Issuer for the financial year ended 31 December 2017 and have issued an unqualified audit report

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**SECTION IV: APPLICABLE PRODUCT SUPPLEMENTS****SECTION IV-A: 2003 CREDIT LINKED NOTES**

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**Absa Bank Limited**

*(incorporated in the Republic of South Africa with limited liability under registration number 1986/004794/06) (the "Issuer")*

issued pursuant to the

**ZAR40,000,000,000 Master Programme Memorandum, dated on or about 7 November 2018**

in respect of

**2003 Credit Linked Notes ("2003 Credit Linked Notes" or the "Notes")**

This document constitutes an Applicable Product Supplement relating to the Master Programme Memorandum, and, as at the date of hereof, amends, restates, replaces and supersedes the Applicable Product Supplement dated 27 October 2015 (originally dated 21 October 2013) issued pursuant to the ZAR40,000,000,000 Master Structured Note Programme dated 27 October 2015 (originally dated 21 October 2013) in respect of Credit Linked Notes. By executing this Applicable Product Supplement, the Issuer binds itself to the terms and conditions of the Master Programme Memorandum and this Applicable Product Supplement and, accordingly, this Applicable Product Supplement must be read in conjunction with the Master Programme Memorandum dated on or about 7 November 2018. To the extent that there is any conflict or inconsistency between the contents of this Applicable Product Supplement and the Master Programme Memorandum, the provisions of this Applicable Product Supplement shall prevail.

This Applicable Product Supplement may specify other terms and conditions of the Notes (which replace, modify or supplement the Terms and Conditions), in which event such other terms and conditions shall, to the extent so specified in this Applicable Product Supplement or to the extent inconsistent with the Terms and Conditions, replace, modify or supplement the Terms and Conditions.

Any capitalised terms not defined in this Applicable Product Supplement have the meanings ascribed to them in the Glossary of Terms. References in this Applicable Product Supplement to the Terms and

Conditions are to section II-A of the Master Programme Memorandum headed “*Terms and Conditions of the Notes*”. Reference to any Condition in this Applicable Product Supplement is to that Condition of the Terms and Conditions. Reference to any “**2003 Credit Linked Condition**” in this Applicable Product Supplement or an Applicable Pricing Supplement in relation to this Applicable Product Supplement is to that 2003 Credit Linked Condition in this Applicable Product Supplement.

The Applicable Pricing Supplement may specify other terms and conditions of the Notes (which replace, modify or supplement the Terms and Conditions and these 2003 Credit Linked Conditions.

To the extent that there is any conflict or inconsistency between the provisions of this Applicable Product Supplement and an Applicable Pricing Supplement, the provisions of the Applicable Pricing Supplement will prevail.

#### **Arranger and Dealer**

#### **ABSA BANK LIMITED**

This Applicable Product Supplement is dated on or about 7 November 2018, and amends, restates, replaces and supersedes the Applicable Product Supplement dated 27 October 2015 (originally dated 21 October 2013) issued pursuant to the ZAR40,000,000,000 Master Structured Note Programme dated 27 October 2015 (originally dated 21 October 2013) in respect of Credit Linked Notes.

**For the avoidance of doubt, any Credit Linked Notes (now 2003 Credit Linked Notes) issued under and pursuant to the Applicable Product Supplement either dated 21 October 2013 or 27 October 2015 in respect of Credit Linked Notes shall, with effect from 7 November 2018, be subject to this Applicable Product Supplement in respect of 2003 Credit Linked Notes dated on or about 7 November 2018 which amends restates, replaces and supersedes the Applicable Product Supplement dated 27 October 2015 (originally dated 21 October 2013 as amended and restated from time to time).**

## 1. INTRODUCTION

The conditions set out below shall, together and as read with the Terms and Conditions set out in the Master Programme Memorandum, comprise the terms and conditions of the 2003 Credit Linked Notes (the “**2003 Credit Linked Conditions**”), in each case subject to the Applicable Pricing Supplement. For purposes of any 2003 Credit Linked Notes, in the event of any inconsistency between the Terms and Conditions of the Master Structured Note Programme and the 2003 Credit Linked Conditions set out below, the 2003 Credit Linked Conditions shall prevail. In the event of any inconsistency between the Terms and Conditions and/or the 2003 Credit Linked Conditions and the Applicable Pricing Supplement, the Applicable Pricing Supplement shall prevail. This Section IV-A headed “*2003 Credit Linked Notes*” is an Applicable Product Supplement for purposes of the Terms and Conditions of the Master Structured Note Programme and any Notes, if specified to be 2003 Credit Linked Notes in the Applicable Pricing Supplement, shall be subject to these 2003 Credit Linked Conditions. Capitalised terms used but not defined herein shall have the meanings given to them in the Glossary of Terms, as may be amended by the Applicable Pricing Supplement.

## 2. RISK FACTORS RELATING TO 2003 CREDIT LINKED NOTES

2003 Credit Linked Notes have a different risk profile to ordinary Notes. The return on a 2003 Credit Linked Note is linked to the credit risk of one or more Reference Entities and certain obligations of one or more Reference Entities underlying that 2003 Credit Linked Note. Investing in a 2003 Credit Linked Note is not equivalent to investing directly in shares of any Reference Entity or in any obligation of any Reference Entity, nor is it equivalent to investing or hedging using over-the-counter derivatives. This 2003 Credit Linked Condition 2 describes additional factors to which prospective investors should have regard when considering an investment in 2003 Credit Linked Notes. Capitalised terms in this 2003 Credit Linked Condition 2 have the meanings given in the remainder of this Applicable Product Supplement or, if not defined in this Applicable Product Supplement, the Glossary of Terms.

### 2.1. 2003 Credit Linked Notes are subject to optional redemption by the Issuer after a Relevant Credit Event

The Issuer may redeem 2003 Credit Linked Notes (or, if so specified in the Applicable Pricing Supplement, a portion thereof) earlier than the stated Maturity Date if a Credit Event occurs and the Conditions to Settlement specified in the Applicable Pricing Supplement are satisfied. The optional redemption feature of 2003 Credit Linked Notes is likely to limit their market value. During any period when the Issuer may elect to redeem 2003 Credit Linked Notes, the market value of those 2003 Credit Linked Notes generally will not rise substantially above the price at which they can be redeemed. At

the time of such optional redemption, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the 2003 Credit Linked Notes being redeemed. Prospective Noteholders should consider such reinvestment risk in light of other investments available at the time.

2.2. Risk of loss of interest

Save as otherwise provided in the Applicable Pricing Supplement, no interest will accrue on the 2003 Credit Linked Notes (or, if so provided in the Applicable Pricing Supplement, the portion of each 2003 Credit Linked Note affected thereby) on or after the Interest Expiration Date.

2.3. Risk of loss of principal

2.3.1. Investors bear the risk of loss if any Relevant Credit Event occurs and the Conditions to Settlement, if any, are satisfied. The Credit Event Redemption Amount in respect of each Cash Settled CLN is likely to be less than the Nominal Amount as at the relevant Credit Event Redemption Date and may be zero. Similarly, the market value of the Deliverable Obligations Portfolio in respect of each Physically Delivered CLN is likely to be less than the Nominal Amount as at the Relevant Event Determination Date and may be zero.

2.3.2. The Credit Event Redemption Amount or amount of Deliverable Obligations delivered to a Noteholder will reflect the market value of the obligations of the Reference Entity in respect of which a Credit Event occurred less a deduction for Swap Costs. Swap Costs reflect the cost to the Issuer of terminating, liquidating, obtaining or re-establishing any hedges, trading positions, term deposits or funding arrangements entered into by it or on its behalf in respect of the 2003 Credit Linked Notes. Swap Costs will be determined by the Calculation Agent in its sole and absolute discretion, taking into account, *inter alia*, the hedging strategy employed in respect of the 2003 Credit Linked Notes and prevailing funding rates, interest rates and credit spreads at the time of determination. The Issuer is not under any duty to hedge itself with respect to any 2003 Credit Linked Notes, nor is either of them required to hedge itself in a manner that will result in the lowest unwind costs. Noteholders should be aware that if Swap Costs are greater than the product of the Nominal Amount as at the Relevant Event Determination Date and the Final Price or the market value

of the Deliverable Obligations Portfolio, as the case may be, the Credit Event Redemption Amount will be zero.

2.3.3. See also “Risks relating to the CLN Settlement Method” in 2003 Credit Linked Condition 2.12 below.

#### 2.4. Credit Derivatives Definitions

2.4.1. The terms and conditions of the 2003 Credit Linked Notes do not incorporate by reference the definitions and provisions of the 2003 ISDA Credit Derivatives Definitions, as amended by the supplements thereto, including the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement (the “**July 2009 Supplement**”) published on 14 July 2009 (the “**Credit Derivatives Definitions**”), and there may be differences between the definitions used in the 2003 Credit Linked Conditions of the 2003 Credit Linked Notes and the Credit Derivatives Definitions. Consequently, investing in 2003 Credit Linked Notes is not exactly equivalent to investing in a credit default swap that incorporates the Credit Derivatives Definitions.

2.4.2. 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 2003 Credit Linked Notes, 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 2003 Credit Linked Notes may differ in the future because of future market standards. Such a result may have a negative impact on the 2003 Credit Linked Notes.

2.4.3. There can be no assurance that changes to the terms applicable to credit derivatives generally will be predictable or favourable to the Issuer or Noteholders. Future amendments or supplements to the terms applicable to credit derivatives generally will only apply to 2003 Credit Linked Notes that have already been issued if the Issuer and the Noteholders agree to amend the 2003 Credit Linked Notes to incorporate such amendments or

supplements and other conditions to amending the 2003 Credit Linked Notes have been met.

2.5. Credit Derivatives Determinations Committees

2.5.1. 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.

2.5.2. Whether or not a Credit Event or Succession Event has occurred, and certain decisions relating thereto, may be dependent on determinations made by the Credit Derivatives Determinations Committee. In certain circumstances, determinations made by the Calculation Agent may be overridden by subsequent determinations made by the Credit Derivatives Determinations Committee. If the Issuer delivers a Credit Event Notice or a Succession Event Notice to a Noteholder, such Noteholder should be aware that such notice may be superseded by a determination of the Credit Derivatives Determinations Committee.

2.5.3. In making any determination in its capacity as Calculation Agent or Issuer, the Issuer may have regard to (and, in certain circumstances, is bound by) decisions made by the ISDA Credit Derivatives Determinations Committee. Further information about the ISDA Credit Derivatives Determinations Committee may be found at [www.isda.org/credit](http://www.isda.org/credit).

2.5.4. 2003 Credit Linked Condition 14 below sets out certain representations relating to the Credit Derivatives Determinations Committees which are deemed to be made by each Noteholder.

2.6. Exposure to Reference Entities, Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations and Deliverable Obligations

Unless otherwise provided in the Applicable Pricing Supplement, purchasers of 2003 Credit Linked Notes are exposed to the credit risks and other risks associated with the Reference Entities and their Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations, Deliverable Obligations and any relevant jurisdictional risks.

2.7. Synthetic exposure

The 2003 Credit Linked Notes do not represent a claim against any Reference Entity and, in the event of any loss, purchasers of 2003 Credit Linked Notes will not have recourse under the 2003 Credit Linked Notes to any Reference Entity. The Issuer is not obliged to own or hold any Obligation or Reference Obligation, and no inference may be drawn from the Master Programme Memorandum, the Applicable Product Supplement or any Applicable Pricing Supplement that the Issuer holds any such Obligation or Reference Obligation or has any credit exposure to any Reference Entity. Unless otherwise provided in the Applicable Pricing Supplement, amounts payable under the 2003 Credit Linked Notes are not, in any direct or indirect way, limited by or associated with, or linked or calculated by reference to, any loss of bargain, cost of funding or any other actual loss or cost suffered by the Issuer as a result of its holding or not holding any Obligation or Reference Obligation.

2.8. Credit Events

Potential purchasers should note that not all Credit Events have easily ascertainable triggers and disputes can and have arisen as to whether a specific event did or did not constitute a Credit Event. However, under these 2003 Credit Linked Conditions and subject to any subsequent determinations made by a Credit Derivatives Determinations Committee, the Issuer's determination of a Credit Event will, in the absence of manifest error, be conclusive and binding on all persons (including, without limitation, the Noteholders), notwithstanding the disagreement of such persons or other financial institutions, rating agencies or commentators.

2.9. Succession Events and Substitute Reference Obligations

2.9.1. If specified in the Applicable Pricing Supplement, the Issuer or a third party (the "**Replacement Selector**") may be entitled to effect replacements of Reference Entities, Obligations, Reference Obligations and amounts referenced in a Series of 2003 Credit Linked Notes. Unless otherwise specified in the Applicable Pricing Supplement or any other agreement, the Replacement Selector may effect such replacements pursuant to any guidelines specified in the Applicable Pricing Supplement without regard to their effect on the value, market price or liquidity of any 2003 Credit Linked Notes or of the interests of any person other than the Replacement Selector. If the Applicable Pricing Supplement entitles the Replacement Selector to effect such replacements, unless otherwise specified, the Replacement Selector shall have no obligation to effect a replacement of

a Reference Obligation as a result of any change in the credit of such Reference Obligation or related Reference Entity and no such inference may be drawn from such Applicable Pricing Supplement.

2.9.2. Upon the occurrence of a Succession Event, one or more Successor Reference Entities will (unless otherwise specified in the Applicable Pricing Supplement) be deemed to be a Reference Entity in replacement of (or in addition to, as applicable) the Reference Entity originally specified in the Applicable Pricing Supplement. Furthermore, upon a Reference Obligation ceasing to exist in the manner specified in the definition thereof, a Substitute Reference Obligation may be selected.

2.9.3. As a result of the circumstances discussed in the preceding two paragraphs, a Series of 2003 Credit Linked Notes may be linked to the credit of certain Reference Entities and its Obligations and Reference Obligations, notwithstanding that such Reference Entities, Obligations and Reference Obligations were not specified in the Applicable Pricing Supplement upon issuance of such Series of 2003 Credit Linked Notes.

2.10. Redemption after Maturity

Redemption may occur irrespective of whether the Relevant Credit Event is continuing on or after a Relevant Event Determination Date. The Credit Event Redemption Date, the Final Delivery Date or the Physical Settlement Date may be later than the Maturity Date. In certain circumstances, delivery of Deliverable Obligations contained in the Deliverable Obligations Portfolio may be delayed to a date beyond the Physical Settlement Date. If a Credit Event has occurred but a Credit Event Notice has not yet been served on or prior to the Maturity Date, the Issuer may elect to extend the maturity of the 2003 Credit Linked Notes by service of an Extension Notice. During the Extension Period, the Issuer may deliver a Credit Event Notice.

2.11. Issuer discretion

The decision as to when and whether to deliver a Credit Event Notice and, if applicable, a Notice of Publicly Available Information, is at the sole and absolute discretion of the Issuer. Such notices are effective when delivered to the Issue and Paying Agent. The delivery of or failure to deliver such notices to Noteholders will not affect the effectiveness of such notices.

2.12. Risks relating to the CLN Settlement Method

- 2.12.1. The CLN Settlement Method specified in the Applicable Pricing Supplement will affect how the 2003 Credit Linked Notes are redeemed. Prospective investors should assess whether the CLN Settlement Method is appropriate for them prior to investing in the 2003 Credit Linked Notes.
- 2.12.2. Where “Issuer CLN Settlement Option” is applicable, the Issuer may elect the CLN Settlement Method after the occurrence of a Credit Event. Prospective investors should be aware that this may result in a different CLN Settlement Method than the method originally anticipated by the Noteholder.

2.13. Physical Settlement: redemption failure and alternative settlement

In relation to a Physically Delivered CLN, if a Redemption Failure Event occurs, the 2003 Credit Linked Note may be subject to alternative settlement and may, in certain circumstances, be redeemed without any payment or Delivery by the Issuer. If the minimum denomination of Deliverable Obligations is not a whole integral number of the amount of the Deliverable Obligations Portfolio, the Issuer may Deliver such whole integral amount of the Deliverable Obligations Portfolio and cash settle the fractional shortfall. If the Credit Event Redemption Amount in respect of such 2003 Credit Linked Note cannot be paid when due as a result of a Redemption Failure Event, the Noteholder, after providing a release and indemnity to the satisfaction of the Issuer, may request such payment to be made to an account or person not affected by such Redemption Failure Event, provided that, if such Redemption Failure Event is continuing for 180 calendar days after the Maturity Date, the Issuer’s obligations in respect of such payment will be discharged.

2.14. Impossibility and illegality

In relation to a Physically Delivered CLN, if it is impossible, impracticable (including if unduly burdensome) or illegal for the Issuer to Deliver (by reason of an impossibility, impracticability or illegality, non-receipt of requisite consents of Consent Required Loans or Assignable Loans included in the Deliverable Obligations Portfolio, the inclusion in the Deliverable Obligations Portfolio of Participations not effected by the Latest Permissible Physical Settlement Date or for any other reason specified in such 2003 Credit Linked Conditions), then the 2003 Credit Linked Conditions relating to partial cash settlement may apply in respect of any undeliverable portion of the Deliverable Obligations Portfolio. If such partial cash settlement does not apply, then

in respect of the portion of the Deliverable Obligations Portfolio for which it is not possible or legal to take Delivery on the Physical Settlement Date, such Delivery will take place as soon as practicable thereafter in accordance with the provisions of the Credit Derivatives Definitions and in any event on or before the Latest Permissible Physical Settlement Date. The Issuer's obligations will be deemed to be fully discharged with respect to such 2003 Credit Linked Note as at the date on which the Deliverable Obligations Portfolio (if any) has been fully Delivered or otherwise as at the date immediately following the Latest Permissible Physical Settlement Date.

#### 2.15. Auction Settlement

2.15.1. If "Auction Settlement" is specified as applicable in respect of any 2003 Credit Linked Note, then the amounts payable by and/or rights and obligations of the parties under such 2003 Credit Linked Note in respect of the relevant Reference Entity or Reference Obligation will be determined in accordance with the Auction Final Price (as defined in these 2003 Credit Linked Conditions). 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.

2.15.2. If "Auction Settlement" is specified as applicable with respect to any 2003 Credit Linked Notes but the Credit Derivatives Determinations Committee does not decide to conduct an Auction with respect to obligations of the relevant Reference Entity satisfying the relevant characteristics as set out in the Applicable Pricing Supplement, then the Fallback CLN Settlement Method 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 Obligations Portfolio.

2.15.3. Investors should note that they will not be able to deliver a "Customer Physical Settlement Request" (as defined in the Credit Derivatives Auction Settlement Terms) to the Issuer in respect of their holding of 2003 Credit Linked Notes.

#### 2.16. Cash Settlement

2.16.1. If "Cash Settlement" is specified as applicable with respect to any 2003 Credit Linked Notes, or deemed to apply pursuant to the Issuer CLN Settlement Method or the Fallback CLN Settlement Method, then the

Calculation Agent will value the Reference Obligation by asking for quotations from Dealers. The date, time and method of such auction, and the selection of the Reference Obligation, will impact the Final Price. The Dealers selected by the Calculation Agent must be financial institutions, funds or other entities that purchase or deal in obligations similar to the Reference Obligation and may include the Issuer; however, the Dealers have no duty towards any Noteholder and may not be aware that the purpose of the auction is to determine a Final Price for purposes of the 2003 Credit Linked Notes or any other securities.

2.16.2. Investors should note that the Final Price determined pursuant to a dealer poll may be significantly different to the Auction Final Price.

2.17. Leverage

Certain 2003 Credit Linked Notes may be highly leveraged investments, including, without limitation, 2003 Credit Linked Notes linked to a notional amount of Reference Entities or Reference Obligations exceeding the Aggregate Nominal Amount of Notes. The use of leverage is a speculative investment technique to enhance returns. However, leverage will also magnify the adverse impact of Credit Events.

2.18. Hedging

In the ordinary course of their business, including, without limitation, in connection with their market-making activities, the Issuer and/or any agent or any affiliate of any of them (each such entity, a “**Programme Party**”) may effect transactions for their own account or for the accounts of their customers and hold long or short positions in any applicable Obligation, Reference Obligation, obligation of a Reference Entity or related derivatives. In addition, in connection with the offering of the 2003 Credit Linked Notes, the Issuer and/or any other Programme Party may enter into one or more hedging transactions with respect to any applicable Obligation, Reference Obligation, obligation of a Reference Entity or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and/or any other Programme Party, the Issuer and/or any other Programme Party may enter into transactions with respect to any applicable Obligation, Reference Obligation, obligation of a Reference Entity or related derivatives which may affect the market price, liquidity or value of the 2003 Credit Linked Notes and which could be deemed to be adverse to the interests of the relevant Noteholders. The Issuer and/or any other Programme Party may pursue such hedging or related derivatives actions and take

such steps as they deem necessary or appropriate to protect their interests without regard to the consequences for any Noteholder.

2.19. No guarantee of performance

The 2003 Credit Linked Notes constitute direct, unsubordinated and unsecured obligations of the Issuer that are linked to the credit risk of the Reference Entities and/or Reference Obligations specified in the Applicable Pricing Supplement. No Programme Party guarantees the performance of or otherwise stands behind the performance of any Reference Entity or Reference Obligation or is under any obligation to make good losses suffered as a result of Credit Events.

2.20. Provision of Information

The Programme Parties, whether by virtue of the types of relationships described herein or otherwise, may possess information in relation to any Reference Entity, any Affiliate of a Reference Entity, any Reference Obligation that is or may be material in the context of the 2003 Credit Linked Notes and that may or may not be publicly available or known to the Noteholders or any other person. The 2003 Credit Linked Notes will not create any obligation on the part of any of the Programme Parties to disclose any such relationship or information (whether or not confidential).

2.21. No representation

None of the Programme Parties makes any representation, express or implied, as to any Reference Entity or any Reference Obligation or the credit quality thereof, or any information contained in any documents provided by any Reference Entity or filed by a Reference Entity with any exchange or with any governmental authority.

2.22. Expenses and taxation

2.22.1. Noteholders must pay all Taxes and/or Settlement Expenses, arising from the ownership, transfer, sale, redemption, exercise, cancellation of 2003 Credit Linked Notes and/or receipt or transfer of any Deliverable Obligations Portfolio. All payments in respect of the 2003 Credit Linked Notes will be made subject to deduction for or on account of Taxes and/or Settlement Expenses and/or Swap Costs, and there will be no obligation on the Issuer (if applicable) to gross-up or redeem the 2003 Credit Linked Notes early as a result of any such deduction.

2.22.2. The relevant Issuer is not liable for or otherwise obliged to pay any Taxes or Settlement Expenses and all payments made by the Issuer will be made subject to any such Taxes or Settlement Expenses which may be required to be made, paid withheld or deducted and subject to any Swap Costs. The Issuer is not obliged to redeem the 2003 Credit Linked Notes early as a result of, or make any additional payments to Noteholders in respect of, any such Taxes or Settlement Expenses.

2.23. Independent review and advice

2.23.1. Each Noteholder is fully responsible for making its own investment decisions as to whether the 2003 Credit Linked Notes (i) are fully consistent with its (or, if it is acquiring the 2003 Credit Linked Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and conditions, (ii) comply and are fully consistent with all investment policies, guidelines and restrictions applicable to it (or its beneficiary) and (iii) are a fit, proper and suitable investment for it (or its beneficiary).

2.23.2. Each Noteholder deemed to have sufficient knowledge, experience and professional advice to make its own investment decisions, including, without limitation, its own legal, financial, tax, accounting, credit, regulatory and other business evaluation of the risks and merits of investment in the 2003 Credit Linked Notes. Each Noteholder should ensure that it fully understands the risks associated with investments of this nature, which are intended to be sold only to sophisticated investors.

2.23.3. Each Noteholder should be aware that the Issuer does not have any duty to conduct, and does not accept any responsibility for conducting or failing to conduct, any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any Reference Entity and its Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations and Deliverable Obligations. Each Noteholder is solely responsible for making its own independent appraisal of and investigation into such matters. No Noteholder may rely on the views or advice of the Issuer for any information in relation to any person other than the Issuer itself.

2.23.4. 2003 Credit Linked Notes are complex financial instruments. A prospective investor should not invest in 2003 Credit Linked Notes unless it has the expertise (either alone or with a financial adviser) to evaluate

how the 2003 Credit Linked Notes will perform under changing conditions, the resulting effects on the value of the 2003 Credit Linked Notes and the impact this investment will have on the prospective investor's overall investment portfolio.

### 3. TYPES OF 2003 CREDIT LINKED NOTES

2003 Credit Linked Notes may be Single Name CLNs, Nth-to-Default CLNs, Portfolio CLNs or Index CLNs, or such other type of Note as described in the Applicable Pricing Supplement.

- 3.1. **"Single Name CLN"** means a Note, the payment of principal and/or interest on which is determined by reference to the occurrence of a Relevant Credit Event with respect to a single Reference Entity.
- 3.2. **"Nth-to-Default CLN"** means a Note, the payment of principal and/or interest on which is determined by reference to the occurrence of a Relevant Credit Event, in relation to the Nth Event Determination Date, with respect to the Reference Portfolio.
- 3.3. **"Portfolio CLN"** means a Note, the payment of principal and/or interest on which is determined by reference to the occurrence of a Credit Event with respect to more than one Reference Entities comprising the Reference Portfolio.
- 3.4. **"Index CLN"** means a Note, the payment of principal and/or interest on which is determined by reference to the level (or change in level, as applicable) of a benchmark index.

### 4. CREDIT EVENT DETERMINATIONS AND CONSEQUENCES

#### 4.1. Credit Event Determination

- 4.1.1. The Issuer may, at any point during the Notice Delivery Period, deliver a Credit Event Notice (provided that an Event Determination Date may only occur following the Maturity Date where an Extension Notice has been delivered) in accordance with the provisions of these 2003 Credit Linked Conditions and the Applicable Pricing Supplement.
- 4.1.2. The Issuer's determination of a Credit Event will, in the absence of manifest error and subject to the "Event Determination Date" definition, be conclusive and binding on all persons (including, without limitation, the Noteholders). Neither the Issuer nor the Paying Agent will have any liability whatsoever for the failure of the Issuer for any reason to determine that a Credit Event has occurred or with respect to the Issuer's timing as to when

to deliver a Credit Event Notice, Notice of Publicly Available Information or Notice of Physical Settlement nor will they have any duty or responsibility to investigate or check whether any Credit Event has, or may have, occurred or may be continuing.

#### 4.2. Relevant Credit Events

4.2.1. If a Relevant Event Determination Date has occurred in respect of a Reference Entity during the Notice Delivery Period and on or prior to the Maturity Date, then, notwithstanding anything to the contrary in Condition 6, or Condition 8 of the Terms and Conditions, unless otherwise specified in the Applicable Pricing Supplement:

4.2.1.1. interest will cease to accrue as at the Interest Expiration Date; and

4.2.1.2. the Issuer may redeem each Cash Settled CLN at the Credit Event Redemption Amount on the Credit Event Redemption Date and each Physically Delivered CLN by Delivery of the Deliverable Obligations Portfolio on or before the Final Delivery Date subject to and in accordance with the provisions of these 2003 Credit Linked Conditions and the Applicable Pricing Supplement.

4.2.2. If the Issuer elects to redeem the Notes, the Issuer shall deliver, or may cause the Paying Agent, at the expense of the Issuer, to deliver a notice (a "**Credit Event Redemption Notice**") in accordance with 2003 Credit Linked Condition 9 to the Noteholders, with a copy to the Calculation Agent and the Paying Agent. The Credit Event Redemption Notice will:

4.2.2.1. identify the Series of Notes to which the Credit Event Redemption Notice relates;

4.2.2.2. state the Issuer's intention to redeem the Notes pursuant to 2003 Credit Linked Condition 5 or 2003 Credit Linked Condition 6, as applicable; and

4.2.2.3. if "Issuer CLN Settlement Option" is specified as applicable in the Applicable Pricing Supplement, state the CLN Settlement Method that shall apply to the Notes.

4.2.3. If a Credit Event Notice, Notice of Publicly Available Information or, if applicable, Notice of Physical Settlement specifies the information required to be specified in a Credit Event Redemption Notice, such notice will be deemed to be a Credit Event Redemption Notice.

4.3. Credit Event Notice after Restructuring

4.3.1. Upon the occurrence of an Event Determination Date in respect of a Restructuring Credit Event:

4.3.1.1. the Issuer may deliver multiple Credit Event Notices with respect to such Restructuring Credit Event, each such Credit Event Notice setting forth the Nominal Amount with respect to each Note to which such Credit Event Notice applies (the aggregate of such amounts with respect to a Series, the “**Exercise Amount**”);

4.3.1.2. if the Issuer has delivered a Credit Event Notice that specifies an Exercise Amount that is less than the Nominal Amount or the whole Note as applicable, the rights and obligations of the Issuer shall, with effect from the date such Credit Event Notice is effective, be construed as if the Issuer had issued two Notes, one of which has a Nominal Amount equal to the Exercise Amount and, upon satisfaction of the Conditions to Settlement, will be settled (and, if applicable, redeemed) in accordance with the applicable CLN Settlement Method, and the other of which will have a Nominal Amount to the Nominal Amount per Note, as applicable, immediately prior to such Credit Event Notice minus such Note's *pro rata* share of the Exercise Amount and will continue in effect with such modifications required as determined by the Calculation Agent to preserve the economic effects of the two Notes considered in the aggregate; and

4.3.1.3. the Exercise Amount in connection with a Credit Event Notice describing a Restructuring must be an amount that is at least 1,000,000 (one million) units of the relevant currency, (or, if Japanese Yen, 100,000,000 (one million) units) or an integral multiple thereof or the entire then outstanding aggregate Nominal Amount of the Notes on or about the date of the

relevant Credit Event Notice. If no Exercise Amount is specified by the Issuer, the Exercise Amount shall be deemed to be the then outstanding aggregate Nominal Amount on or about the date of the relevant Credit Event Notice.

4.3.2. Upon redemption of part of each such 2003 Credit Linked Note, the relevant 2003 Credit Linked Note shall be endorsed to reflect such partial redemption.

4.4. Deferred Redemption Date

Notwithstanding anything to the contrary in Condition 6 and Condition 8 of the Terms and Conditions, in addition to amounts of interest (if any) accrued in accordance with the 2003 Credit Linked Conditions, in respect of the Extended Interest Period (if any), unless "Extension Interest" is specified as not applicable in the Applicable Pricing Supplement and no Relevant Event Determination Date occurs on or prior to the Securities Extension Date, interest ("**Extension Interest**") on each interest bearing 2003 Credit Linked Note will be payable in arrear on the Deferred Redemption Date in an amount determined by the Calculation Agent equal to the sum for each day in the Extended Interest Period of the product of (i) the Nominal Amount per Note on such day, (ii) the Absa Bank Limited overnight deposit rate for deposits in the relevant currency for such day and (iii) 1/360. If "Extension Interest" is specified as not applicable in the Applicable Pricing Supplement, no amount of Extension Interest or other interest shall accrue or be payable on each such 2003 Credit Linked Note in respect of any period on or following the Maturity Date, notwithstanding that the Deferred Redemption Date occurs following such date.

5. **REDEMPTION OF CASH SETTLED CLNS**

Notwithstanding anything to the contrary in Condition 8 of the Terms and Conditions and unless otherwise specified in the Applicable Pricing Supplement, following delivery of a Credit Event Redemption Notice in relation to a Cash Settled CLN, each 2003 Credit Linked Note will be redeemed at its Credit Event Redemption Amount on the Credit Event Redemption Date.

6. **REDEMPTION OF PHYSICALLY DELIVERED CLNs**

6.1. Redemption of Physically Delivered CLNs

Notwithstanding anything to the contrary in Condition 8 of the Terms and Conditions, following delivery of a Credit Event Redemption Notice in relation to a Physically Delivered CLN, each such 2003 Credit Linked Note will be redeemed by Delivery of

such Note's *pro rata* share (on a per Nominal Amount per Note basis determined on or about the date of the Credit Event Redemption Notice) of the Deliverable Obligations Portfolio subject to and in accordance with this 2003 Credit Linked Condition 6.

6.2. Delivery of Deliverable Obligations on shortfall

Subject to 2003 Credit Linked Condition 6.4, and unless otherwise elected by the Issuer in accordance with the Issuer CLN Settlement Option, if all or any part of the Deliverable Obligations Portfolio to be Delivered to a Noteholder is not a whole integral multiple of the smallest unit of transfer for any such Deliverable Obligation at the relevant time of Delivery, as determined by the Calculation Agent, the Issuer will Deliver and such Noteholder will only be entitled to receive the portion of the Deliverable Obligations Portfolio specified by the Calculation Agent which is closest to but less than the full Deliverable Obligations Portfolio, after consideration of such smallest unit or units of transfer (such portion of the Deliverable Obligations Portfolio that is not so Delivered, a "**Delivery Shortfall**"), and the Issuer will pay to such Noteholder in the relevant currency at the same time as such Delivery an amount in cash equal to the value of such Delivery Shortfall, as determined by the Calculation Agent.

6.3. Delivery of Deliverable Obligation Portfolio

6.3.1. Delivery of the Deliverable Obligations Portfolio shall be made in accordance with 2003 Credit Linked Condition 23.1.

6.3.2. Subject to the rest of this 2003 Credit Linked Condition 6, the Issuer may Deliver only the Deliverable Obligations specified in the Notice of Physical Settlement and only in the amounts specified therein. The Issuer may continue to attempt to Deliver the whole of the Deliverable Obligations specified in the Notice of Physical Settlement:

6.3.2.1. in the case of Deliverable Obligations that are Bonds or Loans, after the Physical Settlement Date; and

6.3.2.2. in the case of Deliverable Obligations that are not Bonds or Loans, for an additional five Business Days after the Physical Settlement Date.

6.3.3. Until the date on which the Deliverable Obligations Portfolio has been fully Delivered (or, if applicable, the Latest Permissible Physical Settlement Date), the Issuer or any other person (whether or not on behalf of the Issuer) may continue to be the legal owner of the Deliverable Obligations

comprising the Deliverable Obligations Portfolio which it is not possible, practical or legal to deliver. None of the Issuer nor any such other person will:

- 6.3.3.1. be under any obligation to deliver or procure delivery to the relevant Noteholder or any other person any letter, certificate, notice, circular or any other document or payment whatsoever received by the Issuer or that person;
- 6.3.3.2. be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such Deliverable Obligations comprising the Deliverable Obligations Portfolio until the date on which the Deliverable Obligations Portfolio has been fully Delivered (or, if applicable, the Latest Permissible Physical Settlement Date);
- 6.3.3.3. be under any liability to such Noteholder or any other person in respect of any loss or damage which such Noteholder or other person may sustain or suffer as a result, whether directly or indirectly, of the Issuer or any person (whether or not on behalf of the Issuer) being the legal owner of such Deliverable Obligations comprising the Deliverable Obligations Portfolio until the date on which the Deliverable Obligations Portfolio has been fully Delivered (or, if applicable, the Latest Permissible Physical Settlement Date); or
- 6.3.3.4. have any liability whatsoever to such Noteholder or any other person if, as a result of a Redemption Failure Event or for any other reason whatsoever (including without limitation 2003 Credit Linked Condition 6.4 to 2003 Credit Linked Condition 6.8, inclusive) it is unable to effect Delivery of any Deliverable Obligations comprising the Deliverable Obligations Portfolio and its obligations hereunder are deemed to be fully discharged in accordance with the 2003 Credit Linked Conditions.

6.4. Partial Cash Settlement due to Impossibility or Illegality

Unless otherwise specified in the Applicable Pricing Supplement if, due to an event beyond the control of the Issuer, it is impossible, impracticable (including if unduly

burdensome) or illegal for the Issuer to Deliver, or due to an event beyond the control of the Issuer it is impossible, impracticable (including if unduly burdensome) or illegal for any Noteholder (the “**Affected Noteholder**”, which term shall apply to the relevant Noteholder in this 2003 Credit Linked Condition 6) to accept Delivery of, any of the Deliverable Obligations specified in the Notice of Physical Settlement on the Physical Settlement Date (including, without limitation, failure of the relevant clearance system or due to any law, regulation or court order, but excluding market conditions or the failure to obtain any requisite consent with respect to the Delivery of Loans) (the “**Undeliverable Obligation**”), then on or before such date:

- 6.4.1. the Issuer shall Deliver, and the Affected Noteholder shall take Delivery of, any of the Deliverable Obligations specified in the Notice of Physical Settlement for which it is possible and legal to take Delivery;
- 6.4.2. the Issuer shall provide a description in reasonable detail of the facts giving rise to such impossibility, impracticability or illegality; and
- 6.4.3. Cash Settlement pursuant to the Partial Cash Settlement Terms in 2003 Credit Linked Condition 6.9 shall apply to the Undeliverable Obligation.

6.5. Partial Cash Settlement of Consent Required Loans

Unless otherwise specified in the Applicable Pricing Supplement, if:

- 6.5.1. the Deliverable Obligations specified in the Notice of Physical Settlement include Consent Required Loans that, due to the non-receipt of any requisite consents, are not, on the Physical Settlement Date, capable of being assigned or novated to the Affected Noteholder and such consents are not obtained or deemed given by the Latest Permissible Physical Settlement Date; and
- 6.5.2. Direct Loan Participation is not specified as a Deliverable Obligation Characteristic in the Applicable Pricing Supplement or “Direct Loan Participation” is specified as a Deliverable Obligation Characteristic in the related Contractual Terms of Issue and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date,

Cash Settlement pursuant to the Partial Cash Settlement Terms in 2003 Credit Linked Condition 6.9 shall be deemed to apply to the Notes with respect to the Deliverable Obligations specified in the Notice of Physical Settlement that consist of Consent

Required Loans for which consents are not obtained or deemed given (the “**Undeliverable Loan Obligations**”).

6.6. Partial Cash Settlement of Assignable Loans

Unless otherwise specified in the Applicable Pricing Supplement, if:

6.6.1. the Deliverable Obligations specified in the Notice of Physical Settlement include Assignable Loans that, due to the non-receipt of any requisite consents, are not, on the Physical Settlement Date, capable of being assigned or novated to the Affected Noteholder and such consents are not obtained or deemed given by the Latest Permissible Physical Settlement Date; and

6.6.2. Direct Loan Participation is not specified as a Deliverable Obligation Characteristic in the Applicable Pricing Supplement or “Direct Loan Participation” is specified as a Deliverable Obligation Characteristic in the Applicable Pricing Supplement and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date,

Cash Settlement pursuant to the Partial Cash Settlement Terms in 2003 Credit Linked Condition 6.9 shall be deemed to apply to the Notes with respect to the Deliverable Obligations specified in the Notice of Physical Settlement that consist of Assignable Loans for which consents are not obtained or deemed given (the “**Unassignable Obligations**”).

6.7. Partial Cash Settlement of Direct Loan Participations

Unless otherwise specified in the Applicable Pricing Supplement, if the Deliverable Obligations include Direct Loan Participations and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date, Cash Settlement pursuant to the Partial Cash Settlement Terms shall be deemed to apply to the 2003 Credit Linked Notes with respect to the Deliverable Obligations specified in the Notice of Physical Settlement that consist of Direct Loan Participations in respect of which the relevant participation is not effected (the “**Undeliverable Participations**”).

6.8. Alternative Procedures Relating to Loans not Delivered

6.8.1. If the Issuer has not Delivered any Deliverable Obligations specified in the Notice of Physical Settlement that are Loans on or prior to the date that is five Business Days after the Physical Settlement Date (the “**Alternative**”).

**Procedure Start Date**”), of clause 6.8.2 below provisions shall apply unless:

- 6.8.1.1. Reference Obligations Only has been specified as the Deliverable Obligation Category in the Applicable Pricing Supplement;
  - 6.8.1.2. in the case of a Consent Required Loan, “Partial Cash Settlement of Consent Required Loans Applicable” is specified in the Applicable Pricing Supplement (in which case 2003 Credit Linked Condition 6.5 shall apply);
  - 6.8.1.3. in the case of an Assignable Loan, “Partial Cash Settlement of Assignable Loans Applicable” is specified in the Applicable Pricing Supplement (in which case 2003 Credit Linked Condition 6.6 shall apply)
  - 6.8.1.4. in the case of a Direct Loan Participation, “Partial Cash Settlement of Participations Applicable” is specified in the Applicable Pricing Supplement (in which case 2003 Credit Linked Condition 6.7 shall apply); or
  - 6.8.1.5. in any case, such failure to Deliver is due to an event described in 2003 Credit Linked Condition 6.4 (in which case 2003 Credit Linked Condition 6.4 shall apply).
- 6.8.2. In the event that the Issuer has failed to obtain the requisite consents to Deliver a Loan specified in the Notice of Physical Settlement and has provided a certificate signed by a Managing Director (or other substantively equivalent title) of the Issuer, which shall certify that Issuer has used reasonable efforts to obtain such consents, at any time following the Alternative Procedure Start Date, Issuer may Deliver, in lieu of all or part of such Loan, any Bond that is Transferable and Not Bearer or Loan that is Assignable, in either case selected by the Issuer and having on both the Physical Settlement Date and the Delivery Date each of the Deliverable Obligation Characteristics (other than Consent Required Loan or Direct Loan Participation), if any, specified in the Applicable Pricing Supplement and otherwise satisfying the requirements to constitute a Deliverable Obligation (and such instrument shall be deemed specified in the Notice of Physical Settlement).

6.9. Partial Cash Settlement Terms

6.9.1. Unless specified otherwise in the Applicable Pricing Supplement, the following terms are deemed to be defined as follows for the purposes of the Partial Cash Settlement Terms referred to in 2003 Credit Linked Condition 6.4 to 2003 Credit Linked Condition 6.8 above (inclusive):

6.9.1.1. If “Cash Settlement” is deemed to apply pursuant to 2003 Credit Linked Condition 6.4 to 2003 Credit Linked Condition 6.8 (inclusive), the portion of the Deliverable Obligations Portfolio corresponding to the applicable Undeliverable Obligation, Undeliverable Loan Obligation, Undeliverable Participation or Unassignable Obligation (each an “**Undeliverable Deliverable Obligation**”) shall not consist of such Undeliverable Deliverable Obligation, but shall consist of an amount equal to the outstanding principal balance (or, the equivalent Currency Amount thereof) of such Undeliverable Deliverable Obligation multiplied by the Final Price with respect to such Undeliverable Deliverable Obligation. For the purposes of this 2003 Credit Linked Condition 6.9;

6.9.1.2. Final Price means the highest firm bid price (expressed as a percentage of par and excluding any accrued and unpaid interest) solicited by the Calculation Agent from 4 (four) or more Dealers at the CLN Valuation Time (as per 2003 Credit Linked Condition 6.9.1.6) on the CLN Valuation Date (as per 2003 Credit Linked Condition 6.9.1.4) for the purchase of the applicable Undeliverable Deliverable Obligation in a quantity equal to the applicable outstanding principal balance or Due and Payable Amount which was not, or could not be, Delivered, provided, if no such firm bids are provided in respect of any such Undeliverable Deliverable Obligation at such time on such date, the firm bid price will be zero. Any quotation provided by the Issuer or an Affiliate thereof shall be deemed to be a firm quotation;

6.9.1.3. Credit Event Redemption Date is the date that is 3 (three) Business Days after the calculation of the Final Price;

- 6.9.1.4. CLN Valuation Date is the date that is 2 (two) Business Days after the Latest Permissible Physical Settlement Date;
- 6.9.1.5. there shall be no Minimum Quotation Amount; and
- 6.9.1.6. CLN Valuation Time is the time specified as such in the Applicable Pricing Supplement or if no time is so specified, the time specified by the Calculation Agent, which shall be as close as reasonably practicable to 11h00 a.m. in the relevant Calculation Agent City, unless the Calculation Agent determines that the principal market for transactions in the Undeliverable Deliverable Obligation would be closed at such time or such transactions are not being conducted in sufficient volume (as determined by the Calculation Agent in its sole and absolute discretion) at such time, in which event the CLN Valuation Time shall be such other time as may be specified by the Calculation Agent that such principal market is open.

6.9.2. For the purposes of these 2003 Credit Linked Conditions, “**Affiliate**” means, in relation to any entity (the “**First Entity**”), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes “**control**” means ownership of a majority of the voting power of an entity.

## 7. REDEMPTION FAILURE EVENT

- 7.1. “**Redemption Failure Event**” means, in each case as determined by the Calculation Agent in its sole discretion:
  - 7.1.1. it is impossible or illegal for the Issuer to pay (due to an event beyond the control of the Issuer), or for a Noteholder to accept payment of (due to an event beyond the control of such Noteholder), any cash amount (including, without limitation, the Credit Event Redemption Amount in respect of each 2003 Credit Linked Note) required to be paid on the date scheduled for such payment;
  - 7.1.2. the failure of a Noteholder to surrender a 2003 Credit Linked Note for cancellation on or before the Maturity Date, first Delivery Date in respect of the applicable Physical Settlement Date or Credit Event Redemption Date, as the case may be; or

7.1.3. the failure of any relevant person to duly execute, deliver and/or accept a transfer certificate or other transfer document on or before any Delivery Date and/or specify a date for transfer of the relevant Deliverable Obligation that is on or before any Delivery Date, in each case in accordance with the terms of the relevant Deliverable Obligation.

7.2. If a Redemption Failure Event has occurred and exists on the Maturity Date, the obligation of the Issuer to pay the Credit Event Redemption Amount or to Deliver the Deliverable Obligations Portfolio or part thereof, as the case may be, on such date will be postponed without further act or notice and such payment or Delivery will be made on a Business Day selected by the Calculation Agent on which such Redemption Failure Event no longer exists, provided that, if such Redemption Failure Event continues to exist on the tenth Business Day after the Maturity Date or other scheduled payment date or Delivery Date in respect of an amount required to be paid or Deliverable Obligations to be Delivered (as the case may be), the Noteholder may request the Issuer in writing to make payment of such amount to such account or to such other person as the Noteholder specifies, provided that, the Issuer first receives an irrevocable and unconditional release and indemnity in respect of liabilities arising therefrom to its sole and absolute satisfaction.

7.3. Notwithstanding anything to the contrary in the Terms and Conditions, if the Calculation Agent determines that such Redemption Failure Event continues to exist on the 180th calendar day after the Maturity Date or other scheduled payment date or Delivery Date in respect of an amount required to be paid or Deliverable Obligations to be Delivered (as the case may be) no such payment will be made by the Issuer and the Issuer's obligations to the Noteholder hereunder will be deemed to be fully discharged as of that date.

7.4. Any postponement or deemed discharge of payment pursuant to this 2003 Credit Linked Condition 7 will not constitute a default hereunder (including for the purpose of Condition 14 of the Terms and Conditions) and will not entitle the relevant Noteholder to any additional interest or other payment as a result thereof. For the avoidance of doubt, the provisions of this 2003 Credit Linked Condition 7 are in addition to any provisions of 2003 Credit Linked Condition 6 regarding, *inter alia*, the failure to Deliver Deliverable Obligations.

## 8. **CALCULATION AGENT**

8.1. Except as otherwise set forth in the Applicable Pricing Supplement any determination, discretion or calculation of the Issuer or the Calculation Agent as may be specified in

these 2003 Credit Linked Conditions will be made in the sole and absolute discretion of the Issuer or the Calculation Agent, as applicable, and neither assume any obligation to, or relationship of agency or trust with, any Noteholders or any other person. Furthermore, each Noteholder agrees that none of the Issuer or the Calculation Agent is acting as fiduciary for or as an adviser to such Noteholder in respect of its duties as Issuer or Calculation Agent. In making any such determination or calculation or exercising any such discretion, none of the Issuer or Calculation Agent shall be required to take into account any person's interest other than its own.

- 8.2. The Calculation Agent is responsible for, *inter alia*:
- 8.2.1. determining a Successor or Successors and making any other determinations required to be made under the Successor provisions;
  - 8.2.2. determining whether:
    - 8.2.2.1. the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortization or prepayments);
    - 8.2.2.2. any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a 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
    - 8.2.2.3. for any reason other than as described in 2003 Credit Linked Condition 8.2.2.1 or 2003 Credit Linked Condition 8.2.2.2 above and other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity;
  - 8.2.3. identifying and determining a Substitute Reference Obligation;
  - 8.2.4. in the event that multiple Credit Event Notices with respect to a Restructuring Credit Event are delivered pursuant to 2003 Credit Linked Condition 4.3, making any modifications required pursuant to that 2003 Credit Linked Condition;

- 8.2.5. obtaining Quotations (and, if necessary, determining whether such Quotations shall include or exclude accrued but unpaid interest) and determining the Final Price in accordance with the applicable Valuation Method;
  - 8.2.6. converting the Quotation Amount into the relevant Obligation Currency;
  - 8.2.7. determining the Dealers (where none have been specified in the Applicable Pricing Supplement) and substituting Dealers;
  - 8.2.8. determining the Currency Rate;
  - 8.2.9. determining the Representative Amount;
  - 8.2.10. determining the number of Business Days in each Physical Settlement Period; and
  - 8.2.11. if "Include Accrued Interest" is specified in the Applicable Pricing Supplement with respect to Deliverable Obligations, determining accrued but unpaid interest; and determining the Accreted Amount of any Accreting Obligation.
- 8.3. Except as otherwise expressly set forth herein or in the Applicable Pricing Supplement, whenever the Calculation Agent is required to act or to exercise judgment, it will do so in good faith and in a commercially reasonable manner. Each Noteholder in respect of the relevant Series of 2003 Credit Linked Notes acknowledges and agrees that the Calculation Agent is not acting as a fiduciary for or an adviser to any person in respect of the Notes, and acts in all respects as an arm's length contractual counterparty.
- 8.4. If any of the matters set out in this 2003 Credit Linked Condition 15 are decided and/or determined by a Credit Derivatives Determinations Committee, the Calculation Agent shall follow such decision or determination to the extent such decision and/or determination is applicable to any Series of 2003 Credit Linked Notes.

## 9. NOTICES

### 9.1. Notices required to be delivered

- 9.1.1. The Issuer shall deliver to and/or give notice of the following, to Noteholders to the extent required to be delivered pursuant to a Series of

2003 Credit Linked Notes and unless otherwise specified in the Applicable Pricing Supplement:

- 9.1.1.1. Credit Event Notice;
- 9.1.1.2. Notice of Publicly Available Information;
- 9.1.1.3. Notice of Physical Settlement;
- 9.1.1.4. the occurrence of any Succession Event, including if applicable details of any Successors and any amendments to the weighting of each Reference Entity within the Reference Portfolio (provided that (i) no Succession Event Notice shall be required following a determination by a Credit Derivatives Determinations Committee that a Succession Event has occurred and (i) the failure of the Issuer to deliver a notice to the Noteholders pursuant to this 2003 Credit Linked Condition 9 shall not affect the effectiveness of any determinations by the Calculation Agent in respect of such Succession Event (such determinations to be in accordance with these 2003 Credit Linked Conditions));
- 9.1.1.5. the selection of any Replacement Reference Entity;
- 9.1.1.6. if the terms of any Notes provide for the Reference Portfolio to be amended from time to time other than through a Succession Event, details of any amendments to the Reference Portfolio;
- 9.1.1.7. the designation of any Substitute Reference Obligation (provided that (i) no such notice shall be required following a determination by a Credit Derivatives Determinations Committee of a Substitute Reference Obligation has occurred and (ii) the failure of the Issuer to deliver a notice to the Noteholders pursuant to this 2003 Credit Linked Condition 9 shall not affect the effectiveness of any designation of such Substitute Reference Obligation by the Calculation Agent (such designation to be in accordance with these 2003 Credit Linked Conditions));

- 9.1.1.8. in respect of any Cash Settled CLN, following the selection by the Issuer of an obligation of the Reference Entity constituting a Reference Obligation for the purposes of “Terms relating to Cash Settlement”, a notice specifying the identification details of such selected obligation, provided that the failure of the Issuer to deliver a notice to the Noteholders pursuant to this 2003 Credit Linked Condition shall not affect the effectiveness of any designation of such Reference Obligation by the Calculation Agent (such designation to be in accordance with these 2003 Credit Linked Conditions);
  
- 9.1.1.9. following the determination of the CLN Cash Settlement Amount with respect to any Cash Settled CLN, a notice specifying, to the extent applicable:
  - 9.1.1.9.1. the Reference Obligation;
  - 9.1.1.9.2. the CLN Valuation Date;
  - 9.1.1.9.3. the Quotation Amount;
  - 9.1.1.9.4. the Quotations obtained;
  - 9.1.1.9.5. the Final Price or Auction Final Price, as applicable;
  - 9.1.1.9.6. the CLN Cash Settlement Amount;
  - 9.1.1.9.7. if applicable, any Settlement Expenses and/or Swap Costs; and
  - 9.1.1.9.8. if applicable, the Credit Event Redemption Amount; and
  
- 9.1.1.10. following delivery of a Notice of Physical Settlement (to the extent such information is not included in the Notice of Physical Settlement):
  - 9.1.1.10.1. the proposed Delivery Date;
  - 9.1.1.10.2. if applicable, the Settlement Expenses and/or Swap Costs; and

9.1.1.10.3. the outstanding principal amount of Deliverable Obligations to be Delivered.

9.2. Effectiveness of Notices

9.2.1. Any notice required to be delivered by the Issuer pursuant to these 2003 Credit Linked Conditions or the Applicable Pricing Supplement shall be effective when delivered. The Participant will deliver a copy thereof to Noteholders if required in accordance with the provisions of Condition 16 of the Terms and Conditions, provided that the failure of the Participant to deliver any such notice shall not affect the effectiveness of any notice delivered by the Issuer.

9.2.2. A notice delivered by the Issuer to a Participant on or prior to 16h00 (Calculation Agent City time) on a Calculation Agent City Business Day will be effective on such Calculation Agent City Business Day. A notice delivered after 16h00. (Calculation Agent City time) on a Calculation Agent City Business Day will be deemed effective on the next following Calculation Agent City Business Day, regardless of the form in which it is delivered. For purposes of the two preceding sentences, a notice given by telephone will be deemed to have been delivered at the time the telephone conversation takes place. If the notice is delivered by telephone, a written confirmation will be executed and delivered confirming the substance of that notice within one Business Day of that notice. Failure to provide that written confirmation will not affect the effectiveness of that telephonic notice. If a notice is given by email, it will be deemed effective at the date and time it was delivered.

9.3. Confidentiality

Noteholders will treat as confidential any information about a Reference Entity which is designated by the Issuer as confidential information and conveyed to the Noteholders for the purposes of identifying the Credit Event or giving rise to its determination of a Credit Event.

## 10. ADDITIONAL PROVISIONS IN RESPECT OF A SUCCESSION EVENT

### 10.1. Provisions for determining a Successor

10.1.1. “**Successor**” means in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined as set forth below:

10.1.1.1. if one entity directly or indirectly succeeds to 75% (seventy-five percent) or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor in respect of such Reference Entity;

10.1.1.2. if only one entity directly or indirectly succeeds to more than twenty-five percent (but less than 75% (seventy-five percent)) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% (twenty-five percent) of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than 25% (twenty-five percent) of the Relevant Obligations will be the sole Successor in respect of such Reference Entity;

10.1.1.3. if more than one entity each directly or indirectly succeeds to more than 25% (twenty-five percent) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% (twenty-five percent) of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than 25% (twenty-five percent) of the Relevant Obligations will each be a Successor (subject to 2003 Credit Linked Condition 10.2.1);

10.1.1.4. if one or more entities each directly or indirectly succeeds to more than 25% (twenty-five percent) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than 25% (twenty-five percent) 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 (subject to 2003 Credit Linked Condition 10.2.1);

- 10.1.1.5. 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% (twenty-five percent) of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity and the Notes will not be changed in any way as a result of the Succession Event; and
  - 10.1.1.6. 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% (twenty-five percent) 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 2 (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.
- 10.1.2. 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 (fourteen) calendar days after the legally effective date of the Succession Event), and with effect from the legally effective date of the relevant Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under 2003 Credit Linked Condition 10.1.1.6, as applicable; 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 2003 Credit Linked Condition 10.1.1 are satisfied in accordance with the CDDC 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. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under 2003 Credit Linked Condition 10.1.1.6, as applicable, 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 parties of such calculation

10.1.3. **“Succession Event”** means:

10.1.3.1. 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; and

10.1.3.2. 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.

Notwithstanding the foregoing, “Succession Event” shall not include an event:

10.1.3.3. 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

10.1.3.4. 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 Succession Event Backstop Date.

10.1.4. For purposes of this 2003 Credit Linked Condition 10.1, **“succeed”** means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that an entity other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) 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 2003 Credit Linked Condition 10.1.1 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.

10.1.5. Where:

10.1.5.1. a Reference Obligation has been specified with respect to a Reference Entity;

10.1.5.2. one or more Successors to the Reference Entity have been identified; and

10.1.5.3. any one or more such Successors have not assumed the Reference Obligation,

a Substitute Reference Obligation will be determined in accordance with the provisions of 2003 Credit Linked Condition 10.3 with respect to a Reference Entity.

10.1.6. Where, pursuant to 2003 Credit Linked Condition 10.1.1.3, 10.1.1.4, 10.2.1.3 or 10.1.1.6, 1 (one) or more Successors have been identified, the relevant Notes shall be divided into the same number of new Notes (the "**New Security(ies)**") as there are Successors, with the following terms:

10.1.6.1. each Successor shall be the Reference Entity for the purposes of one of the New Securities;

10.1.6.2. in respect of each New Security, the Nominal Amount per Note (determined on or about the date of the applicable Succession Event), as applicable, shall be the Nominal Amount of the original Note (before the occurrence of the relevant Succession Event) divided by the number of Successors;

10.1.6.3. all other terms and conditions of the original Notes shall be replicated in each of the New Securities, with such

modifications as would be required, as determined by the Calculation Agent, to preserve substantially the economic effect of the original Notes in the New Securities (considered in the aggregate);

10.1.6.4. each of the New Securities shall be deemed to constitute a separate and distinct issuance which shall be treated as a separate Series of Notes by the Issuer, and the Register shall be endorsed by the Registrar to reflect such separate Series of the New Securities and, at the request of a Noteholder, the Definitive Note representing the original Note (before the occurrence of the relevant Succession Event) will be replaced by Definitive Notes representing the New Securities in accordance with this 2003 Credit Linked Condition 10.1.6; and

10.1.6.5. the Calculation Agent shall make such other conforming and consequential changes as it shall deem appropriate to give effect to this Condition 10 including, without limitation, the amendment of 2003 Credit Linked Condition 4.1 to 2003 Credit Linked Condition 4.3 (inclusive) to allow, *inter alia*, for redemption of an aggregate Nominal Amount of the Notes with the aggregate Nominal Amount per Note (determined on or about the date of the applicable Succession Event) equal to the nominal amount of one (or more) New Security(ies) in respect of which a Relevant Event Determination Date has occurred, with the remainder of such aggregate Nominal Amount of the Notes remaining outstanding and accruing interest on such reduced aggregate Nominal Amount (until such time as a further Event Determination Date in respect of a different New Security may occur or a redemption of the remaining Nominal Amount of the Notes may otherwise occur pursuant to the terms hereof).

10.1.7. **“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.

- 10.1.8. **“Best Available Information”** means:
- 10.1.8.1. 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 this 2003 Credit Linked Conditions 10.1, 10.2 and 10.3, 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
  - 10.1.8.2. 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 2003 Credit Linked Condition 10.1.8.1 above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of 2003 Credit Linked Conditions 10.1, 10.2 and 10.3.
- 10.1.9. Information which is made available more than 14 (fourteen) calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information.

- 10.1.10. With respect to a Sovereign Reference Entity, **“Successor”** means each entity which becomes a direct or indirect successor to such Reference Entity by way of Succession Event, irrespective of whether any such successor assumes any of the obligations of such Reference Entity.
- 10.1.11. **“Succession Event Backstop Date”** means:
- 10.1.11.1. for purposes of any Succession Event, as determined by DC Resolution, the date that is 90 (ninety) calendar days prior to the Succession Event Resolution Request Date; or
- 10.1.11.2. otherwise, the date that is 90 (ninety) calendar days prior to the earlier of:
- 10.1.11.2.1. the date on which the Succession Event Notice is effective; and
- 10.1.11.2.2. in circumstances where:
- 10.1.11.2.2.1. the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in 2003 Credit Linked Condition 10.1.12.1 and 2003 Credit Linked Condition 10.1.12.2 are satisfied in accordance with the CDDC Rules;
- 10.1.11.2.2.2. the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters; and
- 10.1.11.2.2.3. the Succession Event Notice is delivered by the Calculation Agent not more than fourteen calendar days after the day on which ISDA

publicly announces that that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters,

the Succession Event Resolution Request Date.

10.1.11.3. The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention unless otherwise specified in the Applicable Pricing Supplement.

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

10.1.12.1. whether an event that constitutes a Succession Event has occurred with respect to the relevant Reference Entity; and

10.1.12.2. 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.

10.1.13. **“Succession Event Notice”** means an irrevocable notice from the Calculation Agent that describes a Succession Event that occurred on or after the Succession Event Backstop Date and any consequential amendments to the Reference Portfolio and/or the 2003 Credit Linked Notes as a result thereof.

10.2. Successor provisions specific to Nth-to-Default CLN

In respect of Nth-to-Default CLN, this 2003 Credit Linked Condition 10.2 shall apply in addition to 2003 Credit Linked Condition 10.1. If there is any inconsistency between

this 2003 Credit Linked Condition 10.2 and the rest of the 2003 Credit Linked Conditions (including 2003 Credit Linked Condition 10.1), then this 2003 Credit Linked Condition 10.2 shall prevail.

10.2.1. Treatment of certain Succession Events

10.2.1.1. In the event that, pursuant to the application of 2003 Credit Linked Condition 10.1.1, a Reference Entity that is not subject to the Succession Event (the “**Surviving Reference Entity**”) would be the only Successor to a Reference Entity that is subject to the Succession Event (the “**Legacy Reference Entity**”):

10.2.1.1.1. such Successor (that is a Surviving Reference Entity) shall not be a Successor to such Legacy Reference Entity; and

10.2.1.1.2. the replacement Reference Entity (the “**Replacement Reference Entity**”) selected by the Issuer in accordance with 2003 Credit Linked Condition 10.2.2 shall be the sole Successor to such Legacy Reference Entity.

10.2.1.2. In the event that, pursuant to the application of 2003 Credit Linked Condition 10.1.1, there is only one Successor to a Legacy Reference Entity and such Successor is not a Surviving Reference Entity, such Successor shall be the sole Successor to such Legacy Reference Entity.

10.2.1.3. In the event that, pursuant to the application of 2003 Credit Linked Condition 10.1.1.3 or 10.1.1.4, there are two or more Successors to a Legacy Reference Entity and none of such Successors is a Surviving Reference Entity:

10.2.1.3.1. each of such Successors (that is not a Surviving Reference Entity) shall be a Reference Entity for the purposes of one of the New Securities determined in accordance with 2003 Credit Linked Condition 10.1.6; and

10.2.1.3.2. each of the Surviving Reference Entity(ies) (that is not a Successor) shall continue to be a Reference Entity for each and every one of the New Securities determined in accordance with 2003 Credit Linked Condition 10.1.6.

10.2.1.4. In the event that, pursuant to the application of 2003 Credit Linked Condition 10.1.1.3 or 10.1.1.4, there are two or more Successors to a Legacy Reference Entity and at least one of such Successors is a Surviving Reference Entity:

10.2.1.4.1. each of such Successor(s) (that is a Surviving Reference Entity) shall not be a Successor to such Legacy Reference Entity, and shall be replaced by a Replacement Reference Entity selected in accordance with 2003 Credit Linked Condition 10.2.2;

10.2.1.4.2. each of such Replacement Reference Entity(ies) and any other Successor(s) not constituting a Surviving Reference Entity shall be a Reference Entity for the purposes of one of the New Securities determined in accordance with 2003 Credit Linked Condition 10.1.6; and

10.2.1.4.3. each of the Surviving Reference Entity(ies) (that is not a Successor) shall continue to be a Reference Entity for each and every one of the New Securities determined in accordance with 2003 Credit Linked Condition 10.1.6.

10.2.2. Selection of Replacement Reference Entity

10.2.2.1. Upon a determination by the Calculation Agent of the occurrence of a Succession Event with respect to which a Surviving Reference Entity would otherwise be a Successor but for the operation of 2003 Credit Linked Condition 10.2.1.1, the Issuer shall select an Eligible Reference Entity as the

Replacement Reference Entity and the Transaction Type applicable to such Eligible Reference Entity.

- 10.2.3. **“Eligible Reference Entity”** means an entity:
- 10.2.3.1. that is in the same Moody's or S&P industry group as the relevant Surviving Reference Entity;
  - 10.2.3.2. that has a bid-side credit spread (at the time the Issuer delivers to the Paying Agent the notice specifying the Eligible Reference Entity that it has selected to be the Replacement Reference Entity) no greater than 110% (one hundred and ten percent) of the bid-side credit spread of the relevant Surviving Reference Entity at that same time (the **“Credit Spread Requirement”**), in each case based on a credit default swap:
    - 10.2.3.2.1. on market standard terms for the relevant entity as at the time of such determination;
    - 10.2.3.2.2. in respect of a notional amount equal to at least 50% (fifty percent), but not more than 100% (one hundred percent), of the aggregate Nominal Amount; and
    - 10.2.3.2.3. with a term equal to the period from and including the date of the determination to and including the Maturity Date (the **“Remaining Term”**), provided that if the Issuer, having used reasonable endeavours, cannot obtain Quotations from at least three Dealers in respect of the Remaining Term, the term for the purposes of this 2003 Credit Linked Condition 10.2.3.2.3 shall be five years.

The bid-side credit spreads for the purpose of the Credit Spread Requirement shall be the unweighted arithmetic mean of the spread quotations obtained by the Issuer (on the basis of the terms set out above) from at least 3 (three) Dealers, as determined by the Issuer in a commercially reasonable manner and notified by the Issuer to the Paying Agent;

10.2.3.3. that is principally traded in the credit derivatives market in respect of the same Geographical Region as the relevant Surviving Reference Entity, as determined in a commercially reasonable manner by the Issuer, where “**Geographical Region**” means North America, Latin America, Western Europe, Eastern Europe, Australia/New Zealand, Singapore, Asia (excluding Japan), Japan or such region determined in a commercially reasonable manner by the Issuer to give best effect to then current market practice in respect of the relevant Surviving Reference Entity; and

10.2.3.4. that is not an Affiliate of any Reference Entity or the Issuer both immediately prior to and following the relevant Succession Event.

10.2.4. Fallback Successor Process

If 2003 Credit Linked Condition 10.2.1.1 applies and the Issuer fails to specify a Replacement Reference Entity in accordance with 2003 Credit Linked Condition 10.2.2 above, then:

10.2.4.1. the Legacy Reference Entity shall cease to be a Reference Entity unless it is itself a Successor; and

10.2.4.2. notwithstanding 2003 Credit Linked Condition 10.2.1.1 each Surviving Reference Entity shall continue to be a Successor, together with any other Successors, and all other terms of the Notes shall remain unaffected.

10.2.5. Effective Date for Substitution of Reference Entity Following a Succession Event

The substitution of a Reference Entity and the issuance of New Securities in accordance with the terms hereof shall be deemed to be effective on the legally effective date of the Succession Event.

10.2.6. “**Transaction Type**” means a type of credit derivative transaction that is identified as such in the 2005 Matrix Supplement.

10.3. Substitute Reference Obligation

10.3.1. **“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 applicable in the Applicable Pricing Supplement, 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.

10.3.2. In the event that:

10.3.2.1. a Reference Obligation is redeemed in whole; or

10.3.2.2. in the opinion of the Calculation Agent:

10.3.2.2.1. the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortization or prepayments),

10.3.2.2.2. any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a 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

10.3.2.2.3. 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.

10.3.3. Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that:

10.3.3.1. ranks *pari passu* in priority of payment with the ranking in priority of payment of each of the Substitute Reference

Obligation and 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 to such ranking in priority of payment after such date);

10.3.3.2. preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent, of the delivery and payment obligations of the parties; and

10.3.3.3. 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 applicable in the Applicable Pricing Supplement, 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.

10.3.4. If more than one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth under this 2003 Credit Linked Condition 10.3 has occurred with respect to one or more but not all of the Reference Obligations, and the Calculation Agent determines 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.

10.3.5. If more than one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth under 2003 Credit Linked Condition 10.3 has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines 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.

- 10.3.6. If:
- 10.3.6.1. more than one specific Reference Obligation is identified as a Reference Obligation, any of the events set forth in 2003 Credit Linked Condition 10.3 has occurred with respect to all of the Reference Obligations and the Calculation Agent determines that no Substitute Reference Obligation is available for any of the Reference Obligations; or
  - 10.3.6.2. only one specific Reference Obligation is identified as a Reference Obligation, any of the events set forth in 2003 Credit Linked Condition 10.3 has occurred with respect to such Reference Obligation and the Calculation Agent determines 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.
- 10.3.7. If:
- 10.3.7.1. an Event Calculation Date occurs on or prior to the Extension Date;
  - 10.3.7.2. no Substitute Reference Obligation is identified as at the Extension Date; and
  - 10.3.7.3. the CLN Settlement Method provides for the valuation or delivery of a Deliverable Obligation,
- then the Notes will be redeemed on the Extension Date on the basis that an Event Determination Date did not occur.
- 10.3.8. For 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 Obligation into a different Obligation.

## 11. ADDITIONAL PROVISIONS RELATING TO DELIVERABLE OBLIGATIONS

### 11.1. Restructuring Maturity Limitation

- 11.1.1. If “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” is specified in the Applicable Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice delivered by the Issuer, then a Deliverable Obligation may be specified (or deemed specified pursuant to 2003 Credit Linked Condition 6.8) in the Notice of Physical Settlement or specified in any NOPS Amendment Notice, as applicable, only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the Restructuring Maturity Limitation Date.
- 11.1.2. “**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 2003 Credit Linked Condition 11.1.
- 11.1.3. For 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 the Issuer.
- 11.1.4. “**Restructuring Maturity Limitation Date**” means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Maturity Date, provided that, in circumstances where Maturity Date is later than the 2,5 (two comma five) 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 (two comma five) year Limitation Date (such Restructured Bond or Loan, a “**Latest Maturity Restructured Bond or Loan**”) and the Maturity Date occurs

prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan. In the event that the Maturity Date is later than (i)(a) the final maturity date of the Latest Maturity Restructured Bond or Loan, if any, or (b) the 2,5 (two comma five) year Limitation Date, and, in either case, no Enabling Obligation exists; or (ii) the 20 (twenty) year Limitation Date, the Restructuring Maturity Limitation Date will be the Maturity Date.

11.1.5. **“Eligible Transferee”** means:

11.1.5.1. any:

11.1.5.1.1. bank or other financial institution;

11.1.5.1.2. insurance or reinsurance company;

11.1.5.1.3. mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in 2003 Credit Linked Condition 11.1.5.3 below); and

11.1.5.1.4. 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;

11.1.5.2. an Affiliate of an entity specified in 2003 Credit Linked Condition 11.1.5.1;

11.1.5.3. each of a corporation, partnership, proprietorship, organisation, trust or other entity:

11.1.5.3.1. that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligation, commercial paper conduit or other special purpose vehicle) that (i) has total assets of at least USD100,000,000 or (ii) is one of a group of investment vehicles under common control or

management having, in the aggregate, total assets of at least USD100,000,000;

11.1.5.3.2. that has total assets of at least USD500,000,000; or

11.1.5.3.3. 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 2003 Credit Linked Condition 11.1.5.1, 11.1.5.2, 11.1.5.3.2 or 11.1.5.4 ; and

11.1.5.4. a Sovereign, Sovereign Agency or Supranational Organisation.

All references in this 2003 Credit Linked Condition 11.1 to USD include equivalent amounts in other currencies.

## 11.2. Modified Restructuring Maturity Limitation

11.2.1. If “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the Applicable Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice delivered by Issuer, then a Deliverable Obligation may be specified (or deemed specified pursuant to 2003 Credit Linked Condition 6.8) in the Notice of Physical Settlement or specified in any NOPs Amendment Notice, as applicable, only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.

11.2.2. “**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 of a Reference Entity is guaranteeing such Deliverable

Obligation) or any agent is required for such novation, assignment or transfer to so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or Paying Agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this 2003 Credit Linked Condition 11.2.

- 11.2.3. Where Physical Settlement, is specified in the Applicable Pricing Supplement (or is applicable as the Fallback CLN Settlement Method) Modified Restructuring Maturity Limitation under this 2003 Credit Linked Condition 11.2 applies and a Deliverable Obligation is a Conditionally Transferable Obligation with respect to which consent is required to novate, assign or transfer, then if the requisite consent is refused (whether or not a reason is given for such refusal and, where a reason is given for such refusal, regardless of that reason), or is not received by the Physical Settlement Date (in which case it shall be deemed to have been refused), Issuer shall promptly notify the Noteholders of such refusal (or deemed refusal) and if the Noteholder does not designate a third party or the Noteholder does not take Delivery on or prior to the Alternative Procedure Start Date, then 2003 Credit Linked Condition 6.8 shall apply.
- 11.2.4. 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 Issuer.
- 11.2.5. **“Modified Restructuring Maturity Limitation Date”** means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Maturity Date, provided that, in circumstances where the Maturity Date is later than the 2,5 (two comma five) year Limitation Date, at least one Enabling Obligation exists. Where “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the Applicable Pricing Supplement and for which the Maturity Date is later than the 2,5 (two comma five) year Limitation Date and prior to the 5 (five) year Limitation Date a Restructured

Bond or Loan will not constitute an Enabling Obligation. Notwithstanding the foregoing, if the Maturity Date is either (i) on or prior to the 2,5 (two comma five) year Limitation Date or (ii) later than the 2,5 (two comma five) year Limitation Date and on or prior to the 5 (five) year Limitation Date and no Enabling Obligation exists, the Modified Restructuring Maturity Limitation Date will be the 5 (five) year Limitation Date in the case of a Restructured Bond or Loan only.

- 11.2.6. Subject to the foregoing, in the event that the Maturity Date is later than (i) the 2,5 (two comma five) year Limitation Date and no Enabling Obligation exists or (ii) the 20 (twenty) year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Maturity Date.
- 11.2.7. **“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.
- 11.2.8. For the purposes of 2003 Credit Linked Conditions 11.1 and 11.2:
- 11.2.8.1. **“Enabling Obligation”** means, an outstanding Deliverable Obligation that (i) is a Fully Transferable Obligation or a Conditionally Transferable Obligation, as applicable, and (ii) has a final maturity date occurring on or prior to the Maturity Date and following the Limitation Date immediately preceding the Maturity Date (or in circumstances where the Maturity Date occurs prior to the 2,5 (two comma five) year limitation Date, following the final maturity dates of the Latest Maturity Restructuring Bond or Loan, if any);
- 11.2.8.2. **“Limitation Date”** means the first of March 20, June 20, September 20 or December 20 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 (two comma five) years (the **“2,5 year (two comma five) Limitation Date”**), 5 (five) years (the **“5 (five) year Limitation Date”**), 7,5 (seven comma five) years, 10 (ten) years, 12,5 (twelve comma five) years, 15 (fifteen) years or 20 (twenty) years (the **“20 (twenty) 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 Pricing Supplement;

11.2.8.3. **“Restructured Bond or Loan”** means an Obligation that is a Bond or Loan and in respect of which the relevant Restructuring has occurred; and

11.2.8.4. **“Restructuring Date”** means the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

11.3. Deliverable Obligations where the Transaction Type is Emerging European Corporate LPN

Where a Reference Entity is specified to have a Transaction Type of “Emerging European Corporate LPN” or where this 2003 Credit Linked Condition 11.3 is stated to be applicable in the Applicable Pricing Supplement, the following shall apply:

- 11.3.1. Multiple Holder Obligation will be Not Applicable with respect to any Reference Obligation (and any Underlying Loan);
- 11.3.2. each Reference Obligation will be an Obligation notwithstanding anything to the contrary in these 2003 Credit Linked Conditions, including but not limited to the definition thereof, and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity;
- 11.3.3. each Reference Obligation will be a Deliverable Obligation notwithstanding anything to the contrary in these 2003 Credit Linked Conditions, including but not limited to the definition thereof, and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity. For the avoidance of doubt with respect to any LPN Reference Obligation that specifies an Underlying Loan or an Underlying Finance Instrument, the outstanding principal balance shall be determined by reference to the Underlying Loan or Underlying Finance Instrument (as applicable) relating to such LPN Reference Obligation. The Not Subordinated Obligation Characteristic and Deliverable Obligation Characteristic shall be construed as if no Reference Obligation was specified in respect of the Reference Entity;

11.3.4. **“Reference Obligation”** means, as of the Issue Date, each of the obligations listed as a Reference Obligation of the Reference Entity in the Applicable Pricing Supplement or set forth on the relevant LPN Reference Obligations List (each, a **“Markit Published LPN Reference Obligation”**), as published by Markit Group Limited, or any successor thereto, which list is currently available at <http://www.markit.com/marketing/services.php>, any Additional LPN, determined in accordance with 2003 Credit Linked Condition 11.3.5 below, and each Additional Obligation; and

11.3.5. **“Additional LPN”** means any bond issued in the form of a loan participation note (an **“LPN”**) by an entity (the **“LPN Issuer”**) for the sole purpose of providing funds for the LPN Issuer to:

11.3.5.1. finance a loan to the Reference Entity (the **“Underlying Loan”**); or

11.3.5.2. provide finance to the Reference Entity by way of a deposit, loan or other Borrowed Money instrument (the **“Underlying Finance Instrument”**),

provided that,

11.3.5.3. either:

11.3.5.3.1. in the event that there is an Underlying Loan with respect to such LPN the Underlying Loan satisfies the Obligation Characteristics specified in respect of the Reference Entity; or

11.3.5.3.2. in the event that there is an Underlying Finance Instrument with respect to such LPN the Underlying Finance Instrument satisfies the Not Subordinated, Not Domestic Law and Not Domestic Currency Obligation Characteristics;

11.3.5.4. the LPN satisfies the following Deliverable Obligation Characteristics: Transferable, Not Bearer, Specified Currency- Standard Specified Currencies, Not Domestic Law, Not Domestic Issuance; and

- 11.3.5.5. the LPN Issuer has, as of the issue date of such obligation, granted a First Ranking Interest over or in respect of certain of its rights in relation to the relevant Underlying Loan or Underlying Finance Instrument (as applicable) for the benefit of the holders of the LPNs.
- 11.3.6. **“First Ranking LPN Interest”** means a charge, security interest (or other type of interest having similar effect) (an **“LPN Interest”**), which is expressed as being “first ranking”, “first priority”, or similar (**“First Ranking LPN”** in the document creating such LPN Interest (notwithstanding that such LPN Interest may not be First Ranking LPN under any insolvency laws of any relevant insolvency jurisdiction of the LPN Issuer).
- 11.3.7. **“LPN Reference Obligation”** means each Reference Obligation other than any Additional Obligation. For the avoidance of doubt, any change to the issuer of an LPN Reference Obligation in accordance with its terms shall not prevent such LPN Reference Obligation from constituting a Reference Obligation. Each LPN Reference Obligation is issued for the sole purpose of providing funds for the LPN Issuer to finance a loan to the Reference Entity. For the purposes of these 2003 Credit Linked Conditions each such loan shall be an Underlying Loan.
- 11.3.8. **“Additional Obligation”** means each of the obligations listed as an Additional Obligation of the Reference Entity in the Applicable Pricing Supplement or set forth on the relevant LPN Reference Obligations List, as published by Markit Group Limited, or any successor thereto, as of the Issue Date, which list is currently available at <http://www.markit.com/marketing/services.php>.
- 11.4. Russian Federation as Reference Entity

Where the Reference Entity is the Russian Federation, any obligation that is an IAN, MinFin or PRIN, as determined by the Calculation Agent, shall be an Obligation or a Deliverable Obligation.

- 11.4.1. **“IAN”** means floating rate interest notes due 2002 and 2015 issued by Vnesheconombank of the USSR pursuant to the Restructuring Agreement and an Exchange Agreement, dated as of 6 October 1997, among Vnesheconombank of the USSR, the Closing Agent and Participating Creditors named therein.

- 11.4.2. **“MinFin”** (also known as “OVVZs” or “Taiga” bonds) means Internal Government Hard Currency Bonds issued by the Ministry of Finance of the Russian Federation representing (i) restructured debt of the former USSR (Series II, III, IV, V and VIII) or (ii) debt of the Russian Federation issued in 1996 (Series VI and VII).
- 11.4.3. **“PRIN”** means Vnesheconombank’s loans arising under a Restructuring Agreement and an Exchange Agreement, dated as of 6 October 1997, among Vnesheconombank of the USSR, the Closing Agent and Participating Creditors named therein.

11.5. Monoline Insurer as Reference Entity

Where “Monoline Provisions” is specified to be applicable with respect to any Reference Entity, the following amendments shall be made to the 2003 Credit Linked Conditions.

11.5.1. Additional Definitions

- 11.5.1.1. **“Qualifying Policy”** means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments (as defined below) of an instrument that constitutes Borrowed Money (modified as set forth below) (the **“Insured Instrument”**) for which another party (including a special purpose entity or trust) is the obligor (the **“Insured Obligor”**). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than the payment of Instrument Payments). The benefit of a Qualifying Policy must be capable of being Delivered together with the Delivery of the Insured Instrument.

11.5.1.2. **“Instrument Payments”** means:

11.5.1.2.1. in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest:

11.5.1.2.1.1. the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance; and

11.5.1.2.1.2. the ultimate distribution of the Certificate Balance on or prior to a specified date; and

11.5.1.2.2. in the case of any other Insured Instrument, the scheduled payments of principal and interest,

in each case (i) determined without regard to limited recourse or reduction provisions of the type described in 2003 Credit Linked Condition 11.5.4 below and (ii) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

11.5.1.3. **“Certificate Balance”** means, in the case of an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measure of unreimbursed principal investment.

11.5.2. The definitions of “Obligation” and “Deliverable Obligation” are amended by adding “or Qualifying Policy” after “or as provider of a Qualifying Affiliate Guarantee”.

- 11.5.3. In the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, the terms of the definition thereof will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:
- 11.5.3.1. the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the Deliverable Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms “obligation” and “obligor” as used in these 2003 Credit Linked Conditions in respect of such an Insured Instrument shall be construed accordingly;
  - 11.5.3.2. references in the definitions of Assignable Loan and Consent Required Loan to the guarantor and guaranteeing shall be deemed to include the insurer and insuring, respectively;
  - 11.5.3.3. neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable in the Applicable Pricing Supplement;
  - 11.5.3.4. if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified in the Applicable Pricing Supplement and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument;
  - 11.5.3.5. with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term “outstanding principal balance” shall mean the outstanding Certificate Balance and “maturity”, as such term is used in the Maximum Maturity Deliverable Obligation Characteristic, shall mean the specified date by which the

Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur; and

- 11.5.3.6. for purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Qualifying Guarantee must satisfy on the relevant date the Obligation Characteristic or the Deliverable Obligation Characteristic of Not Subordinated.
- 11.5.4. **“Not Contingent”**. An Insured Instrument will not be regarded as failing to satisfy the Not Contingent Deliverable Obligation Characteristic solely because such Insured Instrument is subject to provisions limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction.
- 11.5.5. **“Deliver”** with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognized custodian representing an interest in such an Insured Instrument and the related Qualifying Policy), and “Delivery” and “Delivered” will be construed accordingly.
- 11.5.6. **“Provisions for Determining a Successor”**. 2003 Credit Linked Condition 10.1.3 is hereby amended by adding “or insurer” after “or guarantor”.
- 11.5.7. **“Substitute Reference Obligation”**. 2003 Credit Linked Condition 10.3 is hereby amended by adding “or Qualifying Policy” after “or as provider of a Qualifying Affiliate Guarantee” in the definition of Substitute Reference Obligation and paragraph 10.3.3 thereof. For purposes of 2003 Credit Linked Condition 10.3.2 and 2003 Credit Linked Condition 17, references to the Qualifying Guarantee and the Underlying Obligation shall be deemed to include the Qualifying Policy and the Insured Instrument, respectively.

11.5.8. Restructuring

With respect to an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest or a Qualifying Policy with respect thereto, 2003 Credit Linked Condition 19.12.1.1 to 2003 Credit Linked Condition 19.12.1.5 (inclusive) are hereby amended to read as follows:

- 11.5.8.1. a reduction in the rate or amount of the Instrument Payments described in 2003 Credit Linked Condition 11.5.1.2.1.1 of the definition thereof that are guaranteed or insured by the Qualifying Policy;
- 11.5.8.2. a reduction in the amount of the Instrument Payments described in 2003 Credit Linked Condition 11.5.1.2.1.2 of the definition thereof that are guaranteed or insured by the Qualifying Policy;
- 11.5.8.3. a postponement or other deferral of a date or dates for either (i) the payment or accrual of the Instrument Payments described in 2003 Credit Linked Condition 11.5.1.2.1.1 of the definition thereof or (ii) the payment of the Instrument Payments described in 2003 Credit Linked Condition 11.5.1.2.1.2 of the definition thereof, in each case that are guaranteed or insured by the Qualifying Policy;
- 11.5.8.4. a change in the ranking in priority of payment of (i) any Obligation under a Qualifying Policy in respect of Instrument Payments, causing the Subordination of such Obligation to any other Obligation or (ii) any Instrument Payments, causing the Subordination of such Insured Instrument to any other instrument in the form of a pass-through certificate or similar funded beneficial interest issued by the Insured Obligor, it being understood that, for this purpose, Subordination will be deemed to include any such change that results in a lower ranking under a priority of payments provision applicable to the relevant Instrument Payments; or
- 11.5.8.5. any change in the currency or composition of any payment of Instrument Payments that are guaranteed or insured by the

Qualifying Policy to any currency which is not a Permitted Currency.

- 11.5.9. Paragraph 19.12.3.3 of the definition of Restructuring shall be amended by adding "*or, in the case of Qualifying Policy and an Insured Instrument, where (a) the Qualifying Policy continues to guarantee or insure, as applicable, that the same Instrument Payments will be made on the same dates on which the Qualifying Policy guaranteed or insured that such Instrument Payments would be made prior to such event and (b) such event is not a change in the ranking in the priority of payment of the Qualifying Policy*" after "Reference Entity".
- 11.5.10. For purposes of the definition of Restructuring, the term Obligation shall be deemed to include Insured Instruments for which the Reference Entity is acting as provider of a Qualifying Policy. In the case of a Qualifying Policy and an Insured Instrument, references to the Reference Entity in 2003 Credit Linked Condition 19.12.3 shall be deemed to refer to the Insured Obligor and the reference to the Reference Entity in 2003 Credit Linked Condition 19.12.1 shall continue to refer to the Reference Entity.
- 11.5.11. In the event that a Fully Transferable Obligation or Conditionally Transferable Obligation is a Qualifying Policy, the Insured Instrument must meet the requirements of the relevant definition and, if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument. References in the definition of Conditionally Transferable Obligation in 2003 Credit Linked Condition 11.2.2 to the guarantor and guaranteeing shall be deemed to include the insurer and insuring, respectively. With respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term "Final Maturity Date", as such term is used in 2003 Credit Linked Condition 11.1 and 2003 Credit Linked Condition 11.2 and the definition of Restructuring Maturity Limitation Date, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.
- 11.5.12. For purposes of the part of the definition of Deliverable Obligation at 2003 Credit Linked Condition 6.5.1, 2003 Credit Linked Condition 18 and 2003 Credit Linked Condition 21, references to the Underlying Obligation

and the Underlying Obligor shall be deemed to include Insured Instruments and the Insured Obligor, respectively. Any transfer or similar fee reasonably incurred by the Issuer in connection with the Delivery of a Qualifying Policy and payable to the Reference Entity shall be part of the Settlement Expenses.

12. **ADDITIONAL PROVISIONS FOR INDEX CLNS**

“**Index CLN**” means a 2003 Credit Linked Note that is also an Index Linked Note as described in Condition 6.5 of the Terms and Conditions.

13. **ADDITIONAL PROVISIONS FOR REFERENCE CDS**

13.1. Where any payments under the Notes are determined by reference to a Reference CDS, the Issuer will notify the Paying Agent of any determinations made by the Calculation Agent under the Reference CDS promptly after the occurrence thereof.

13.2. For the purposes of the Notes, notwithstanding anything to the contrary contained within the Reference CDS, calculations or determinations required to be made by the Calculation Agent in respect of the Reference CDS shall be calculated or determined by the Calculation Agent in its sole and absolute discretion, effective as of such determination, and shall be conclusive absent manifest error.

14. **REPRESENTATIONS**

14.1. By its holding of a 2003 Credit Linked Note, each Noteholder is deemed to acknowledge and agree that:

14.1.1. none of the Issuer, the Dealers or any of their Affiliates has made any representation whatsoever with respect to any Reference Entity, any Reference Obligation, any Obligation, any Deliverable Obligation, any Underlying Obligor or any Underlying Obligation on which it is relying or is entitled to rely;

14.1.2. the Issuer will be entitled to perform its obligations under the 2003 Credit Linked Notes in accordance with the relevant CLN Settlement Method applicable to such 2003 Credit Linked Notes, irrespective of the existence or amount of the Issuer’s credit exposure to a Reference Entity, and the Issuer need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event;

- 14.1.3. the 2003 Credit Linked Notes do not create any rights or impose any obligations in respect of any entity that is not the Issuer;
  - 14.1.4. the Issuer, the Calculation Agent and each of their Affiliates may deal in each Reference Obligation, Obligation, Deliverable Obligation or Underlying Obligation and may, where permitted, accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, a Reference Entity, any Affiliate of a Reference Entity, any Underlying Obligor or any other person or entity having obligations relating to a Reference Entity or any Underlying Obligor, and may act with respect to such business in the same manner as each of them would if the 2003 Credit Linked Notes did not exist, regardless of whether any such action might have an adverse effect on a Reference Entity, any Underlying Obligor or the position of the Noteholders or otherwise (including, without limitation, any action which might constitute or give rise to a Credit Event); and
  - 14.1.5. the Issuer, the Calculation Agent and each of their Affiliates may, whether by virtue of the types of relationships described herein or otherwise, on the Issue Date or at any time thereafter, be in possession of information in relation to a Reference Entity or any Underlying Obligor that is or may be material in the context of such 2003 Credit Linked Notes and that may or may not be publicly available or known to the Noteholders, and the 2003 Credit Linked Notes do not create any obligation on the part of such entity to disclose to the Noteholders any such relationship or information (whether or not confidential).
- 14.2. With respect to the Credit Derivatives Determinations Committees, each Noteholder is deemed to agree:
- 14.2.1. 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 CDDC Rules and/or any Credit Derivatives Auction Settlement Terms, as applicable, shall be liable, whether for negligence or otherwise, to the Issuer or any 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 CDDC 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 CDDC Rules and/or any Credit Derivatives Auction Settlement Terms, as applicable, may be still be liable to such DC Party;

14.2.2. to waive any claim, whether for negligence or otherwise, that may arise against a DC Party and any legal counsel or other third-party professional hired by such DC Party in connection with such DC Party's performance of its duties under the CDDC Rules, 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 CDDC Rules and/or any Credit Derivatives Auction Settlement Terms, as applicable, may be still be liable to such DC Party;

14.2.3. unless otherwise specified in the Applicable Pricing Supplement, that any DC Resolution of the relevant Credit Derivatives Determinations Committee that is applicable to the 2003 Credit Linked Notes as determined by the Calculation Agent shall be binding on it:

14.2.3.1. until such time as ISDA publicly announces that such DC Resolution has been reversed by a subsequent DC Resolution of the relevant Credit Derivatives Determinations Committee, if any, (subject to 2003 Credit Linked Condition 14.2.3.2 below); and/or

14.2.3.2. unless the effect of such DC Resolution would be the reverse a prior DC Resolution of the relevant Credit Derivatives Determinations Committee, any prior determination by the Calculation Agent or determination that an Event Determination Date has occurred, applicable:

14.2.3.2.1. that has resulted in the identification of one or more Successors;

- 14.2.3.2.2. that has resulted in the identification of one or more Substitute Reference Obligations; or
- 14.2.3.2.3. that has resulted in the occurrence of an Auction Final Price Determination Date or Physical Settlement Date, as applicable, or to the extent that a Valuation Date or Delivery Date, as applicable, has occurred, in each case, on or prior to the date that ISDA publicly announces such DC Resolution of the relevant Credit Derivatives Determinations Committee); and
- 14.2.3.3. notwithstanding the fact that:
  - 14.2.3.3.1. these 2003 Credit Linked Conditions may require such determination to be made by the Calculation Agent; or
  - 14.2.3.3.2. in order to reach such DC Resolution, the relevant Credit Derivatives Determinations Committee may be required to Resolve one or more factual matters before being able to reach such DC Resolution; and
- 14.2.3.4. notwithstanding any actual or perceived conflict of interest on the part of a DC Party, legal counsel or other third-party professional hired by such DC Party in connection with such DC Party's performance of its duties under the CDDC Rules; and
- 14.2.3.5. provided that no DC Party is:
  - 14.2.3.5.1. under any obligation to research, investigate, supplement, or verify the veracity of, any information on which the relevant Credit Derivatives Determinations Committee bases its decision; and

14.2.3.5.2. acting as a fiduciary for, or as an adviser to, any Noteholder in connection with the relevant Notes; and

14.2.3.6. provided that, in reaching such DC Resolution, the relevant Credit Derivatives Determinations Committee shall be under no requirement to consult with, or individually notify, any Noteholder, notwithstanding any provision of these 2003 Credit Linked Conditions to the contrary.

14.3. Each Noteholder shall be deemed to acknowledge the disclaimers set out in Section 5.1(B) of the CDDC Rules on the Issue Date. A copy of the CDDC Rules is available at [www.isda.org/credit](http://www.isda.org/credit). The disclaimers are incorporated by reference into this Applicable Product Supplement.

## 15. CERTAIN GENERAL DEFINITIONS RELATING TO 2003 CREDIT LINKED NOTES

15.1. “**2005 Matrix Supplement**” means the supplement to the 2003 ISDA Credit Derivatives Definitions published on 7 March 2005 and available at [www.isda.org](http://www.isda.org).

15.2. “**Additional Business Centre**” means New York and any other city specified in the Applicable Pricing Supplement.

15.3. “**Calculation Agent City**” means the city specified as such in the Applicable Pricing Supplement or, if a city is not so specified:

15.3.1. in respect of a Reference Entity the Transaction Type of which is North American Corporate, Standard North American Corporate, Latin America Corporate B, Latin American Corporate BL, Latin American Sovereign or North American Sovereign, New York;

15.3.2. in respect of a Reference Entity the Transaction Type of which is Australia Corporate, New Zealand Corporate, Singapore Corporate, Asia Corporate, Asia Sovereign, Australia Sovereign, New Zealand Sovereign, Singapore Sovereign, Singapore in respect of a Single Name CLN, and Hong Kong in all other cases;

15.3.3. in respect of a Reference Entity the Transaction Type of which is Japan Corporate or Japan Sovereign: Tokyo in respect of a Single Name CLN, and Hong Kong in all other cases; or

15.3.4. in respect of any other Reference Entity, London,

(all such Transaction Types as defined in the 2005 Matrix Supplement).

- 15.4. **“Calculation Agent City Business Day”** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the Calculation Agent City.
- 15.5. **“Cash Settled CLNs”** means either:
- 15.5.1. Notes in respect of which the CLN Settlement Method is specified as “Cash Settlement” or “Auction Settlement” in the Applicable Pricing Supplement; or
  - 15.5.2. Notes in respect of which the Issuer CLN Settlement Option has been designated as applicable and in respect of which the CLN Settlement Method has been selected by the Issuer upon the occurrence of an Event Determination Date to be Cash Settlement.
- 15.6. **“Credit Derivatives Determinations Committees”** means the committees established by ISDA for purposes of reaching certain DC Resolutions in connection with credit derivative transactions, as more fully described in the Credit Derivatives Determinations Committees Rules, as amended from time to time in accordance with the terms thereof (the **“CDDC Rules”**). A copy of the Rules is available at [www.isda.org/credit](http://www.isda.org/credit), and such rules are incorporated by reference into this Applicable Product Supplement.
- 15.7. **“Credit Event Redemption Amount”** means, unless otherwise specified in the Applicable Pricing Supplement, in respect of each Note an amount equal to the CLN Cash Settlement Amount *minus* such Note’s *pro rata* share of the Settlement Expenses and Swap Costs.
- 15.8. **“DC Party”** has the meaning given to that term in the CDDC Rules.
- 15.9. **“DC Resolution”** has the meaning given to that term in the CDDC Rules.
- 15.10. **“Interest Expiration Date”** means the earlier to occur of:
- 15.10.1. the day prior to:
    - 15.10.1.1. the Maturity Date; and
    - 15.10.1.2. if “Credit Event Accrued Interest” is specified as not applicable in the Applicable Pricing Supplement, the Interest Payment

Date (or Issue Date where no Interest Payment Date has occurred) occurring on or immediately preceding the Relevant Event Determination Date; or

- 15.10.2. the Relevant Event Determination Date.
- 15.11. **“Reference CDS”** means a notional credit default swap deemed to be entered into in the form set out in the Final Terms between the Issuer and a notional financial institution entered into pursuant to a 1992 ISDA Master Agreement (Multicurrency-Cross Border) between the Issuer and the notional counterparty governed by English law and in respect of which, such Reference CDS is the sole transaction under such ISDA Master Agreement.
- 15.12. **“Physically Delivered CLNs”** means either:
- 15.12.1. Notes in respect of which the CLN Settlement Method is specified as “Physical Settlement” and in respect of which settlement occurs by way of Delivery of the Deliverable Obligations Portfolio; or
- 15.12.2. Notes in respect of which the Issuer CLN Settlement Option has been designated as applicable and in respect of which the CLN Settlement Method has been selected by the Issuer upon the occurrence of an Event Determination Date to be Physical Settlement.
- 15.13. **“Resolve”** has the meaning given to that term in the CDDC Rules, and “Resolved” and “Resolves” shall be interpreted accordingly.
- 15.14. **“Settlement Expenses”** means, in respect of any Note or Notes, any costs, fees and expenses or other amounts (other than in relation to Taxes) payable by a Noteholder on or in respect of or in connection with the redemption, exercise or settlement of such Note or Notes as determined by the Calculation Agent in its sole and absolute discretion;
- 15.15. **“Swap Costs”** means an amount determined by the Calculation Agent in its sole and absolute discretion equal to any loss or costs incurred (or expected to be incurred) by or on behalf of the Issuer as a result of its terminating, liquidating, obtaining or re-establishing any hedge, term deposits, related trading position or funding arrangements entered into by it (including with its internal treasury function) in connection with the Notes.

- 15.16. “**Term**” means the period commencing on and including the Issue Date of the Notes and ending on and including the Maturity Date (or, if applicable, Deferred Redemption Date) of the Notes.
- 15.17. “**Transaction Type**” means the transaction type specified in the Applicable Pricing Supplement.
- 15.18. Timing

15.18.1. Time Zones

Any reference in these 2003 Credit Linked Conditions to an event occurring on or prior to a date shall be determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time).

15.18.2. Settlement Suspension

If, following the determination of an Event Determination Date in accordance with the definition thereof but prior to the Physical Settlement Date or, to the extent applicable, a CLN Valuation Date, ISDA publicly announces that the conditions to convening a Credit Derivatives Determinations Committee in respect of the relevant Reference Entity are satisfied in accordance with the CDDC Rules, all timing requirements in these 2003 Credit Linked Conditions that pertain to settlement, shall toll and remain suspended until such time as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved (i) whether or not a Credit Event has occurred or (ii) not to determine the such matters. During such suspension period, the Issuer is not obliged to take any action in connection with the settlement of such Credit Event or the redemption, if any, of the 2003 Credit Linked Notes. Once ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved (i) such matters or (ii) not to determine such matters, the relevant timing requirements that pertain to settlement that have previously tolled or been suspended shall resume on the Business Day following such public announcement by ISDA with the Issuer having the benefit of the full day notwithstanding when the tolling or suspension began.

## 16. REFERENCE ENTITIES AND OBLIGATIONS

16.1. “**Deliverable Obligation**” means, subject to 2003 Credit Linked Condition 11:

16.1.1. any obligation of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if “All Guarantees” is specified as applicable in the Applicable Pricing Supplement, as provider of any Qualifying Guarantee) determined pursuant to the method described in these 2003 Credit Linked Conditions (but excluding any Excluded Deliverable Obligation) that:

16.1.1.1. is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable;

16.1.1.2. is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in 2003 Credit Linked Condition 19.1.1 to 2003 Credit Linked Condition 19.1.4 (inclusive) below or right of set-off by or of a Reference Entity or any applicable Underlying Obligor; and

16.1.1.3. 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;

16.1.2. subject to 2003 Credit Linked Condition 17.1.1 below (*Method for determining Deliverable Obligations*), each Reference Obligation described in the Applicable Pricing Supplement, unless specified in the Applicable Pricing Supplement as an Excluded Deliverable Obligation;

16.1.3. 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 a counterclaim or defence based on the factors set forth in

2003 Credit Linked Condition 19.1.1 to 2003 Credit Linked Condition 19.1.4 (inclusive) below 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 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; and

- 16.1.4. any other obligation of a Reference Entity specified as such in the Applicable Pricing Supplement.
- 16.2. **“Excluded Deliverable Obligation”** means any obligation of a Reference Entity specified as such or of a type described in the Applicable Pricing Supplement.
- 16.3. **“Excluded Obligation”** means any obligation of a Reference Entity specified as such or of a type described in the Applicable Pricing Supplement.
- 16.4. **“Obligation”** means:
  - 16.4.1. any obligation of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if “All Guarantees” is specified as applicable in the Applicable Pricing Supplement, as provider of any Qualifying Guarantee) determined pursuant to the method described in “Method for determining Obligations” below (but excluding any Excluded Obligation);
  - 16.4.2. each Reference Obligation, unless specified in the Applicable Pricing Supplement as an Excluded Obligation; and
  - 16.4.3. any other obligation of a Reference Entity specified as such in the Applicable Pricing Supplement.
- 16.5. **“Reference Entity”** means the entity or entities specified as such in the Applicable Pricing Supplement. Any Successor to a Reference Entity either:
  - 16.5.1. identified by the Calculation Agent pursuant to 2003 Credit Linked Condition 10.1 or 10.2 on or following the Issue Date; or

- 16.5.2. in respect of which ISDA publicly announces on or following the Issue 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 CDDC Rules,
- shall, in each case, be the Reference Entity.
- 16.6. **“Reference Entity Notional Amount”** means, in respect of each Reference Entity, the amount specified in the Applicable Pricing Supplement. If no such amount is specified in the Applicable Pricing Supplement, the Reference Entity Notional Amount for each Reference Entity on any day shall be the aggregate Nominal Amount of the Notes Outstanding on such day divided by the number of Reference Entities in the Reference Portfolio on such day.
- 16.7. **“Reference Obligation”** means, in respect of a Reference Entity and subject to the Applicable Pricing Supplement:
- 16.7.1. for the purposes of “Terms relating to Cash Settlement”, an obligation of the Reference Entity satisfying the definition of Deliverable Obligation in accordance with these 2003 Credit Linked Conditions as selected by the Issuer in its sole discretion; and
- 16.7.2. For all other purposes (including the determination of Subordination), the Reference Obligation described in the Applicable Pricing Supplement (if any are so specified or described) and any Substitute Reference Obligation identified in accordance with 2003 Credit Linked Condition 10.3
- 16.8. **“Reference Portfolio”** means the Reference Entity and Reference Obligation or the portfolio of Reference Entities and Reference Obligations, as the case may be, specified in the Applicable Pricing Supplement, as the same may be amended from time to time in accordance with the provisions of the 2003 Credit Linked Conditions and the Applicable Pricing Supplement.
- 16.9. **“Sovereign Restructured Deliverable Obligation”** means an Obligation of a Sovereign Reference Entity (i) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (ii) described by the Deliverable Obligation Category specified in the Applicable Pricing Supplement, and, subject to 2003 Credit Linked Condition 17 below, having each of the Deliverable Obligation Characteristics, if any, specified in the Applicable Pricing Supplement, 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.

## 17. METHOD FOR DETERMINING OBLIGATIONS AND DELIVERABLE OBLIGATIONS

### 17.1. Method for determining Obligations

For purposes of this 2003 Credit Linked Condition 17, the term “**Obligation**” means each obligation of each Reference Entity described by the Obligation Category specified in the Applicable Pricing Supplement and having each of the Obligation Characteristics, if any, specified in the Applicable Pricing Supplement, in each case, as of the date of the event which constitutes the Credit Event which is the subject of either the Credit Event Notice or as of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- 17.1.1. “**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 Pricing Supplement;
- 17.1.2. “**Payment**” means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
- 17.1.3. “**Borrowed Money**” means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);
- 17.1.4. “**Reference Obligations Only**” means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
- 17.1.5. “**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;

- 17.1.6. **“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;
- 17.1.7. **“Bond or Loan”** means any obligation that is either a Bond or a Loan.
- 17.1.8. **“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;
- 17.1.9. **“Not Subordinated”** means an obligation that is not Subordinated to (i) the most senior Reference Obligation in priority of payment or (ii) if no Reference Obligation is specified in the Applicable Pricing Supplement, any unsubordinated Borrowed Money obligation of the Reference Entity; provided that, if any of the events set forth under 2003 Credit Linked Condition 10.3 has occurred with respect to all of the Reference Obligations or if 2003 Credit Linked Condition 10.1.5) is applicable with respect to 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 unless otherwise specified in the Applicable Pricing Supplement. For 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;
- 17.1.10. **“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 (i) upon the liquidation, dissolution, reorganization 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 (ii) 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 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 credit 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;

- 17.1.11. **“Specified Currency”** means an obligation that is payable in the currency or currencies specified as such in the Applicable Pricing Supplement (or, if “Specified Currency” is specified in the Applicable Pricing Supplement 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 in the Applicable Pricing Supplement as the **“Standard Specified Currencies”**);
- 17.1.12. **“Not Sovereign Lender”** means any obligation that is not primarily owed to a Sovereign or Supranational Organization, including, without limitation, obligations generally referred to as “Paris Club debt”;
- 17.1.13. **“Not Domestic Currency”** means any obligation that is payable in any currency other than the Domestic Currency;
- 17.1.14. **“Not Domestic Law”** means any obligation that is not governed by the laws of (i) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (ii) the jurisdiction of organization of the relevant Reference Entity, if such Reference Entity is not a Sovereign;
- 17.1.15. **“Listed”** means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- 17.1.16. **“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.

17.2. Method for determining Deliverable Obligations

17.2.1. “**Deliverable Obligation**” may be defined as each obligation of each Reference Entity described by the Deliverable Obligation Category specified in the Applicable Pricing Supplement, and, subject to 2003 Credit Linked Condition 17.1 (*Method for determining Obligations*) above, having each of the Deliverable Obligation Characteristics, if any, specified in the Applicable Pricing Supplement, in each case, as of the Delivery Date. The following terms shall have the following meanings:

17.2.1.1. “**Deliverable Obligation Category**” means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan except that no Deliverable Obligation Characteristics shall be applicable where “Reference Obligations Only” applies;

17.2.1.2. “**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;

17.2.1.3. “**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 (i) to convert or exchange such obligation or (ii) 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;

- 17.2.1.4. **“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 organization) 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;
- 17.2.1.5. **“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;
- 17.2.1.6. **“Direct Loan Participation”** means a Loan in respect of which, pursuant to a participation agreement, Issuer is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (i) Issuer (to the extent Issuer is then a lender or a member of the relevant lending syndicate), or (ii) 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);

- 17.2.1.7. **“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:
- 17.2.1.7.1. contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the U.S. 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
  - 17.2.1.7.2. restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds.
- 17.2.1.8. **“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 Pricing Supplement (or if no such period is specified, 30 (thirty) years).
- 17.2.1.9. **“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.
- 17.2.1.10. **“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 International or any other internationally recognized clearing system.

- 17.2.2. If an obligation would have been capable of being specified as a Deliverable Obligation immediately prior to a Credit Event in respect of a Reference Entity, such obligation (as in effect after such Credit Event) shall continue to be able to constitute a Deliverable Obligation after the occurrence of such Credit Event. If it is not possible or reasonably practicable to specify any Obligation as a Deliverable Obligation of the Reference Entity because there is or will be no Deliverable Obligation in existence at any time, the Issuer may, if applicable, designate by notice (which may be by telephone) to the Paying Agent one or more bonds, loans, instruments, certificates or other obligations (an “**Exchanged Obligation**”) which have been or will be issued in exchange, whether pursuant to a mandatory or voluntary exchange (an “**Obligation Exchange**”), for one or more bonds, loans, instruments, certificates or obligations of the Reference Entity that would have been capable of being specified as a Deliverable Obligation immediately prior to the occurrence of the Relevant Credit Event of the Reference Entity, provided, that failure to deliver such notice shall not affect the effectiveness of such designation.
- 17.2.3. If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Deliverable Obligation only if the rights referred to in 2003 Credit Linked Condition 17.2.1.3 above have not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date.
- 17.3. Interpretation of provisions
- 17.3.1. If the Obligation Characteristic “Listed” is specified in the Applicable Pricing Supplement, the Applicable Pricing Supplement shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category;
- 17.3.2. If:
- 17.3.2.1. either of the Deliverable Obligation Characteristics Listed or Not Bearer is specified in the Applicable Pricing Supplement,

the Applicable Pricing Supplement 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;

17.3.2.2. the Deliverable Obligation Characteristic “Transferable” is specified in the Applicable Pricing Supplement, the Applicable Pricing Supplement 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

17.3.2.3. any of the Deliverable Obligation Characteristics “Assignable Loan”, “Consent Required Loan” or “Direct Loan Participation” is specified in the Applicable Pricing Supplement,

the Applicable Pricing Supplement 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.

17.3.3. If any of Payment, Borrowed Money, Loan or Bond or Loan is specified as the Deliverable Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Deliverable Obligation Characteristics, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics.

#### 17.4. Provisions relating to Qualifying Guarantees

In the event that an Obligation or a Deliverable Obligation is a Qualifying Guarantee, the following will apply.

17.4.1. For 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.

- 17.4.2. For 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 Deliverable Obligation Characteristics, if any, specified in the Applicable Pricing Supplement 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 Pricing Supplement, (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.
- 17.4.3. For 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 Pricing Supplement 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.
- 17.4.4. For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- 17.4.5. The terms “outstanding principal balance” and “Due and Payable Amount” (as they are used in these 2003 Credit Linked Conditions) 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.
- 17.4.6. **“Qualifying Participation Seller”** means any participation seller that meets the requirements specified in the Applicable Pricing Supplement. If

no such requirements are specified, there shall be no Qualifying Participation Seller.

- 17.4.7. **“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.
- 17.4.8. **“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.
- 17.4.9. **“Downstream Affiliate”** means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 percent. owned, directly or indirectly, by the Reference Entity.
- 17.4.10. **“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.
- 17.4.11. **“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.
- 17.4.12. **“Sovereign Agency”** means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.
- 17.4.13. **“Supranational Organization”** means any entity or organization established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of 2 (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.

17.4.14. **“Domestic Currency”** means the currency specified as such in the Applicable Pricing Supplement and any successor currency. If no currency is so specified, the Domestic Currency shall be the lawful currency and any successor currency of (i) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (ii) the jurisdiction in which the relevant Reference Entity is organized, if the 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).

## 18. **CONDITIONS TO SETTLEMENT**

18.1. **“Conditions to Settlement”** means the conditions set out in the Applicable Pricing Supplement; provided, however, that all of the Conditions to Settlement shall be deemed to be satisfied by the occurrence of an Event Determination Date to the extent that such Event Determination Date is not subsequently reversed prior to the Auction Final Price Determination Date, a CLN Valuation Date, the Physical Settlement Date (or, if earlier, a Delivery Date), or the Maturity Date, as applicable, unless “Physical Settlement” is specified as the CLN Settlement Method in the Applicable Pricing Supplement (or is applicable pursuant to the Issuer CLN Settlement Option), 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.

18.2. The **“Notice of Publicly Available Information Condition to Settlement”** is satisfied by the delivery of a Notice of Publicly Available Information by the Issuer to the Paying Agent that is effective during one of the periods set out in 2003 Credit Linked Condition 18.9.1.1 of the definition of “Event Determination Date”, provided that the Notice of Publicly Available Information Condition to Settlement shall be deemed to be satisfied in circumstances where ISDA publicly announces on or prior to the last day of the Notice Delivery Period (including prior to the Issue Date) that the relevant Credit Derivatives Determination Committee has Resolved that an event that constitutes a Credit Event has occurred with respect to the relevant Reference Entity or Obligation thereof.

18.3. The “**Notice of Physical Settlement Condition to Settlement**“ is satisfied by the delivery by the Issuer of a Notice of Physical Settlement to the Paying Agent.

18.4. “**Credit Event Backstop Date**” means:

18.4.1. for purposes of any event that constitutes a Credit Event (or with respect to Repudiation/Moratorium, the event described in 2003 Credit Linked Condition 19.11.2 of the definition thereof for purposes of the relevant Reference Entity, as determined by DC Resolution, the date that is 180 (one hundred and eighty) calendar days prior to the Credit Event Resolution Request Date; or

18.4.2. the date that is 180 (one hundred and eighty) calendar days prior to the earlier of:

18.4.2.1. the first date on which both the Credit Event Notice and, if “Notice of Publicly Available Information” is specified as a Condition to Settlement, the Notice of Publicly Available Information are delivered by the Issuer to the Paying Agent and are effective during the Notice Delivery Period; and

18.4.2.2. in circumstances where:

18.4.2.2.1. the conditions to convening a Credit Derivatives Determinations Committee to Resolve such matters are satisfied in accordance with the CDDC Rules;

18.4.2.2.2. the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters; and

18.4.2.2.3. the Credit Event Notice and, if “Notice of Publicly Available Information” is specified as a Condition to Settlement, the Notice of Publicly Available Information are delivered by the Issuer to the Paying Agent and are effective no more than fourteen 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.

18.5. **“Credit Event Notice”** means an irrevocable notice from the Issuer (which may be in writing (including by facsimile and/or email) and/or by telephone) to the Paying Agent that describes a Credit Event that occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date. A Credit Event Notice must 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.

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

18.6.1. whether an event that constitutes a Credit Event for purposes of the relevant Notes has occurred with respect to the relevant Reference Entity or Obligation thereof; and

18.6.2. 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 CDDC Rules, of Publicly Available Information with respect to the DC Resolutions referred to in 18.6.1 and 18.6.2 above.

18.7. **“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:

18.7.1. an event that constitutes a Credit Event for purposes of the relevant Series has occurred with respect to such Reference Entity (or an Obligation thereof); and

18.7.2. such event occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date. A DC Credit Event Announcement will be deemed not to have occurred with respect to the Notes of the relevant Series,

unless:

18.7.3. the Credit Event Resolution Request Date with respect to such Credit Event occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Issue Date); and

18.7.4. the Issue Date occurs on or prior to the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is 21 (twenty one) calendar days following the No Auction Announcement Date, if any, as applicable.

18.8. **“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 relevant Series with respect to such Reference Entity (or an Obligation thereof).

18.9. **“Event Determination Date”** means:

18.9.1. The first date on which both the Credit Event Notice and, if “Notice of Publicly Available Information” is specified as a Condition to Settlement, the Notice of Publicly Available Information are delivered by the Issuer and are effective during either:

18.9.1.1. the Notice Delivery Period; or:

18.9.1.2. the period from, and including, the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in 2003 Credit Linked Condition 18.6.1 and 2003 Credit Linked Condition 18.6.2 of the "Credit Event Resolution Request Date" definition to, and including, the date that is 14 (fourteen) calendar days thereafter, provided that a 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 Issue Date),

provided however that:

- 18.9.1.3. the Issuer shall not deliver a Credit Event Notice if, prior to the date of delivery, a DC No Credit Event Announcement has occurred; and
  - 18.9.1.4. if a DC Credit Event Announcement occurs, the Issuer may elect (by notice included in the Credit Event Notice) that the Event Determination Date be the Credit Event Resolution Request Date.
- 18.9.2. 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, prior to the Auction Final Price Determination Date, a CLN Valuation Date, the Physical Settlement Date (or, if earlier, a Delivery Date), or the Maturity Date or Deferred Redemption Date, as applicable, a DC No Credit Event Announcement Date occurs with respect to the relevant Reference Entity or Obligation thereof.
- 18.9.3. If, in accordance with the provisions above:
- 18.9.3.1. following the determination of an Event Determination Date such Event Determination Date is deemed:
    - 18.9.3.1.1. to have occurred on a date that is different from the date that was originally determined to be the Event Determination Date; or
    - 18.9.3.1.2. not to have occurred; or
  - 18.9.3.2. an Event Determination Date is deemed to have occurred prior to a preceding Interest Payment Date,
- then, the Calculation Agent will determine:
- 18.9.3.3. the adjustment payment, if any, that is payable to reflect any change that may be necessary to the amounts previously

calculated and/or paid in respect of the 2003 Credit Linked Notes; and

- 18.9.3.4. the date in which such adjustment payment is payable, if any. For the avoidance of doubt, no accruals of interest shall be taken into account when calculating any such adjustment payment.

18.10. “**Extension Date**” means the latest of:

- 18.10.1. the Maturity Date;

- 18.10.2. the Grace Period Extension Date if:

- 18.10.2.1. “Grace Period Extension” is specified as applicable in the Applicable Pricing Supplement;

- 18.10.2.2. the Credit Event that is 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, is a Failure to Pay that occurs after the Maturity Date; and

- 18.10.2.3. the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Maturity Date; and

- 18.10.3. the Repudiation/Moratorium Evaluation Date if:

- 18.10.3.1. the Credit Event that is the subject of the Credit Event Notice or Credit Event Resolution Request Date, as applicable, is a Repudiation/Moratorium for which the event described in 2003 Credit Linked Condition 19.11.1.2 below occurs after the Maturity Date;

- 18.10.3.2. the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Maturity Date; and

- 18.10.3.3. the Repudiation/Moratorium Extension Condition is satisfied.

18.11. “**Grace Period**” means:

- 18.11.1. subject to 2003 Credit Linked Condition 18.11.2 and 2003 Credit Linked Condition 18.11.3 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;

- 18.11.2. if “**Grace Period Extension**” is specified in the Applicable Pricing Supplement as applicable, a Potential Failure to Pay has occurred on or prior to the Maturity Date and the applicable grace period cannot, by its terms, expire on or prior to the Maturity Date, the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the Applicable Pricing Supplement or, if no period is specified, thirty calendar days; and
- 18.11.3. 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 Pricing Supplement, such deemed Grace Period shall expire no later than the Maturity Date.
- 18.12. “**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.
- 18.13. “**Grace Period Extension Date**”
- 18.13.1. Grace Period Extension Date means, if:
- 18.13.1.1. “Grace Period Extension” is specified as applicable in the Applicable Pricing Supplement; and
- 18.13.1.2. a Potential Failure to Pay occurs on or prior to the Maturity Date,
- the date that is the number of days in the Grace Period after the date of such Potential Failure to Pay.
- 18.13.2. If Grace Period Extension is not specified as applicable in the Applicable Pricing Supplement, Grace Period Extension shall not apply.

18.13.3. If:

18.13.3.1. "Grace Period Extension" is specified as applicable in the Applicable Pricing Supplement;

18.13.3.2. a Potential Failure to Pay occurs on or prior to the Maturity Date; and

18.13.3.3. an Event Determination Date in respect of that Failure to Pay does not occur on or prior to the last day of the Notice Delivery Period (including prior to the Issue Date),

the 2003 Credit Linked Notes will be redeemed on the Deferred Redemption Date.

18.14. "**Notice Delivery Period**" means the period from and including the Issue Date to and including a day that is 3 (three) Business Days following the date that is fourteen calendar days after the Extension Date.

18.15. "**Notice of Physical Settlement**"

18.15.1. Notice of Physical Settlement means a notice from Issuer to the Paying Agent that:

18.15.1.1. irrevocably confirms that Issuer will redeem the Notes (unless the Applicable Pricing Supplement provide for multiple Deliveries) and require performance in accordance with Physical Settlement as the CLN Settlement Method; and

18.15.1.2. contains a detailed description of each Deliverable Obligation that Issuer will, subject to 2003 Credit Linked Condition 6, Deliver to Noteholders, 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, the CUSIP or ISIN number (or, if such identifying number is not available, the rate and tenor) of each such Deliverable Obligation;

18.15.1.3. where:

18.15.1.3.1. the Relevant Credit Event is a Restructuring;

18.15.1.3.2. either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified in the Applicable Pricing Supplement; and

18.15.1.3.3. the Maturity Date is later than:

18.15.1.3.3.1. the final maturity date of the Latest Maturity Restructured Bond or Loan, if any; or

18.15.1.3.3.2. the 2,5 (two comma five) 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.

18.15.2. The Issuer may, from time to time, give notice in the manner specified above (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 will, subject to 2003 Credit Linked Condition 6, Deliver to Noteholders (each, a "**Replacement Deliverable Obligation**") and shall also specify the Outstanding Amount of each Deliverable Obligation identified in the Notice of Physical Settlement or a prior NOPS Amendment Notice, as applicable, that is being replaced (with respect to each such Deliverable Obligation, the "**Replaced Deliverable Obligation Outstanding Amount**"). The Outstanding Amount of each Replacement Deliverable Obligation identified in a NOPS Amendment Notice shall be determined by applying the Revised Currency Rate to the

relevant Replaced Deliverable Obligation Outstanding Amount. Each such NOPS Amendment Notice must be effective on or prior to the Physical Settlement Date (determined without reference to any change resulting from such NOPS Amendment Notice). Notwithstanding the foregoing, the Issuer may correct any errors or inconsistencies in the detailed description of each Deliverable Obligation contained in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, by notice prior to the relevant Delivery Date; it being understood that such notice of correction shall not constitute a NOPS Amendment Notice.

18.16. **“Notice of Publicly Available Information”** means an irrevocable notice from the Issuer delivering the relevant Credit Event Notice or Repudiation/Moratorium Extension Notice 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 2003 Credit Linked Condition 19.11.1.1 and 2003 Credit Linked Condition 19.11.1.2. The notice given must contain a copy, or a description in reasonable detail, of the relevant Publicly Available Information. If Notice of Publicly Available Information is applicable to a Series and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information.

18.17. **“Publicly Available Information”**

18.17.1. 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 Repudiation/Moratorium Extension Notice has occurred and which:

18.17.1.1. has been published in or on not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if either of the parties or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless such party or its Affiliate is acting in its

capacity as trustee, fiscal agent, administrative agent, clearing agent, Paying Agent, facility agent or agent bank for an Obligation;

18.17.1.2. is information received from or published by:

18.17.1.2.1. a Reference Entity that is not the Issuer (or a Sovereign Agency in respect of a Reference Entity which is a Sovereign); or

18.17.1.2.2. a trustee, fiscal agent, administrative agent, clearing agent, Paying Agent, facility agent or agent bank for an Obligation;

18.17.1.3. is information contained in any petition or filing instituting a proceeding described in 2003 Credit Linked Condition 19.2.4 of the definition of "Bankruptcy" against or by a Reference Entity; or

18.17.1.4. 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, regulatory or judicial body.

18.17.2. With respect to a Credit Event for which Issuer is:

18.17.2.1. the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent, Paying Agent, facility agent or agent bank for the Obligation with respect to which a Credit Event has occurred; and

18.17.2.2. a holder of such Obligation, the Issuer shall be required to deliver to the Paying Agent a certificate signed by a Managing Director (or other substantively equivalent title) of Issuer, which shall certify the occurrence of a Credit Event with respect to such Obligation.

18.17.3. Publicly Available Information need not state:

18.17.3.1. in relation to the definition of "Downstream Affiliate", the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity; or

18.17.3.2. 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.

18.18. **"Public Source"** means each source of Publicly Available Information specified as such in the Applicable Pricing Supplement (or, if a source is not so specified, each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organized and any other internationally recognized published or electronically displayed news sources) and such other published or electronically displayed news or other information sources referenced in any Notice of Publicly Available Information.

18.19. **"Relevant Credit Event"** means:

18.19.1. in the case of a Single-Name CLN, the first Credit Event to occur with respect to the Reference Entity;

18.19.2. in the case of an Nth-to-Default CLN, the Credit Event in relation to the Nth Event Determination Date to occur with respect to the Reference Portfolio; and

18.19.3. in the case of any other Notes, as specified in the Applicable Pricing Supplement.

18.20. **"Relevant Event Determination Date"** means the Event Determination Date occurring with respect to a Relevant Credit Event.

18.21. **"Specified Number"** means, unless otherwise specified in the Applicable Pricing Supplement, 2 (two).

## 19. CREDIT EVENTS

19.1. **"Credit Event"** means the occurrence 1 (one) or more of the Credit Events specified in the Applicable Pricing Supplement which may include Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, or any additional Credit Event specified in the Applicable Pricing Supplement. 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:

- 19.1.1. 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;
  - 19.1.2. any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described;
  - 19.1.3. 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
  - 19.1.4. the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.
- 19.2. **“Bankruptcy”** means a Reference Entity:
- 19.2.1. is dissolved (other than pursuant to a consolidation, amalgamation or merger);
  - 19.2.2. 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;
  - 19.2.3. makes a general assignment, arrangement or composition with or for the benefit of its creditors;
  - 19.2.4. institutes or has instituted against it a proceeding seeking a judgment 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 judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or

- liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;
- 19.2.5. has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- 19.2.6. 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;
- 19.2.7. has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or
- 19.2.8. 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 2003 Credit Linked Condition 19.2.1 to 2003 Credit Linked Condition 19.2.7 (inclusive).
- 19.3. **“Default Requirement”** means the amount specified as such in the Applicable Pricing Supplement or its equivalent in the relevant Obligation Currency or, if Default Requirement is not so specified, USD10,000,000 or its equivalent in the relevant Obligation Currency, in either case as of the occurrence of the Relevant Credit Event.
- 19.4. **“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.
- 19.5. **“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 organization of a Reference Entity.

- 19.6. **“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.
- 19.7. **“Obligation Currency”** means the currency or currencies in which an Obligation is denominated.
- 19.8. **“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.
- 19.9. **“Payment Requirement”** means the amount specified as such in the Applicable Pricing Supplement or its equivalent in the relevant Obligation Currency or, if Payment Requirement is not so specified, USD1,000,000 or its equivalent in the relevant Obligation Currency, in either case as of the occurrence of the Relevant Credit Event.
- 19.10. **“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.
- 19.11. **“Repudiation/Moratorium”**
- 19.11.1. Repudiation/Moratorium means the occurrence of both of the following events:
- 19.11.1.1. an authorized 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

19.11.1.2. 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.

19.11.2. **“Repudiation/Moratorium Evaluation Date”** means:

19.11.2.1. if a Potential Repudiation/Moratorium occurs on or prior to the Maturity Date:

19.11.2.1.1. if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of:

19.11.2.1.1.1. the date that is 60 (sixty) days after the date of such Potential Repudiation/Moratorium;  
and

19.11.2.1.1.2. the first payment date under any such Bond after the date of such Potential Repudiation / Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date); and

19.11.2.1.2. if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 (sixty) 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 Maturity Date unless the Repudiation / Moratorium Extension Condition is satisfied.

If the Repudiation/Moratorium Extension Condition is satisfied and an Event Determination Date in respect of that Repudiation/Moratorium does not occur on or prior to the final day of the Notice Delivery Period, the later of the Maturity Date and the Repudiation/Moratorium Evaluation Date will be the Deferred Redemption Date.

19.11.3. **“Potential Repudiation/Moratorium”** means the occurrence of an event described in 2003 Credit Linked Condition 19.11.1.1 of the definition of Repudiation/Moratorium.

19.11.4. The **“Repudiation/ Moratorium Extension Condition”** is satisfied:

19.11.4.1. if ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the CDDC Rules and effectively received on or prior to the date that is fourteen calendar days after the Maturity 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 Maturity Date; or

19.11.4.2. otherwise, by the delivery by the Issuer of a Repudiation/Moratorium Extension Notice and, if “Notice of Publicly Available Information” is specified as a Condition to Settlement, a Notice of Publicly Available Information that are each effective on or prior to the date that is fourteen calendar days after the Maturity Date. In all cases, the Repudiation/Moratorium Extension Condition will be deemed not to have been satisfied, or 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 CDDC Rules and effectively received on or prior to the date that is fourteen calendar days after the Maturity Date, that the relevant Credit Derivatives Determinations Committee has Resolved that either (i) an event does not constitutes a Potential Repudiation/Moratorium with respect to an Obligation of the relevant Reference Entity or (ii) an event that constitutes a Potential Repudiation/Moratorium for purposes of the relevant Notes has occurred with respect to an

Obligation of the relevant Reference Entity but that such event occurred after the Maturity Date.

- 19.11.5. **“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 that describes a Potential Repudiation/Moratorium that occurred on or prior to the Maturity Date. A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.
- 19.12. **“Restructuring”**
- 19.12.1. Restructuring means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of (i) the Credit Event Backstop Date applicable to the relevant Notes and (ii) the date as of which such Obligation is issued or incurred:
- 19.12.1.1. a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
- 19.12.1.2. a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
- 19.12.1.3. a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest or (ii) the payment of principal or premium;
- 19.12.1.4. a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or

- 19.12.1.5. any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency.
- 19.12.2. **“Permitted Currency”** means:
- 19.12.2.1. 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
- 19.12.2.2. the legal tender of any country which, as of the date of such change, is a member of the Organization for Economic Cooperation and Development and has a local currency long-term debt rating of either AAA or higher assigned to it by S&P.
- 19.12.3. Notwithstanding the above, none of the following shall constitute a Restructuring:
- 19.12.3.1. 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;
- 19.12.3.2. the occurrence of, agreement to or announcement of any of the events described in 2003 Credit Linked Condition 19.12.1 above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
- 19.12.3.3. the occurrence of, agreement to or announcement of any of the events described in 2003 Credit Linked Condition 19.12.1 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.
- 19.12.4. For purposes of this definition and “Multiple Holder Obligation” in 2003 Credit Linked Condition 19.12.5 below, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if “All

Guarantees” is specified as applicable in the Applicable Pricing Supplement, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in this definition shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in this definition shall continue to refer to the Reference Entity.

19.12.5. Unless “Multiple Holder Obligation” is expressed to be not applicable in the Applicable Pricing Supplement, then none of the events described above shall constitute a Restructuring unless the Obligations is a Multiple Holder Obligation, where “**Multiple Holder Obligation**” means an Obligation that:

19.12.5.1. at the time of the event which constitutes a Restructuring Credit Event is held by more than 3 (three) holders that are not Affiliates of each other; and

19.12.5.2. 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  $66\frac{2}{3}$  (sixty-six-and two-thirds) is required to consent to the event which constitutes a Restructuring Credit Event (provided that this 2003 Credit Linked Condition 19.12.5.2 shall be deemed to be satisfied where the Obligation is a Bond).

## 20. GENERAL TERMS RELATING TO REDEMPTION AND SETTLEMENT

20.1. “**CLN Settlement Method**” means:

20.1.1. the terms relating to the settlement of Cash Settled CLNs (such method “**Cash Settlement**”), as provided in the Terms and Conditions, these 2003 Credit Linked Conditions in respect of such Notes and the Applicable Pricing Supplement; and

20.1.2. the terms relating to the settlement of Physically Delivered CLNs (such method “**Physical Settlement**”), as provided in the 2003 Credit Linked Conditions in respect of such Notes and the Applicable Pricing Supplement.

20.2. “**Deferred Redemption Date**” means, if an Extension Notice is effective and no Event Determination Date occurs on or prior to the Securities Extension Date, the date falling

five Business Days after the Securities Extension Date or, if an Extension Notice is effective and an Event Determination Date occurs on or prior to the Securities Extension Date, in respect of Cash Settled CLNs, the Credit Event Redemption Date, or, in respect of Physically Delivered CLNs, the Final Delivery Date.

- 20.3. **“Extended Interest Period”** means the period, if any, from and including the Maturity Date to but excluding the Deferred Redemption Date.
- 20.4. **“Extension Notice”** means an irrevocable notice (which may be by telephone) from the Issuer to the Paying Agent which is effective on or prior to the Maturity Date that specifies one or more Reference Entities which the Issuer determines, in its sole and absolute discretion, is or may be subject to a Credit Event, Potential Failure to Pay or a Potential Repudiation/Moratorium.
- 20.5. **“Fallback CLN Settlement Method”** means, with respect to a Series of 2003 Credit Linked Notes for which “Auction Settlement” is specified as the CLN Settlement Method in the Applicable Pricing Supplement, if “Physical Settlement” is specified as the Fallback CLN Settlement Method in the Applicable Pricing Supplement, Physical Settlement, otherwise Cash Settlement.
- 20.6. **“Issuer CLN Settlement Option”** means, if specified in the Applicable Pricing Supplement, the option, exercisable by the Issuer in its sole discretion, for the Issuer to redeem the Notes by way of Cash Settlement, Auction Settlement or Physical Settlement upon the occurrence of a Relevant Event Determination Date.
- 20.7. **“Securities Extension Date”** means the later to occur of:
- 20.7.1. the last applicable day specified in the definition of Notice Delivery Period in respect of each Reference Entity specified in an Extension Notice; and
  - 20.7.2. 14 (fourteen) calendar days after the day on which ISDA publicly announces that either:
    - 20.7.2.1. the relevant Credit Derivatives Determinations Committee has Resolved the matters described in 2003 Credit Linked Condition 18.6.1 and 2003 Credit Linked Condition 18.6.2 in the definition of “Credit Event Resolution Request Date”; or
    - 20.7.2.2. the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, in either case relating to a Credit Event Resolution Request Date that occurred on or

prior to the end of the last day of the Notice Delivery Period (including prior to the Issue Date).

21. **TERMS RELATING TO CASH SETTLEMENT**

21.1. **“CLN Cash Settlement Amount”** means, with respect to any Note, the product of (i) the Nominal Amount of the Notes and (ii) the Final Price (if Cash Settlement applies) or Auction Final Price (if Auction Settlement applies).

21.2. **“Credit Event Redemption Date”** means:

21.2.1. if the Credit Event Redemption Date is not specified in the Applicable Pricing Supplement, the date that is the number of Business Days specified in the Applicable Pricing Supplement (or, if a number of Business Days is not so specified, 5 (five) Business Days) following the calculation of the Final Price; and

21.2.2. if the Credit Event Redemption Amount is specified in the related Applicable Pricing Supplement, the date that is the number of Business Days specified in the related Applicable Pricing Supplement (or, if a number of Business Days is not so specified, 5 (five) Business Days) following the satisfaction of all Conditions to Settlement (or, if “Cash Settlement” is applicable as a fallback to Auction Settlement, any Auction Cancellation Date or any No Auction Announcement Date, if later),

provided, however, that if Auction Settlement is applicable then the Credit Event Redemption Date shall be the Cash Settlement date determined pursuant to the Credit Derivatives Auction Settlement Terms for such Auction.

21.3. **“CLN Valuation Date”** means:

21.3.1. if “Single CLN Valuation Date” is specified in the Applicable Pricing Supplement, a date selected by the Issuer not less than 5 (five) Business Days after satisfaction of all Conditions to Settlement or if “Cash Settlement” is applicable pursuant to the fallback provisions in Auction Settlement, any Auction Cancellation Date or any No Auction Announcement Date, if later);

21.3.2. if “Multiple CLN Valuation Dates” is specified in the Applicable Pricing Supplement, the dates specified in the Applicable Pricing Supplement; or

- 21.3.3. if neither “Single CLN Valuation Date” nor “Multiple CLN Valuation Dates” is specified in the Applicable Pricing Supplement, Single CLN Valuation Date shall apply.
- 21.4. “**CLN Valuation Time**” means the time specified as such in the Applicable Pricing Supplement or, if no time is so specified, the time specified by the Calculation Agent, which shall be as close as reasonably practicable to 11h00 a.m. in the relevant Calculation Agent City, unless the Calculation Agent determines that the principal market for transactions in the Reference Obligation would be closed at such time or such transactions are not being conducted in sufficient volume (as determined by the Calculation Agent in its sole and absolute discretion) at such time, in which event the CLN Valuation Time shall be such other time as may be specified by the Calculation Agent that such principal market is open.
- 21.5. “**Dealer**” means, as selected by the Calculation Agent, at least five financial institutions, funds or other entities that purchase or deal in obligations of the type of the relevant Reference Obligation, Obligation or Undeliverable Obligation one of which institutions, funds or other entities may be the Issuer or an Affiliate thereof.
- 21.6. “**Final Price**” means the price of the Reference Obligation, expressed as a percentage, determined in accordance with the specified Valuation Method. Unless Auction Settlement applies, the Calculation Agent shall, as soon as reasonably practicable after obtaining all Quotations for a CLN Valuation Date, notify the Paying Agent in writing of each such Quotation (together with a written computation showing such calculation) that it receives in connection with the calculation of the Final Price. The Paying Agent shall deliver such notice through the relevant settlement system to holders of Notes, provided that the failure of the Paying Agent to deliver any such notice shall not affect the effectiveness of any notice delivered by the Calculation Agent. If “Auction Settlement” is specified to be applicable or is elected to be applicable pursuant to the Issuer CLN Settlement Option, then notwithstanding the Valuation Method, Final Price means the Auction Final Price.
- 21.7. “**Full Quotation**” means, in accordance with the Quotation Method, each firm quotation obtained from a Dealer at the CLN Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation with an outstanding principal balance equal to the Quotation Amount.

- 21.8. **“Market Value”** means, with respect to a Reference Obligation on a CLN Valuation Date:
- 21.8.1. 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 value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
  - 21.8.2. 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);
  - 21.8.3. if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation;
  - 21.8.4. if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject to 2003 Credit Linked Condition 21.10.2 of the “Quotation” definition, an amount as determined by the Calculation Agent on the next Business Day on which 2 (two) or more Full Quotations or a Weighted Average Quotation is obtained; and
  - 21.8.5. if two or more Full Quotations or a Weighted Average Quotation are not obtained within the additional five Business Day period set forth in 2003 Credit Linked Condition 21.10.2 of the “Quotation” definition the Market Value shall be determined as provided in such definition.
- 21.9. **“Minimum Quotation Amount”** means the amount specified as such in the Applicable Pricing Supplement (or its equivalent in the relevant Obligation Currency) or, if no amount is so specified, the lower of (i) USD1,000,000 (or its equivalent in the relevant Obligation Currency) and (ii) the Quotation Amount.
- 21.10. **“Quotation”** means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a CLN Valuation Date in the manner that follows.
- 21.10.1. The Calculation Agent shall attempt to obtain Full Quotations with respect to the CLN Valuation Date from 5 (five) or more Dealers. If the Calculation

Agent is able to obtain 2 (two) or more such Full Quotations from Dealers other than the Issuer in respect of such CLN Valuation Date, then the Calculation Agent shall use such Full Quotations to determine the Final Price in accordance with the specified Valuation Method. If the Calculation Agent is unable to obtain two or more such Full Quotations in respect of such CLN Valuation Date but is able to obtain a Weighted Average Quotation in respect of such CLN Valuation Date, then the Calculation Agent shall use such Weighted Average Quotation to determine the Final Price in accordance with the specified Valuation Method.

21.10.2. If the Calculation Agent is unable to obtain 2 (two) or more such Full Quotations or such a Weighted Average Quotation in respect of such CLN Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until and including the fifth Business Day) the Calculation Agent shall attempt to obtain 2 (two) or more such Full Quotations from Dealers other than the Issuer and, if two or more such Full Quotations are not available from Dealers other than the Issuer on such Business Day, a Weighted Average Quotation on such Business Day. If the Calculation Agent is able to obtain two or more such Full Quotations in respect of any such Business Day from Dealers other than the Issuer, then the Calculation Agent shall use such Full Quotations to determine the Final Price in accordance with the specified Valuation Method. If the Calculation Agent is unable to obtain two or more such Full Quotations in respect of any such Business Day but is able to obtain a Weighted Average Quotation in respect of any such Business Day, then the Calculation Agent shall use such Weighted Average Quotation to determine the Final Price in accordance with the specified Valuation Method.

21.10.3. If the Calculation Agent is unable to obtain 2 (two) or more such Full Quotations or such a Weighted Average Quotation from Dealers other than the Issuer on or prior to the 5<sup>th</sup> fifth Business Day following the relevant CLN Valuation Date, then the Calculation Agent shall use the Full Quotation, if any, obtained from the Issuer on such 5<sup>th</sup> fifth Business Day to determine the Final Price in accordance with the specified Valuation Method.

- 21.10.4. If the Calculation Agent is unable to obtain a Full Quotation from the Issuer on such fifth Business Day following the relevant CLN Valuation Date, then the Quotation shall be deemed to be zero.
- 21.10.5. Any quotation provided by the Issuer or an Affiliate thereof shall be deemed to be a firm quotation.
- 21.10.6. The Calculation Agent shall determine, based on then current market practice in respect 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.
- 21.10.7. 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.
- 21.11. **“Quotation Amount”** means the amount specified as such in the Applicable Pricing Supplement or, if no amount is so specified, an amount specified by the Calculation Agent not in excess of the aggregate Nominal Amount of the securities outstanding in the case of the Notes in respect of the 2003 Credit Linked Notes (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).
- 21.12. **“Quotation Method”** means the applicable Quotation Method specified in the Applicable Pricing Supplement by reference to one of the following terms (or, if no Quotation Method is specified, Bid shall apply):
- 21.12.1. **“Bid”** means that only bid quotations shall be requested from Dealers;
- 21.12.2. **“Offer”** means that only offer quotations shall be requested from Dealers;  
or
- 21.12.3. **“Mid-market”** means that bid and offer quotations shall be requested from Dealers and shall be averaged for purposes of determining a relevant Dealer’s quotation.

- 21.13. “**Representative Amount**” means an amount that is representative for a single transaction in the relevant market and at the relevant time, such amount to be determined by the Calculation Agent.
- 21.14. “**Weighted Average Quotation**” means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Dealers at the CLN Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an 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.
- 21.15. “**Valuation Method**” means:
- 21.15.1. The following Valuation Methods may be specified in the Applicable Pricing Supplement for a Series with only one Reference Obligation and only one CLN Valuation Date:
- 21.15.1.1. “**Market**” means the Market Value determined by the Calculation Agent with respect to the CLN Valuation Date;
- 21.15.1.2. “**Highest**” means the highest Quotation obtained by the Calculation Agent (or in accordance with the definition thereof) with respect to the CLN Valuation Date; or
- 21.15.1.3. “**Lowest**” means the lowest Quotation obtained by the Calculation Agent (or in accordance with the definition thereof) with respect to the CLN Valuation Date. If no such Valuation Method is specified in the Applicable Pricing Supplement, the Valuation Method shall be Highest.
- 21.15.2. The following Valuation Methods may be specified in the Applicable Pricing Supplement for a Series with only one Reference Obligation and more than one CLN Valuation Date:
- 21.15.2.1. “**Average Market**” means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each CLN Valuation Date;

- 21.15.2.2. **"Highest"** means the highest Quotation obtained by the Calculation Agent (or in accordance with the definition thereof) with respect to any CLN Valuation Date; or
- 21.15.2.3. **"Average Highest"** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent (or in accordance with the definition thereof) with respect to each CLN Valuation Date.
- 21.15.3. If no such Valuation Method is specified in the Applicable Pricing Supplement, the Valuation Method shall be Average Highest.
- 21.15.4. The following Valuation Methods may be specified for a Series with more than one Reference Obligation and only one CLN Valuation Date:
- 21.15.4.1. **"Blended Market"** means the unweighted arithmetic mean of the Market Values for each Reference Obligation determined by the Calculation Agent with respect to the CLN Valuation Date; or
- 21.15.4.2. **"Blended Highest"** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent (or in accordance with the definition thereof) for each Reference Obligation with respect to the CLN Valuation Date.
- 21.15.5. If no such Valuation Method is specified in the Applicable Pricing Supplement, the Valuation Method shall be Blended Highest.
- 21.15.6. The following Valuation Methods may be specified for a Series with more than one Reference Obligation and more than one CLN Valuation Date:
- 21.15.6.1. **"Average Blended Market"** means, using values with respect to each CLN 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 CLN Valuation Date; or
- 21.15.6.2. **"Average Blended Highest"** means, using values with respect to each CLN 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 CLN Valuation Date.

- 21.15.7. If no such Valuation Method is specified in the Applicable Pricing Supplement, the Valuation Method shall be Average Blended Highest.
- 21.15.8. Notwithstanding 2003 Credit Linked Condition 21.15.1 to 2003 Credit Linked Condition 21.15.6 above, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Valuation Method shall be Market, Average Market, or Blended Market or Average Blended Market, as the case may be.

## 22. TERMS RELATING TO AUCTION SETTLEMENT

- 22.1. If “**Auction Settlement**” is specified with respect to a Series in the Applicable Pricing Supplement or elected pursuant to the Issuer CLN Settlement Option and a Relevant Event Determination Date occurs on or prior to the Auction Final Price Determination Date, the Auction Final Price shall be the Final Price with respect to the related Credit Event. Without prejudice to the foregoing, but without duplication of settlement, if:
  - 22.1.1. an Auction Cancellation Date occurs;
  - 22.1.2. a No Auction Announcement Date occurs;
  - 22.1.3. ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, not to determine whether or not an event constitutes a Credit Event for purposes of the Notes of the relevant Series; or
  - 22.1.4. an Event Determination Date was determined pursuant to 2003 Credit Linked Condition 18.9.1 of the definition of “Event Determination Date” and no Credit Event Resolution Request Date has occurred on or prior to the date falling three Business Days after such Event Determination Date, Auction Settlement shall not apply and the Fallback CLN Settlement Method shall apply.
- 22.2. “**Auction**” has the meaning set forth in the Transaction Auction Settlement Terms.
- 22.3. “**Auction Cancellation Date**” has the meaning set forth in the Transaction Auction Settlement Terms.

- 22.4. **“Auction Final Price”** has the meaning set forth in the Transaction Auction Settlement Terms in respect of the relevant Reference Entity, provided that:
- 22.4.1. where both a Senior Auction and a Subordinate Auction are held in connection with an Auction in respect of such Reference Entity, the Issuer may in its sole and absolute discretion elect to apply the price determined pursuant to the Senior Auction where the Reference Obligation in respect of such Reference Entity is specified as a “Sub” or “Subordinated” Reference Obligation; and
  - 22.4.2. if the Credit Event is a Restructuring, the Calculation Agent shall select which of the Transaction Auction Settlement Terms shall apply in a commercially reasonable manner in accordance with the current market practice by reference to the Maturity Date of the relevant Notes.
- 22.5. **“Auction Final Price Determination Date”** has the meaning set forth in the Transaction Auction Settlement Terms.
- 22.6. **“Credit Derivatives Auction Settlement Terms”** means any Credit Derivatives Auction Settlement Terms published by ISDA, in accordance with the CDDC Rules, a copy of which will be published by ISDA on its website from time to time and may be amended from time to time in accordance with the CDDC Rules. A form of the Credit Derivatives Auction Settlement Terms is available at [www.isda.org/credit](http://www.isda.org/credit).
- 22.7. **“No Auction Announcement Date”** means, with respect to a Credit Event, the date on which ISDA first publicly announces that:
- 22.7.1. no Transaction Auction Settlement Terms will be published will be held with respect to such Reference Entity and Credit Event following a prior public announcement by ISDA to the contrary:
  - 22.7.2. following the occurrence of a Restructuring only, no Credit Derivatives Auction Settlement Terms will be published with respect to such Reference Entity and Restructuring; or
  - 22.7.3. the relevant Credit Derivatives Determinations Committee has Resolved that an Auction will be held but in respect of a different Credit Event, Reference Entity or Deliverable Obligations as are applicable to the relevant Series.

- 22.8. “**Senior Auction**” means an Auction in respect of one or more Obligations of the relevant Reference Entity specified as “Senior” pursuant to such Auction.
- 22.9. “**Subordinated Auction**” means an Auction in respect to of one or more Obligations of the relevant Reference Entity specified as “Subordinated” or “Sub” pursuant to such Auction.
- 22.10. “**Transaction Auction Settlement Terms**” means the Credit Derivatives Auction Settlement Terms applicable to the relevant Reference Entity and Reference Obligation.

23. **TERMS RELATING TO DELIVERY**

- 23.1. “**Deliver**” means to deliver, novate, transfer, cede (including, in the case of a Qualifying Guarantee, transfer and cede of the benefit of the Qualifying Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title and interest in the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, to Noteholders 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 2003 Credit Linked Condition 19.1.1 to 2003 Credit Linked Condition 19.1.4 (inclusive)) or right of set-off by or of the Reference Entity or, as applicable, an Underlying Obligor); provided that to the extent that the Deliverable Obligations consist of Direct Loan Participations, “Deliver” means to create (or procure the creation) of a participation in favour of each Noteholder and to the extent that the Deliverable Obligations consist of Qualifying Guarantees, “Deliver” means to Deliver both the Qualifying Guarantee and the Underlying Obligation. “**Delivery**” and “**Delivered**” will be construed accordingly. In the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for Delivery of such Loan at that time. Notwithstanding the previous sentence, in the case of a Loan, each of the Issuer and each Noteholder agrees to comply, for purposes of the settlement of the Notes of the relevant Series, with the provisions of any documentation (which term shall be deemed to include any market advisory that the relevant Credit Derivatives Determinations Committee Resolves to approve for such purpose) that the relevant Credit Derivatives Determinations Committee Resolves constitutes documentation customarily used in the relevant market for Delivery of such Loan at that time, as such documentation may be amended to the extent the relevant Credit Derivatives Determinations Committee Resolves is appropriate, which is consistent with the

delivery and payment obligations of the parties hereunder. The Issuer and each Noteholder further agrees that compliance by it with the provisions of any such documentation, shall be required for, and, without further action, constitute, Delivery for purposes of this definition (to the extent that such documentation contains provisions describing how Delivery should be effected) and neither the Issuer nor any Noteholder shall be permitted to request that the other take, nor shall it be required to take, any action under 2003 Credit Linked Condition 6.3 unless otherwise contemplated by such documentation.

23.2. **“Deliverable Obligations Portfolio”** means, in respect of each Physically Delivered CLN, subject to 2003 Credit Linked Condition 10.1 and unless otherwise elected by the Issuer in accordance with the Issuer CLN Settlement Option as set out in these 2003 Credit Linked Conditions, such Deliverable Obligations as may be selected by the Issuer with:

23.2.1. an outstanding principal balance, in respect of Deliverable Obligations that are Borrowed Money obligations; or

23.2.2. Due and Payable Amount, in respect of Deliverable Obligations that are not Borrowed Money obligations (or in either case, the equivalent Currency Amount thereof), in an aggregate amount (excluding any accrued and unpaid interest) equal to:

23.2.2.1. the aggregate Nominal Amount of the Notes outstanding in respect of the 2003 Credit Linked Notes, as of the relevant Event Determination Date; less

23.2.2.2. (if, at the option of the Issuer, Settlement Expenses and Swap Costs are to be deducted rather than separately paid by each such Noteholder) an outstanding principal balance or Due and Payable Amount, as the case may be, of such Deliverable Obligations with a market value as determined by the Calculation Agent equal to the Settlement Expenses and Swap Costs.

If the amount of the Deliverable Obligations Portfolio is less than zero, no Deliverable Obligations will be required to be Delivered and the amount of the Deliverable Obligations Portfolio will be deemed to be zero. If an obligation by its terms represents or contemplates an obligation to pay an amount greater than the outstanding principal balance of such obligation

as of the Delivery Date as a result of the occurrence or non-occurrence of an event or circumstance, the outstanding principal balance of such obligation shall not include any additional amount that would be payable upon the occurrence or non-occurrence of such event or circumstance.

- 23.3. **“Delivery Date”** means, with respect to a Deliverable Obligation, the date such Deliverable Obligation is Delivered.
- 23.4. **“Delivery Method”** has the meaning specified in the Applicable Pricing Supplement, or, if no such meaning is specified, shall mean, unless otherwise agreed between a Noteholder and the Issuer, that delivery to such Noteholder shall be to a securities account designated by such Noteholder.
- 23.5. **“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).
- 23.6. **“Final Delivery Date”** means, in respect of a Physical Settlement Date, the final Delivery Date to occur with respect to Deliverable Obligations comprised in the Deliverable Obligations Portfolio pertaining to such Physical Settlement Date.
- 23.7. **“Latest Permissible Physical Settlement Date”** means, in respect of 2003 Credit Linked Condition 6.4, the date that is thirty calendar days after the Physical Settlement Date and, in respect of 2003 Credit Linked Condition 6.5, 2003 Credit Linked Condition 6.6 and 2003 Credit Linked Condition 6.7, the date that is fifteen Business Days after the Physical Settlement Date (or, where “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation” applies, the Modified Restructuring Maturity Limitation Date).
- 23.8. **“Physical Settlement Date”** means the last day of the longest Physical Settlement Period following the satisfaction of all applicable Conditions to Settlement.
- 23.9. **“Physical Settlement Period”** means the number of Business Days specified as such in the Applicable Pricing Supplement 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, the longest number of Business Days for settlement in accordance with the current market practice of such Deliverable Obligation, as determined by the Calculation Agent.

## 24. TERMS RELATING TO CURRENCIES

- 24.1. **“Currency Amount”** means, with respect to:
- 24.1.1. a Deliverable Obligation specified in a Notice of Physical Settlement that is denominated in a currency other than the relevant currency, an amount converted to the relevant currency using a conversion rate determined by reference to the Currency Rate; and
  - 24.1.2. a Replacement Deliverable Obligation specified in a NOPS Amendment Notice, an amount converted to the relevant currency (or, if applicable, back into the relevant currency) using a conversion rate determined by reference to the Currency Rate, if any, and each Revised Currency Rate used to convert each Replaced Deliverable Obligation Outstanding Amount specified in each NOPS Amendment Notice with respect to the relevant portion of the applicable Nominal Amount into the currency of denomination of the relevant Replacement Deliverable Obligation.
- 24.2. **“Currency Rate”** means with respect to:
- 24.2.1. a Deliverable Obligation specified in the Notice of Physical Settlement, the rate of conversion between the relevant currency and the currency in which the Outstanding Amount of such Deliverable Obligation is denominated that is either (i) determined by reference to the Currency Rate Source as at the Next Currency Fixing Time or (ii) if such rate is not available at such time, determined by the Calculation Agent; and
  - 24.2.2. a Replacement Deliverable Obligation specified in a NOPS Amendment Notice, the Revised Currency Rate.
- 24.3. **“Currency Rate Source”** means the mid-point rate of conversion published by WM/Reuters at 16h00 (London time), or any successor rate source approved by the relevant Credit Derivatives Determinations Committee.
- 24.4. **“Next Currency Fixing Time”** means 16h00 (London time) on the London Business Day immediately following the date on which the Notice of Physical Settlement or relevant NOPS Amendment Notice, as applicable, is effective.
- 24.5. **“Revised Currency Rate”** means, with respect to a Replacement Deliverable Obligation specified in a NOPS Amendment Notice, the rate of conversion between the currency in which the Replaced Deliverable Obligation Outstanding Amount is

denominated and the currency in which the Outstanding Amount of such Replacement Deliverable Obligation is denominated that is determined either (i) by reference to the Currency Rate Source as at the Next Currency Fixing Time or (ii) if such rate is not available at such time, by the Calculation Agent in a commercially reasonable manner.

25. **TERMS RELATING TO CONVERTIBLE, EXCHANGEABLE AND ACCRETING OBLIGATIONS**

25.1. With respect to any Accreting Obligation, “**outstanding principal balance**” means the Accreted Amount thereof.

25.2. With respect to any Exchangeable Obligation that is not an Accreting Obligation, outstanding principal balance shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

25.3. “**Accreted Amount**” means, with respect to an Accreting Obligation, an amount equal to:

25.3.1. the sum of:

25.3.1.1. the original issue price of such obligation; and

25.3.1.2. 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

25.3.2. 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 2003 Credit Linked Condition 25.3.1.2 above), in each case calculated as of the earlier of:

25.3.2.1. the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal; and

25.3.2.2. the Delivery Date or applicable CLN 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 Applicable Pricing Supplement. 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 purposes of 2003 Credit Linked Condition 25.3.1.2 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 (i) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (ii) the Delivery Date or applicable CLN 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 for which such obligation is exchangeable.

- 25.4. **"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 (i) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (ii) periodic cash interest is also payable.
- 25.5. **"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).
- 25.6. **"Equity Securities"** means:
- 25.6.1. 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 distributed to or made available to holders of those equity securities from time to time; and
  - 25.6.2. 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

distributed to or made available to holders of those equity securities from time to time.

- 25.7. **"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).

**Responsibility:**

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the placing document contains all information required by law, the Debt Listings Requirements and section 19 of the JSE Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in the placing document and the annual financial statements and/or the pricing supplements.

The JSE takes no responsibility for the contents of the placing document and the annual financial statements and/or\* the pricing supplements and/or\* the annual report of the issuer and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the placing document and the annual financial statements and/or\* the pricing supplements and/or\* the annual report of the issuer and any amendments or supplements to the aforementioned documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the placing document and listing of the debt securities is not to be taken in any way as an indication of the merits of the issuer or of the debt securities and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

SIGNED at JOHANNESBURG on this 7<sup>th</sup> day of NOVEMBER 2018

for and on behalf of

ABSA BANK LIMITED

Name:

Capacity: Authorised Signatory

Who warrants his/her authority hereto

Name:

Capacity: Authorised Signatory

Who warrants his/her authority hereto

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**SECTION IV-B: 2014 CREDIT LINKED NOTES**

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**Absa Bank Limited**

*(incorporated in the Republic of South Africa with limited liability under registration number 1986/004794/06) (the “Issuer”)*

issued pursuant to the

**ZAR40,000,000,000 Master Programme Memorandum, dated on or about 7 November 2018**

in respect of

**2014 Credit Linked Notes (“2014 Credit Linked Notes” or the “Notes”)**

This document constitutes an Applicable Product Supplement relating to the Master Programme Memorandum. By executing this Applicable Product Supplement, the Issuer binds itself to the terms and conditions of the Master Programme Memorandum and this Applicable Product Supplement and, accordingly, this Applicable Product Supplement must be read in conjunction with the Master Programme Memorandum dated on or about 7 November 2018. To the extent that there is any conflict or inconsistency between the provisions of this Applicable Product Supplement and the provisions of the Master Programme Memorandum, the provisions of this Applicable Product Supplement will prevail.

This Applicable Product Supplement may specify other terms and conditions of the Notes (which replace, modify or supplement the Terms and Conditions), in which event such other terms and conditions shall, to the extent so specified in this Applicable Product Supplement or to the extent inconsistent with the Terms and Conditions, replace, modify or supplement the Terms and Conditions.

Any capitalised terms not defined in this Applicable Product Supplement have the meanings ascribed to them in the Glossary of Terms. References in this Applicable Product Supplement to the Terms and Conditions are to section II-A of the Master Programme Memorandum headed “*Terms and Conditions of the Notes*”. Reference to any Condition in this Applicable Product Supplement is to that Condition of the Terms and Conditions. Reference to any “2014 Credit Linked Condition” in this Applicable Product

Supplement or an Applicable Pricing Supplement in relation to this Applicable Product Supplement is to that 2014 Credit Linked Condition in this Applicable Product Supplement.

The Applicable Pricing Supplement may specify other terms and conditions of the Notes (which replace, modify or supplement the Terms and Conditions and these 2014 Credit Linked Conditions.

To the extent that there is any conflict or inconsistency between the provisions of this Applicable Product Supplement and an Applicable Pricing Supplement, the provisions of the Applicable Pricing Supplement will prevail.

**Arranger and Dealer**

**ABSA BANK LIMITED**

This Applicable Product Supplement is dated on or about 7 November 2018.

## 1. INTRODUCTION

The conditions set out below shall, together and as read with the Terms and Conditions set out in the Master Programme Memorandum, comprise the terms and conditions of the 2014 Credit Linked Notes (the “**2014 Credit Linked Conditions**”), in each case subject to the Applicable Pricing Supplement. For purposes of any 2014 Credit Linked Notes, in the event of any inconsistency between the Terms and Conditions of the Master Structured Note Programme and the 2014 Credit Linked Conditions set out below, the 2014 Credit Linked Conditions shall prevail. In the event of any inconsistency between the Terms and Conditions and/or the 2014 Credit Linked Conditions and the Applicable Pricing Supplement, the Applicable Pricing Supplement shall prevail. This Section IV-B headed “*2014 Credit Linked Notes*” is an Applicable Product Supplement for purposes of the Terms and Conditions of the Master Structured Note Programme and any Notes, if specified to be 2014 Credit Linked Notes in the Applicable Pricing Supplement, shall be subject to these 2014 Credit Linked Conditions. Capitalised terms used but not defined herein shall have the meanings given to them in the Glossary of Terms, as may be amended by the Applicable Pricing Supplement.

## 2. RISK FACTORS RELATING TO 2014 CREDIT LINKED NOTES

2014 Credit Linked Notes have a different risk profile to ordinary Notes. The return on a 2014 Credit Linked Note is linked to the credit risk of one or more Reference Entities and certain obligations of one or more Reference Entities underlying that 2014 Credit Linked Note. Investing in a 2014 Credit Linked Note is not equivalent to investing directly in shares of any Reference Entity or in any obligation of any Reference Entity, nor is it equivalent to investing or hedging using over-the-counter derivatives. This 2014 Credit Linked Condition 2 describes additional factors to which prospective investors should have regard when considering an investment in 2014 Credit Linked Notes. Capitalised terms in this 2014 Credit Linked Condition 2 have the meanings given in the remainder of this Applicable Product Supplement or, if not defined in this Applicable Product Supplement, the Glossary of Terms.

### 2.1. 2014 Credit Linked Notes are subject to optional redemption by the Issuer after a relevant Credit Event

The Issuer may redeem 2014 Credit Linked Notes (or, if so specified in the Applicable Pricing Supplement, a portion thereof) earlier than the stated Maturity Date if a Credit Event occurs. The optional redemption feature of 2014 Credit Linked Notes is likely to limit their market value. During any period when the Issuer may elect to redeem 2014 Credit Linked Notes, the market value of those 2014 Credit Linked Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

At the time of such optional redemption, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the 2014 Credit Linked Notes being redeemed. Prospective Noteholders should consider such reinvestment risk in light of other investments available at the time.

2.2. Risk of loss of interest

Save as otherwise provided in the Applicable Pricing Supplement, no interest will accrue on the 2014 Credit Linked Notes (or, if so provided in the Applicable Pricing Supplement, the portion of the applicable Nominal Amount of each 2014 Credit Linked Note affected thereby) on or after the Interest Expiration Date.

2.3. Risk of loss of principal

2.3.1. Investors bear the risk of loss if any Relevant Credit Event occurs. The Credit Event Redemption Amount in respect of each Cash Settled CLN is likely to be less than the Nominal Amount as at the relevant Credit Event Redemption Date and may be zero. Similarly, the market value of the Deliverable Obligations Portfolio in respect of each Physically Delivered CLN is likely to be less than the Nominal Amount as at the Relevant Event Determination Date and may be zero.

2.3.2. The Credit Event Redemption Amount or amount of Deliverable Obligations delivered to a Noteholder will reflect the market value of the obligations of the Reference Entity in respect of which a Credit Event occurred less a deduction for Swap Costs. Swap Costs reflect the cost to the Issuer of terminating, liquidating, obtaining or re-establishing any hedges, trading positions, term deposits or funding arrangements entered into by it or on its behalf in respect of the 2014 Credit Linked Notes. Swap Costs will be determined by the Calculation Agent in its sole and absolute discretion, taking into account, *inter alia*, the hedging strategy employed in respect of the 2014 Credit Linked Notes and prevailing funding rates, interest rates and credit spreads at the time of determination. The Issuer is not under any duty to hedge itself with respect to any 2014 Credit Linked Notes, nor is it required to hedge itself in a manner that will result in the lowest unwind costs. Noteholders should be aware that if Swap Costs are greater than the product of the Nominal Amount as at the Relevant Event Determination Date and the Final Price or the market value of the Deliverable Obligations Portfolio, as the case may be, the Credit Event Redemption Amount will be zero.

2.3.3. See also “*Risks relating to the CLN Settlement Method*” in 2014 Credit Linked Condition 2.11 below.

2.4. Risks relating to 2014 Credit Derivatives Definitions

2.4.1. The Terms and Conditions of the 2014 Credit Linked Notes (being the 2014 Credit Linked Conditions) do not incorporate by reference the definitions and provisions of the 2014 ISDA Credit Derivatives Definitions, as published by the International Swaps and Derivatives Association Inc. and as amended from time to time (the “**2014 Credit Derivatives Definitions**”); instead, the definitions applicable to the 2014 Credit Linked Notes are set out in the Master Programme Memorandum, this Applicable Product Supplement and/or the Applicable Pricing Supplement. As a result, there may be differences between the definitions used in the 2014 Credit Linked Conditions of the 2014 Credit Linked Notes and the 2014 Credit Derivatives Definitions. Consequently, investing in 2014 Credit Linked Notes is not exactly equivalent to investing in a credit default swap that incorporates the 2014 Credit Derivatives Definitions.

2.4.2. While ISDA has published the 2014 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 2014 Credit Derivatives Definitions and the terms applied to credit derivatives, including 2014 Credit Linked Notes, are subject to interpretation and further evolution. Past events have shown that the views of market participants may differ as to how the 2014 Credit Derivatives Definitions operate or should operate. As a result of the continued evolution in the market, interpretation of the 2014 Credit Linked Notes may differ in the future because of future market standards. Such a result may have a negative impact on the 2014 Credit Linked Notes.

2.4.3. There can be no assurance that changes to the terms applicable to credit derivatives generally will be predictable or favourable to the Issuer or Noteholders. Future amendments or supplements to the terms applicable to credit derivatives generally will only apply to 2014 Credit Linked Notes that have already been issued if the Issuer and the Noteholders agree to amend the 2014 Credit Linked Notes to incorporate such amendments or supplements and other conditions to amending the 2014 Credit Linked Notes have been met.

2.5. Risks relating to Credit Derivatives Determinations Committees

- 2.5.1. Credit Derivatives Determinations Committees were established pursuant to the March 2009 Supplement to the 2003 Credit Derivatives Definitions, as published by the International Swaps and Derivatives Association Inc and as amended from time to time and incorporated into the 2014 Credit Derivatives Definitions to make determinations that are relevant to the majority of the credit derivatives market and to promote transparency and consistency. Credit Derivatives Determinations Committees are regional committees composed of significant participants in the credit default swap market in the applicable region. Credit Derivatives Determinations Committees are typically composed of both the largest dealers in credit default swaps as well as non-dealers, but dealers typically significantly outnumber non-dealers. Further information about the Credit Derivatives Determinations Committee may be found at [www.isda.org/credit](http://www.isda.org/credit).
- 2.5.2. Whether or not a Credit Event has occurred (or in relation to a Reference Entity that is a Sovereign, a Sovereign Succession Event) in respect of which a Succession Date has occurred and pursuant to which one or more Successors to such Reference Entity has been determined, and certain decisions relating thereto, may be dependent on determinations made by the Credit Derivatives Determinations Committee. In certain circumstances, determinations made by the Calculation Agent may be overridden by subsequent determinations made by the Credit Derivatives Determinations Committee. If the Issuer delivers a Credit Event Notice or a Successor Notice to a Noteholder, such Noteholder should be aware that such notice may be superseded by a determination of the Credit Derivatives Determinations Committee.
- 2.5.3. The procedures of the Credit Derivatives Determinations Committees are set forth in the DC Rules. The DC Rules may be amended by a Credit Derivatives Determinations Committee in accordance with the DC Rules. None of ISDA, the institutions serving on the Credit Derivatives Determinations Committees or any external reviewers owes any duty to any Noteholder in such capacity, and any Noteholder may be prevented from pursuing claims with respect to actions taken by such persons under the DC Rules. Institutions serving on a Credit Derivatives Determinations Committee may base their votes on information that is not available to a Noteholder, and have no duty to research, investigate, supplement or

verify the accuracy of information on which a determination is based. In addition, a Credit Derivatives Determinations Committee is not obligated to follow previous determinations or to apply principles of interpretation such as those that might guide a court in interpreting contractual provisions. Therefore, a Credit Derivatives Determinations Committee could reach a different determination on a similar set of facts.

2.5.4. In making any determination in its capacity as Calculation Agent or Issuer, the Issuer may have regard to (and, in certain circumstances, is bound by) decisions made by the ISDA Credit Derivatives Determinations Committee. Where the Issuer is a member of such committee, it need not have regard to the interests of Noteholders when taking any action or casting any vote. Further information about the ISDA Credit Derivatives Determinations Committee may be found at [www.isda.org/credit](http://www.isda.org/credit).

2.5.5. 2014 Credit Linked Condition 13 below sets out certain representations relating to the Credit Derivatives Determinations Committees which are deemed to be made by each Noteholder.

2.6. Exposure to Reference Entities, Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations and Deliverable Obligations

Unless otherwise provided in the Applicable Pricing Supplement, investors in 2014 Credit Linked Notes are exposed to the credit risks and other risks associated with the Reference Entities and their Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations, Deliverable Obligations and any relevant jurisdictional risks.

2.7. Credit Events

Prospective investors should note that not all Credit Events have easily ascertainable triggers and disputes can and have arisen as to whether a specific event did or did not constitute a Credit Event. However, under these 2014 Credit Linked Conditions and subject to any subsequent determinations made by a Credit Derivatives Determinations Committee, the Issuer's determination of a Credit Event will, in the absence of manifest error, be conclusive and binding on all persons (including, without limitation, the Noteholders), notwithstanding the disagreement of such persons or other financial institutions, rating agencies or commentators. Examples of Credit Events that might apply to individual 2014 Credit Linked Notes include Bankruptcy, Failure to Pay, Restructuring, Obligation Acceleration, Obligation Default and

Repudiation/Moratorium. In addition, for certain 2014 Credit Linked Notes, Governmental Intervention may apply. Prospective investors should carefully review the applicable Credit Events and their definitions under a Series of 2014 Credit Linked Notes and independently evaluate their appropriateness to such investors' objective for purchasing such Series of 2014 Credit Linked Notes.

2.8. Portfolio Replacements, Successors and Substitute Reference Obligations

2.8.1. In the circumstances specified in these 2014 Credit Linked Conditions and/or the Applicable Pricing Supplement, the Issuer or a third party (the "**Replacement Selector**") may be entitled or required to effect replacements of the entities, obligations and amounts comprising a reference portfolio for a Series of 2014 Credit Linked Notes. Unless otherwise specified in the Applicable Pricing Supplement or any other agreement, the Replacement Selector may effect such replacements pursuant to any guidelines specified in these 2014 Credit Linked Conditions and/or the Applicable Pricing Supplement without regard to their effect on the value, market price or liquidity of any 2014 Credit Linked Notes or of the interests of any person other than the Replacement Selector. If these 2014 Credit Linked Conditions and/or the Applicable Pricing Supplement entitle or require the Replacement Selector to effect such replacements, unless otherwise specified, the Replacement Selector shall have no obligation to effect a replacement of a Reference Obligation as a result of any change in the credit of such Reference Obligation or related Reference Entity and no such inference may be drawn from these 2014 Credit Linked Conditions and/or such Applicable Pricing Supplement.

2.8.2. The Reference Entity originally specified in the Applicable Pricing Supplement may change or there may be additional Reference Entities following a determination of any Successor or Successors to the Reference Entity. Under these 2014 Credit Linked Conditions (unless otherwise specified in the Applicable Pricing Supplement), the relevant period for the purposes of any Successor determination begins on the Successor Backstop Date, which may be prior to the Trade Date or Issue Date (as the case may be). Prospective investors should be aware that it is therefore possible for a Series of 2014 Credit Linked Notes to be affected by a succession event that occurred prior to the Trade Date or

Issue Date (as the case may be) specified in the Applicable Pricing Supplement.

- 2.8.3. Prospective investors should also note that if, on or after 1 January 2014, an entity assumes all of the obligations (including at least one relevant obligation) of a Reference Entity which is not a sovereign, in circumstances where the Reference Entity has ceased to exist, or is in the process of being dissolved and has not issued or incurred any borrowed money obligation at any time since the legally effective date of the assumption, then Successor Backstop Date shall not apply.
- 2.8.4. Upon a Successor being determined, one or more entities will (unless otherwise specified in the Applicable Pricing Supplement) be deemed to be a Reference Entity in replacement of (or in addition to, as applicable) the Reference Entity originally specified in the Applicable Pricing Supplement. Furthermore, upon a Reference Obligation ceasing to exist in the manner specified in the definition thereof, a Substitute Reference Obligation may be selected.
- 2.8.5. As a result of the circumstances discussed in 2014 Credit Linked Condition 2.8.3 and 2014 Credit Linked Condition 2.8.4 above, a Series of 2014 Credit Linked Notes may be linked to the credit of certain Reference Entities and its Obligations and Reference Obligations, notwithstanding that such Reference Entities, Obligations and Reference Obligations were not specified in the Applicable Pricing Supplement upon issuance of such Series of 2014 Credit Linked Notes. The credit risks associated with such Successor could potentially be greater or lesser than the credit risk of the Reference Entity originally specified in the Applicable Pricing Supplement, which could adversely impact the value of such Series of 2014 Credit Linked Notes to prospective investors (if the credit risk increases). If and for so long as may be required by Applicable Law, the determination of a Successor and/or the selection of a Substitute Reference Obligation will be published by the Issuer on SENS.

2.9. Redemption after the Maturity Date

Redemption may occur irrespective of whether the Relevant Credit Event is continuing on or after a Relevant Event Determination Date. The Credit Event Redemption Date, the Final Delivery Date or the Physical Settlement Date may be later than the Maturity Date. In certain circumstances, delivery of Deliverable Obligations contained in the

Deliverable Obligations Portfolio may be delayed to a date beyond the Physical Settlement Date. If a Credit Event has occurred but a Credit Event Notice has not yet been served on or prior to the Maturity Date, the Issuer may elect to extend the maturity of the 2014 Credit Linked Notes by service of an Extension Notice. During the Extension Period, the Issuer may deliver a Credit Event Notice.

2.10. Issuer discretion

The decision as to when and whether to deliver a Credit Event Notice and, if applicable, a Notice of Publicly Available Information, is at the sole and absolute discretion of the Issuer. Such notices are effective when delivered to the Paying Agent. The delivery of or failure to deliver such notices to Noteholders will not affect the effectiveness of such notices.

2.11. Risks relating to the CLN Settlement Method

2.11.1. The CLN Settlement Method specified in the Applicable Pricing Supplement will affect how the 2014 Credit Linked Notes are redeemed. Prospective investors should assess whether the CLN Settlement Method is appropriate for them prior to investing in the 2014 Credit Linked Notes.

2.11.2. Where “Issuer CLN Settlement Option” is applicable, the Issuer may elect the CLN Settlement Method after the occurrence of a Credit Event. Prospective investors should be aware that this may result in a different CLN Settlement Method than the method originally anticipated by the Noteholder.

2.12. Standard Reference Obligation

2.12.1. In respect of certain Credit Linked Notes where Standard Reference Obligation is specified as applicable, the reference obligation will be the obligation specified as the market standard reference obligation for the relevant Reference Entity for the relevant seniority level on a list to be published by ISDA. For these Reference Entities, a reference obligation will no longer have to be specified in the Applicable Pricing Supplement relating to such 2014 Credit Linked Notes. The rules outlining the selection and replacement of the Standard Reference Obligation are contained within the “SRO Rules”.

2.12.2. The Standard Reference Obligation will only be replaced by the Credit Derivatives Determinations Committee in certain circumstances (for

example, if the Standard Reference Obligation matures, is redeemed, is no longer an obligation of the Reference Entity, or in the case of Financial Reference Entities where Mod R or Mod Mod R typically applies, if the Standard Reference Obligation has less than one year remaining maturity and a replacement Standard Reference Obligation is available in the first maturity bucket). After performing the necessary legal review, the Credit Derivatives Determinations Committee will select a replacement Standard Reference Obligation for the relevant Reference Entity and seniority level by a majority vote.

2.13. Physical Settlement: calculation of Outstanding Principal Balance

2.13.1. In relation to a Physically Delivered CLN, the calculation of the Outstanding Principal Balance of a deliverable obligation is determined in accordance with the following three-step process: (i) firstly, all principal payment obligations of the Reference Entity need to be identified; (ii) secondly, all or any portion of such principal payment obligations that are subject to a contingency (other than a permitted contingency) or prohibited action need to be disregarded, leaving an amount equal to the non-contingent amount; and (iii) finally, the amount of the claim that could be validly asserted against the Reference Entity in respect of such non-contingent amount if the obligation was redeemed or accelerated as of a particular day needs to be determined, and such amount will be the outstanding principal balance. If payments of principal are subject to a contingency, the Outstanding Principal Balance could be less than the principal balance (and depending upon the type of contingency, could be zero).

2.13.2. Permitted contingency means, with respect to an obligation, any reduction to the Reference Entity's payment obligations:

2.13.2.1. as a result of the application of:

2.13.2.1.1. any provisions allowing a transfer, pursuant to which another party may assume all of the payment obligations of the Reference Entity;

2.13.2.1.2. provisions implementing the subordination of the obligation;

2.13.2.1.3. provisions allowing for a transfer of a qualifying guarantee (or provisions allowing for the release of the Reference Entity from its payment obligations in the case of any other guarantees);

2.13.2.1.4. any solvency capital provisions if “Subordinated European Insurance Terms” is specified as applicable in respect of a Series of 2014 Credit Linked Notes; or

2.13.2.1.5. if “Financial Reference Entity Terms” is specified as applicable to the Reference Entity in respect of a Series of 2014 Credit Linked Notes (such an entity, a “**Financial Reference Entity**”), provisions which permit the Financial Reference Entity’s obligations to be altered, discharged, released or suspended in circumstances which would constitute a governmental intervention; or

2.13.2.2. which is within the control of the holders of the obligation or a third party acting on their behalf (such as an agent or trustee).

2.14. Physical Settlement: redemption failure and alternative settlement

In relation to a Physically Delivered CLN, if a Redemption Failure Event occurs, the 2014 Credit Linked Note may be subject to alternative settlement and may, in certain circumstances, be redeemed without any payment or Delivery by the Issuer. If the minimum denomination of Deliverable Obligations is not a whole integral number of the amount of the Deliverable Obligations Portfolio, the Issuer may Deliver such whole integral amount of the Deliverable Obligations Portfolio and cash settle the fractional shortfall. If the Credit Event Redemption Amount in respect of such 2014 Credit Linked Note cannot be paid when due as a result of a Redemption Failure Event, the Noteholder, after providing a release and indemnity to the satisfaction of the Issuer, may request such payment to be made to an account or person not affected by such Redemption Failure Event, provided that the Issuer shall have no obligation to comply with such request, and provided further that, if such Redemption Failure Event is continuing for 180 calendar days after the Maturity Date, the Issuer’s obligations in respect of such payment will be discharged.

2.15. Physical Settlement: Impossibility and illegality

In relation to a Physically Delivered CLN, if as a result of an event described in 2014 Credit Linked Conditions 6.4 to 6.8 below it is impossible, impracticable (including if unduly burdensome) or illegal for the Issuer to Deliver (by reason of an impossibility, impracticability or illegality, non-receipt of requisite consents of Consent Required Loans or Assignable Loans included in the Deliverable Obligations Portfolio, the inclusion in the Deliverable Obligations Portfolio of Participations not effected by the Latest Permissible Physical Settlement Date or for any other reason specified in such 2014 Credit Linked Conditions), then 2014 Credit Linked Conditions 6.4 to 6.8 below relating to partial cash settlement may apply in respect of any undeliverable portion of the Deliverable Obligations Portfolio. If such partial cash settlement does not apply, then in respect of the portion of the Deliverable Obligations Portfolio for which it is not possible or legal to take Delivery on the Physical Settlement Date, such Delivery will take place as soon as practicable thereafter in accordance with the provisions of the 2014 Credit Linked Conditions and in any event on or before the Latest Permissible Physical Settlement Date. The Issuer's obligations will be deemed to be fully discharged with respect to such 2014 Credit Linked Note as at the date on which the Deliverable Obligations Portfolio (if any) has been fully Delivered or otherwise as at the date immediately following the Latest Permissible Physical Settlement Date.

2.16. Auction Settlement

2.16.1. If "Auction Settlement" is specified as applicable in respect of any 2014 Credit Linked Note, then the amounts payable by and/or rights and obligations of the parties under such 2014 Credit Linked Note in respect of the relevant Reference Entity or Reference Obligation will be determined in accordance with the Auction Final Price (as defined in these 2014 Credit Linked Conditions). 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.

2.16.2. If "Auction Settlement" is specified as applicable with respect to any 2014 Credit Linked Notes but the Credit Derivatives Determinations Committee does not decide to conduct an Auction with respect to obligations of the relevant Reference Entity satisfying the relevant characteristics as set out in the Applicable Pricing Supplement, then the Fallback CLN Settlement Method 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 Obligations Portfolio.

- 2.16.3. Investors should note that they will not be able to deliver a “Customer Physical Settlement Request” (as defined in the Credit Derivatives Auction Settlement Terms) to the Issuer in respect of their holding of 2014 Credit Linked Notes.

2.17. Cash Settlement

- 2.17.1. If “Cash Settlement” is specified as applicable with respect to any 2014 Credit Linked Notes, or deemed to apply pursuant to the Issuer CLN Settlement Method or the Fallback CLN Settlement Method, then the Calculation Agent will value the Reference Obligation by asking for quotations from Dealers. The date, time and method of such auction, and the selection of the Reference Obligation, will impact the Final Price. The Dealers selected by the Calculation Agent must be financial institutions, funds or other entities that purchase or deal in obligations similar to the Reference Obligation and may include the Issuer; however, the Dealers have no duty towards any Noteholder and may not be aware that the purpose of the auction is to determine a Final Price for purposes of the 2014 Credit Linked Notes or any other securities.

- 2.17.2. Investors should note that the Final Price determined pursuant to a dealer poll may be significantly different to the Auction Final Price.

2.18. Asset Package Delivery

- 2.18.1. If Asset Package Delivery is specified as applicable in the Applicable Pricing Supplement in respect of a Series of 2014 Credit Linked Notes, the asset package delivery provisions in these 2014 Credit Linked Conditions will apply to such Series of 2014 Credit Linked Notes following the occurrence of an Asset Package Credit Event unless such Asset Package Credit Event occurs prior to the Credit Event Backstop Date.

- 2.18.2. If the Asset Package is not capable of being transferred to Noteholders (excluding due to market conditions), or is not the type typically traded in, or suitable for being traded in, financial markets, the Asset shall be deemed to be an amount of cash equal to the market value thereof as determined by the Calculation Agent in accordance with these 2014 Credit

Linked Conditions which is likely to be less than the Nominal Amount as at the Relevant Event Determination Date and may be zero.

2.18.3. Prospective investors should note that if no Assets are received by a Relevant Holder, the Asset Package shall be deemed to have a value of zero.

2.19. Increased cost of hedging due to market-wide change in standard CDS documentation

2.19.1. If the Calculation Agent determines that, as of the relevant time on the relevant date, the majority of the first eight “Eligible Global Dealers” on the “Global Dealer Trading Volume List” as determined for the most recent “List Review Date” (in each case, as defined in the DC Rules) as at the relevant time sign up to a credit default swap industry-wide protocol or similar agreement to document credit default swaps by way of documentation differing from the prevailing market standard credit default swap documentation existing as of the Trade Date in respect of a Series of 2014 Credit Linked Notes, as determined by the Calculation Agent, the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) and/or materially increased (as compared with circumstances existing on the Trade Date) costs related to that Series of 2014 Credit Linked Notes, including without limitation internal charges of the Issuer and/or any of its Affiliates in terms of potentially increasing its risk asset weighting and/or worsening any other leverage ratio treatment or any other such capital measure to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the price risk of issuing and performing its obligations with respect to the relevant Series of 2014 Credit Linked Notes, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

2.19.2. Investors should note that if an Additional Disruption Event occurs at any time prior to the redemption of the 2014 Credit Linked notes (including after the occurrence of a Relevant Event Determination Date), the 2014 Credit Linked Notes may be redeemed at the Early Redemption Amount pursuant to Condition 8.5 of the Terms and Conditions instead of at the Credit Event Redemption Amount pursuant to 2014 Credit Linked Condition 5 below.

2.20. Leverage

Certain 2014 Credit Linked Notes may be highly leveraged investments, including, without limitation, 2014 Credit Linked Notes linked to a notional amount of Reference Entities or Reference Obligations exceeding the Aggregate Nominal Amount of Notes. The use of leverage is a speculative investment technique to enhance returns. However, leverage will also magnify the adverse impact of Credit Events.

2.21. Hedging

In the ordinary course of their business, including, without limitation, in connection with their market-making activities, the Issuer and/or any agent or any affiliate of any of them (each such entity, a “**Programme Party**”) may effect transactions for their own account or for the accounts of their customers and hold long or short positions in any applicable Obligation, Reference Obligation, obligation of a Reference Entity or related derivatives. In addition, in connection with the offering of the 2014 Credit Linked Notes, the Issuer and/or any other Programme Party may enter into one or more hedging transactions with respect to any applicable Obligation, Reference Obligation, obligation of a Reference Entity or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and/or any other Programme Party, the Issuer and/or any other Programme Party may enter into transactions with respect to any applicable Obligation, Reference Obligation, obligation of a Reference Entity or related derivatives which may affect the market price, liquidity or value of the 2014 Credit Linked Notes and which could be deemed to be adverse to the interests of the relevant Noteholders. The Issuer and/or any other Programme Party may pursue such hedging or related derivatives actions and take such steps as they deem necessary or appropriate to protect their interests without regard to the consequences for any Noteholder.

2.22. No guarantee of performance

The 2014 Credit Linked Notes constitute direct, unsubordinated and unsecured obligations of the Issuer that are linked to the credit risk of the Reference Entities and/or Reference Obligations specified in the Applicable Pricing Supplement. No Programme Party guarantees the performance of or otherwise stands behind the performance of any Reference Entity or Reference Obligation or is under any obligation to make good losses suffered as a result of Credit Events.

2.23. Provision of Information

The Programme Parties, whether by virtue of the types of relationships described herein or otherwise, may possess information in relation to any Reference Entity, any Affiliate of a Reference Entity, any Reference Obligation that is or may be material in the context of the 2014 Credit Linked Notes and that may or may not be publicly available or known to the Noteholders or any other person. The 2014 Credit Linked Notes will not create any obligation on the part of any of the Programme Parties to disclose any such relationship or information (whether or not confidential).

2.24. No representation

None of the Programme Parties makes any representation, express or implied, as to any Reference Entity or any Reference Obligation or the credit quality thereof, or any information contained in any documents provided by any Reference Entity or filed by a Reference Entity with any exchange or with any governmental authority.

2.25. Expenses and taxation

2.25.1. Noteholders must pay all Taxes and/or Settlement Expenses, arising from the ownership, transfer, sale, redemption, exercise, cancellation of 2014 Credit Linked Notes and/or receipt or transfer of any Deliverable Obligations Portfolio. All payments in respect of the 2014 Credit Linked Notes will be made subject to deduction for or on account of Taxes and/or Settlement Expenses and/or Swap Costs, and there will be no obligation on the Issuer (if applicable) to gross-up or redeem the 2014 Credit Linked Notes early as a result of any such deduction.

2.25.2. The relevant Issuer is not liable for or otherwise obliged to pay any Taxes or Settlement Expenses and all payments made by the Issuer will be made subject to any such Taxes or Settlement Expenses which may be required to be made, paid withheld or deducted and subject to any Swap Costs. The Issuer is not obliged to redeem the 2014 Credit Linked Notes early as a result of, or make any additional payments to Noteholders in respect of, any such Taxes or Settlement Expenses.

2.26. Independent review and advice

2.26.1. Each Noteholder is fully responsible for making its own investment decisions as to whether the 2014 Credit Linked Notes (i) are fully consistent with its (or, if it is acquiring the 2014 Credit Linked Notes in a

fiduciary capacity, the beneficiary's) financial needs, objectives and conditions, (ii) comply and are fully consistent with all investment policies, guidelines and restrictions applicable to it (or its beneficiary) and (iii) are a fit, proper and suitable investment for it (or its beneficiary).

2.26.2. Each Noteholder deemed to have sufficient knowledge, experience and professional advice to make its own investment decisions, including, without limitation, its own legal, financial, tax, accounting, credit, regulatory and other business evaluation of the risks and merits of investment in the 2014 Credit Linked Notes. Each Noteholder should ensure that it fully understands the risks associated with investments of this nature, which are intended to be sold only to sophisticated investors.

2.26.3. Each Noteholder should be aware that the Issuer does not have any duty to conduct, and does not accept any responsibility for conducting or failing to conduct, any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any Reference Entity and its Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations and Deliverable Obligations. Each Noteholder is solely responsible for making its own independent appraisal of and investigation into such matters. No Noteholder may rely on the views or advice of the Issuer for any information in relation to any person other than the Issuer itself.

2.26.4. 2014 Credit Linked Notes are complex financial instruments. A prospective investor should not invest in 2014 Credit Linked Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the 2014 Credit Linked Notes will perform under changing conditions, the resulting effects on the value of the 2014 Credit Linked Notes and the impact this investment will have on the prospective investor's overall investment portfolio.

### 3. **TYPES OF 2014 CREDIT LINKED NOTES**

2014 Credit Linked Notes may be Single Name CLNs, Nth-to-Default CLNs or Portfolio CLNs, or such other type of Note as described in the Applicable Pricing Supplement.

3.1. **"Single Name CLN"** means a Note, the payment of principal and/or interest on which is determined by reference to and/or contingent upon the occurrence of a Relevant Credit Event with respect to a single Reference Entity.

- 3.2. “**Nth-to-Default CLN**” means a Note, the payment of principal and/or interest on which is determined by reference to and/or contingent upon the occurrence of a Relevant Credit Event, in relation to the Nth Event Determination Date, with respect to the Reference Portfolio.
- 3.3. “**Portfolio CLN**” means a Note, the payment of principal and/or interest on which is determined by reference to and/or contingent upon the occurrence of a Credit Event with respect to more than one Reference Entities comprising the Reference Portfolio.

#### 4. **CREDIT EVENT DETERMINATIONS AND CONSEQUENCES**

##### 4.1. Credit Event Determination

- 4.1.1. The Issuer may, at any point during the Notice Delivery Period, deliver a Credit Event Notice (provided that an Event Determination Date may only occur following the Maturity Date where an Extension Notice has been delivered) in accordance with the provisions of these 2014 Credit Linked Conditions and the Applicable Pricing Supplement.
- 4.1.2. The Issuer’s determination of a Credit Event will, in the absence of manifest error and subject to the “Event Determination Date” definition, be conclusive and binding on all persons (including, without limitation, the Noteholders). Neither the Issuer nor the Paying Agent will have any liability whatsoever for the failure of the Issuer for any reason to determine that a Credit Event has occurred or with respect to the Issuer’s timing as to when to deliver a Credit Event Notice, Notice of Publicly Available Information or Notice of Physical Settlement nor will they have any duty or responsibility to investigate or check whether any Credit Event has, or may have, occurred or may be continuing.

##### 4.2. Relevant Credit Events

- 4.2.1. If a Relevant Event Determination Date has occurred in respect of a Reference Entity during the Notice Delivery Period and on or prior to the Maturity Date, then, notwithstanding anything to the contrary in Condition 6, or Condition 8 of the Terms and Conditions, unless otherwise specified in the Applicable Pricing Supplement:

- 4.2.1.1. interest will cease to accrue as at the Interest Expiration Date;  
and

- 4.2.1.2. the Issuer may redeem each Cash Settled CLN at the Credit Event Redemption Amount on the Credit Event Redemption Date and each Physically Delivered CLN by Delivery of the Deliverable Obligations Portfolio on or before the Final Delivery Date subject to and in accordance with the provisions of these 2014 Credit Linked Conditions and the Applicable Pricing Supplement.
- 4.2.2. If the Issuer elects to redeem the Notes, the Issuer shall deliver, or may cause the Paying Agent, at the expense of the Issuer, to deliver a notice (a “**Credit Event Redemption Notice**”) in accordance with 2014 Credit Linked Condition 9 below to the Noteholders, with a copy to the Calculation Agent and the Paying Agent. The Credit Event Redemption Notice will:
  - 4.2.2.1. identify the Series of Notes to which the Credit Event Redemption Notice relates;
  - 4.2.2.2. state the Issuer’s intention to redeem the Notes pursuant to 2014 Credit Linked Condition 5 or 2014 Credit Linked Condition 6 below, as applicable; and
  - 4.2.2.3. if “Issuer CLN Settlement Option” is specified as applicable in the Applicable Pricing Supplement, state the CLN Settlement Method that shall apply to the Notes.
- 4.2.3. If a Credit Event Notice, Notice of Publicly Available Information or, if applicable, Notice of Physical Settlement specifies the information required to be specified in a Credit Event Redemption Notice, such notice will be deemed to be a Credit Event Redemption Notice.
- 4.3. Credit Event Notice after M(M)R Restructuring
  - 4.3.1. Upon the occurrence of an M(M)R Restructuring:
    - 4.3.1.1. the Issuer may deliver multiple Credit Event Notices with respect to such M(M)R Restructuring, each such Credit Event Notice setting forth the Nominal Amount with respect to each Note to which such Credit Event Notice applies (the aggregate of such amounts with respect to a Series, the “**Exercise Amount**”);

- 4.3.1.2. if the Issuer has delivered a Credit Event Notice that specifies an Exercise Amount that is less than the Nominal Amount or the whole Note as applicable, the rights and obligations of the Issuer shall, with effect from the date such Credit Event Notice is effective, be construed as if the Issuer had issued two Notes, one of which has an Aggregate Nominal Amount equal to the Exercise Amount and will be settled (and, if applicable, redeemed) in accordance with the applicable CLN Settlement Method, and the other of which will have a Nominal Amount equal to the Aggregate Nominal Amount, as applicable, immediately prior to such Credit Event Notice minus such Note's *pro rata* share of the Exercise Amount and will continue in effect with such modifications required as determined by the Calculation Agent to preserve the economic effects of the two Notes considered in the aggregate; and
- 4.3.1.3. the Exercise Amount in connection with a Credit Event Notice describing an M(M)R Restructuring must be an amount that is at least 1,000,000 (one million) units of the relevant currency, (or, if Japanese Yen, 100,000,000 (one hundred million) units) or an integral multiple thereof or the entire then outstanding Aggregate Nominal Amount of the Notes on or about the date of the relevant Credit Event Notice. If no Exercise Amount is specified by the Issuer, the Exercise Amount shall be deemed to be the then outstanding Aggregate Nominal Amount on or about the date of the relevant Credit Event Notice.
- 4.3.2. Upon redemption of part of each such 2014 Credit Linked Note, the relevant 2014 Credit Linked Note shall be endorsed to reflect such partial redemption.
- 4.4. Deferred Redemption Date
- 4.4.1. Notwithstanding anything to the contrary in Condition 6 and Condition 8 of the Terms and Conditions, in addition to amounts of interest (if any) accrued in accordance with the 2014 Credit Linked Conditions, in respect of the Extended Interest Period (if any), unless "Extension Interest" is specified as not applicable in the Applicable Pricing Supplement and no Relevant Event Determination Date occurs on or prior to the Note Extension Date, interest ("**Extension Interest**") on each interest bearing

2014 Credit Linked Note will be payable in arrears on the Deferred Redemption Date in an amount determined by the Calculation Agent equal to the sum for each day in the Extended Interest Period of the product of (i) the Nominal Amount per Note on such day, (ii) the Absa Bank Limited overnight deposit rate for deposits in the relevant currency for such day and (iii) 1/360. If “Extension Interest” is specified as not applicable in the Applicable Pricing Supplement, no amount of Extension Interest or other interest shall accrue or be payable on each such 2014 Credit Linked Note in respect of any period on or following the Maturity Date, notwithstanding that the Deferred Redemption Date occurs following such date.

- 4.4.2. If (i) “Grace Period Extension” is specified as applicable in the Applicable Pricing Supplement, (ii) a Potential Failure to Pay occurs on or prior to the Maturity Date and (iii) an Event Determination Date in respect of that Failure to Pay does not occur on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) the 2014 Credit Linked Notes will be redeemed on the Deferred Redemption Date.

## 5. REDEMPTION OF CASH SETTLED CLNS

Notwithstanding anything to the contrary in Condition 8 of the Terms and Conditions and unless otherwise specified in the Applicable Pricing Supplement, following delivery of a Credit Event Redemption Notice in relation to a Cash Settled CLN, each 2014 Credit Linked Note will be redeemed at its Credit Event Redemption Amount on the Credit Event Redemption Date.

## 6. REDEMPTION OF PHYSICALLY DELIVERED CLNs

### 6.1. Redemption of Physically Delivered CLNs

Notwithstanding anything to the contrary in Condition 8 of the Terms and Conditions, following delivery of a Credit Event Redemption Notice in relation to a Physically Delivered CLN, each 2014 Credit Linked Note will be redeemed by Delivery of such Note’s *pro rata* share (on a per Nominal Amount basis, determined on or about the date of the Credit Event Redemption Notice) of the Deliverable Obligations Portfolio subject to and in accordance with this 2014 Credit Linked Condition 6.

### 6.2. Delivery of Deliverable Obligations on shortfall

Subject to 2014 Credit Linked Condition 6.4 below, and unless otherwise elected by the Issuer in accordance with the Issuer CLN Settlement Option, if all or any part of the Deliverable Obligations Portfolio to be Delivered to a Noteholder is not a whole integral

multiple of the smallest unit of transfer for any such Deliverable Obligation at the relevant time of Delivery, as determined by the Calculation Agent, the Issuer will Deliver and such Noteholder will only be entitled to receive the portion of the Deliverable Obligations Portfolio specified by the Calculation Agent which is closest to but less than the full Deliverable Obligations Portfolio, after consideration of such smallest unit or units of transfer (such portion of the Deliverable Obligations Portfolio that is not so Delivered, being a “**Delivery Shortfall**”), and the Issuer will pay to such Noteholder in the relevant currency at the same time as such Delivery an amount in cash equal to the value of such Delivery Shortfall, as determined by the Calculation Agent.

6.3. Delivery of Deliverable Obligation Portfolio

6.3.1. Delivery of the Deliverable Obligations Portfolio shall be made in accordance with 2014 Credit Linked Condition 23.1.

6.3.2. Subject to the rest of this 2014 Credit Linked Condition 6, the Issuer may Deliver only the Deliverable Obligations specified in the Notice of Physical Settlement and only in the amounts specified therein. The Issuer may continue to attempt to Deliver the whole of the Deliverable Obligations specified in the Notice of Physical Settlement:

6.3.2.1. in the case of Deliverable Obligations that are Bonds or Loans or Assets forming part of an Asset Package, after the Physical Settlement Date; and

6.3.2.2. in the case of Deliverable Obligations that are not Bonds or Loans or Assets forming part of an Asset Package, for an additional five Business Days after the Physical Settlement Date.

6.3.3. Until the date on which the Deliverable Obligations Portfolio has been fully Delivered (or, if applicable, the Latest Permissible Physical Settlement Date), the Issuer or any other person (whether or not on behalf of the Issuer) may continue to be the legal owner of the Deliverable Obligations comprising the Deliverable Obligations Portfolio which are not possible, practical or legal to deliver. None of the Issuer nor any such other person will:

6.3.3.1. be under any obligation to deliver or procure delivery to the relevant Noteholder or any other person any letter, certificate,

notice, circular or any other document or payment whatsoever received by the Issuer or that person;

- 6.3.3.2. be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such Deliverable Obligations comprising the Deliverable Obligations Portfolio until the date on which the Deliverable Obligations Portfolio has been fully Delivered (or, if applicable, the Latest Permissible Physical Settlement Date);
- 6.3.3.3. be under any liability to such Noteholder or any other person in respect of any loss or damage which such Noteholder or other person may sustain or suffer as a result, whether directly or indirectly, of the Issuer or any person (whether or not on behalf of the Issuer) being the legal owner of such Deliverable Obligations comprising the Deliverable Obligations Portfolio until the date on which the Deliverable Obligations Portfolio has been fully Delivered (or, if applicable, the Latest Permissible Physical Settlement Date); or
- 6.3.3.4. have any liability whatsoever to such Noteholder or any other person if, as a result of a Redemption Failure Event or for any other reason whatsoever (including without limitation a reason described in 2014 Credit Linked Condition 6.4 to 2014 Credit Linked Condition 6.8 below) it is unable to effect Delivery of any Deliverable Obligations comprising the Deliverable Obligations Portfolio and its obligations hereunder are deemed to be fully discharged in accordance with the 2014 Credit Linked Conditions.

6.4. Partial Cash Settlement due to Impossibility or Illegality

Unless otherwise specified in the Applicable Pricing Supplement if, due to an event beyond the control of the Issuer, it is impossible, impracticable or illegal for the Issuer to Deliver, or due to an event beyond the control of the Issuer it is impossible, impracticable or illegal for any Noteholder (the “**Affected Noteholder**”, which term shall apply to the relevant Noteholder in this 2014 Credit Linked Condition 6) to accept Delivery of, any of the Deliverable Obligations (other than a Prior Deliverable Obligation or any Package Observable Bond) specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, on the Physical Settlement Date (including,

without limitation, failure of the relevant clearance system or due to any law, regulation or court order, but excluding market conditions or the failure to obtain any requisite consent with respect to the Delivery of Loans) (the “**Undeliverable Obligation**”), then on or before such date:

- 6.4.1. the Issuer shall Deliver, and the Affected Noteholder shall take Delivery of, any of the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, for which it is possible and legal to take Delivery;
- 6.4.2. the Issuer shall provide a description in reasonable detail of the facts giving rise to such impossibility, impracticability or illegality; and
- 6.4.3. Cash Settlement pursuant to the Partial Cash Settlement Terms in 2014 Credit Linked Condition 6.9 below shall apply to the Undeliverable Obligation.

6.5. Partial Cash Settlement of Consent Required Loans

Unless otherwise specified in the Applicable Pricing Supplement, if:

- 6.5.1. the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice include Consent Required Loans that, due to the non-receipt of any requisite consents, are not, on the Physical Settlement Date, capable of being assigned or novated to the Affected Noteholder and such consents are not obtained or deemed given by the Latest Permissible Physical Settlement Date; and
- 6.5.2. Direct Loan Participation is not specified as a Deliverable Obligation Characteristic in the Applicable Pricing Supplement or “Direct Loan Participation” is specified as a Deliverable Obligation Characteristic in the Applicable Pricing Supplement and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date,

Cash Settlement pursuant to the Partial Cash Settlement Terms in 2014 Credit Linked Condition 6.9 below shall be deemed to apply to the Notes with respect to the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, that consist of Consent Required Loans for which consents are not obtained or deemed given (the “**Undeliverable Loan Obligations**”).

6.6. Partial Cash Settlement of Assignable Loans

Unless otherwise specified in the Applicable Pricing Supplement, if:

- 6.6.1. the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, include Assignable Loans that, due to the non-receipt of any requisite consents, are not, on the Physical Settlement Date, capable of being assigned or novated to the Affected Noteholder and such consents are not obtained or deemed given by the Latest Permissible Physical Settlement Date; and
- 6.6.2. Direct Loan Participation is not specified as a Deliverable Obligation Characteristic in the Applicable Pricing Supplement or “Direct Loan Participation” is specified as a Deliverable Obligation Characteristic in the Applicable Pricing Supplement and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date,

Cash Settlement pursuant to the Partial Cash Settlement Terms in 2014 Credit Linked Condition 6.9 below shall be deemed to apply to the Notes with respect to the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, that consist of Assignable Loans for which consents are not obtained or deemed given (the “**Unassignable Obligations**”).

6.7. Partial Cash Settlement of Participations

Unless otherwise specified in the Applicable Pricing Supplement, if the Deliverable Obligations include Direct Loan Participations and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date, Cash Settlement pursuant to the Partial Cash Settlement Terms shall be deemed to apply to the 2014 Credit Linked Notes with respect to the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, that consist of Direct Loan Participations in respect of which the relevant participation is not effected (the “**Undeliverable Participations**”).

6.8. Alternative Procedures Relating to Loans not Delivered

- 6.8.1. If the Issuer has not Delivered any Deliverable Obligations specified in the Notice of Physical Settlement that are Loans (other than any Loan which is (i) a Prior Deliverable Obligation which the Issuer has notified Noteholders it intends to Deliver an Asset Package in lieu thereof or (ii) forms part of an Asset Package which the Issuer has notified

Noteholders it intends to Deliver) on or prior to the date that is 5 (five) Business Days after the Physical Settlement Date (the “**Loan Alternative Procedure Start Date**”), 2014 Credit Linked Condition 6.8.2 below shall apply unless:

- 6.8.1.1. Reference Obligations Only has been specified as the Deliverable Obligation Category in the Applicable Pricing Supplement;
  - 6.8.1.2. in the case of a Consent Required Loan, “Partial Cash Settlement of Consent Required Loans Applicable” is specified in the Applicable Pricing Supplement (in which case 2014 Credit Linked Condition 6.5 above shall apply);
  - 6.8.1.3. in the case of an Assignable Loan, “Partial Cash Settlement of Assignable Loans” is specified as applicable in the Applicable Pricing Supplement (in which case 2014 Credit Linked Condition 6.6 above shall apply)
  - 6.8.1.4. in the case of a Direct Loan Participation, “Partial Cash Settlement of Participations” is specified as applicable in the Applicable Pricing Supplement (in which case 2014 Credit Linked Condition 6.7 above shall apply); or
  - 6.8.1.5. in any case, such failure to Deliver is due to an event described in 2014 Credit Linked Condition 6.4 above (in which case 2014 Credit Linked Condition 6.4 above shall apply).
- 6.8.2. In the event that the Issuer has failed to obtain the requisite consents to Deliver a Loan specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, and has provided a certificate signed by a Managing Director (or other substantively equivalent title) of the Issuer, which certifies that Issuer has used reasonable efforts to obtain such consents, at any time following the Loan Alternative Procedure Start Date, Issuer may Deliver, in lieu of all or part of such Loan, any Bond that is Transferable and Not Bearer or any Assignable Loan, in either case selected by the Issuer and having on both the Physical Settlement Date and the Delivery Date each of the Deliverable Obligation Characteristics (other than Consent Required Loan or Direct Loan Participation), if any, specified in the Applicable Pricing Supplement and otherwise satisfying

the requirements to constitute a Deliverable Obligation (and such instrument shall be deemed specified in the NOPS Amendment Notice, which will be effective notwithstanding the fact that it is deemed specified after the Physical Settlement Date).

6.9. Partial Cash Settlement Terms

6.9.1. Unless otherwise specified in the Applicable Pricing Supplement, the following terms are deemed to be defined as follows for the purposes of the Partial Cash Settlement Terms referred to in 2014 Credit Linked Condition 6.4 to 2014 Credit Linked Condition 6.8 above:

6.9.1.1. If “Cash Settlement” is deemed to apply pursuant to 2014 Credit Linked Condition 6.4 to 2014 Credit Linked Condition 6.8, the portion of the Deliverable Obligations Portfolio corresponding to the applicable Undeliverable Obligation, Undeliverable Loan Obligation, Undeliverable Participation or Unassignable Obligation (each an “**Undeliverable Deliverable Obligation**”) shall not consist of such Undeliverable Deliverable Obligation, but shall consist of an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, the equivalent Currency Amount thereof) of such Undeliverable Deliverable Obligation multiplied by the Final Price less Settlement Expenses and Swap Costs, if any, with respect to such Undeliverable Deliverable Obligation.

6.9.1.2. For purposes of this 2014 Credit Linked Condition 6.9, Final Price shall mean the highest firm bid price (expressed as a percentage of par and excluding any accrued and unpaid interest) solicited by the Calculation Agent from 4 (four) or more Dealers at the CLN Valuation Time (as per 2014 Credit Linked Condition 6.9.1.6 below) on the CLN Valuation Date (as per 2014 Credit Linked Condition 6.9.1.4 below) for the purchase of the applicable Undeliverable Deliverable Obligation in a quantity equal to the applicable Outstanding Principal Balance or Due and Payable Amount which was not, or could not be, Delivered, provided, if no such firm bids are provided in respect of any such Undeliverable Deliverable Obligation at such time on such date, the firm bid price will be

zero. Any quotation provided by the Issuer or an Affiliate thereof shall be deemed to be a firm quotation;

6.9.1.3. **“Credit Event Redemption Date”** is deemed to be the date that is 3 (three) Business Days after the calculation of the Final Price;

6.9.1.4. **“CLN Valuation Date”** is deemed to be the date that is 2 (two) Business Days after the Latest Permissible Physical Settlement Date;

6.9.1.5. there shall be no Minimum Quotation Amount;

6.9.1.6. **“CLN Valuation Time”** is the time specified as such in the Applicable Pricing Supplement or if no time is so specified, the time specified by the Calculation Agent, which shall be as close as reasonably practicable to 11:00 a.m. in the relevant Calculation Agent City, unless the Calculation Agent determines that the principal market for transactions in the Undeliverable Deliverable Obligation would be closed at such time or such transactions are not being conducted in sufficient volume (as determined by the Calculation Agent) at such time, in which event the CLN Valuation Time shall be such other time as may be specified by the Calculation Agent that such principal market is open; and

6.9.1.7. **“Quantum of the Claim”** means the lowest amount of the claim which could be validly asserted against the Reference Entity in respect of the Non-Contingent Amount if the obligation had become redeemable, been accelerated, terminated or had otherwise become due and payable at the time of the relevant determination, provided that the Quantum of the Claim cannot exceed the Non-Contingent Amount.

6.9.2. For the purposes of these 2014 Credit Linked Conditions, **“Affiliate”** means, in relation to any entity (the **“First Entity”**), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes **“control”** means ownership of a majority of the voting power of an entity.

6.10. Asset Package Delivery

6.10.1. Asset Package Delivery will apply if an Asset Package Credit Event occurs, unless:

6.10.1.1. such Asset Package Credit Event occurs prior to the Credit Event Backstop Date determined in respect of the Credit Event applicable to the Event Determination Date, or

6.10.1.2. if the Reference Entity is a Sovereign, no Package Observable Bond exists immediately prior to such Asset Package Credit Event.

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

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

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

- 6.10.5. **“Asset Package Credit Event”** means:
- 6.10.5.1. if “Financial Reference Entity Terms” and “Governmental Intervention” are specified as applicable in the Applicable Pricing Supplement:
- 6.10.5.1.1. a Governmental Intervention; or
- 6.10.5.1.2. a Restructuring in respect of the Reference Obligation, if “Restructuring” is applicable and such Restructuring does not constitute a Governmental Intervention; and
- 6.10.5.2. if the Reference Entity is a Sovereign and “Restructuring” is specified in the Applicable Pricing Supplement as being applicable, a Restructuring,
- in each case, whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement.
- 6.10.6. **“Relevant Holder”** means a holder of the Prior Deliverable Obligation or Package Observable Bond, as the case may be, with an Outstanding Principal Balance or Due and Payable Amount, as applicable, immediately prior to the relevant Asset Package Credit Event, equal to the Outstanding Amount specified in respect of such Prior Deliverable Obligation or Package Observable Bond in the Notice of Physical Settlement, or NOPS Amendment Notice, as applicable.

## 7. REDEMPTION FAILURE EVENT

- 7.1. **“Redemption Failure Event”** means, in each case as determined by the Calculation Agent that:
- 7.1.1. it is impossible or illegal for the Issuer to pay (due to an event beyond the control of the Issuer), or for a Noteholder to accept payment of (due to an event beyond the control of such Noteholder), any cash amount (including, without limitation, the Credit Event Redemption Amount in respect of each 2014 Credit Linked Note) required to be paid on the date scheduled for such payment;

- 7.1.2. the failure of a Noteholder to surrender a 2014 Credit Linked Note for cancellation on or before the Maturity Date, first Delivery Date in respect of the applicable Physical Settlement Date or Credit Event Redemption Date, as the case may be; or
- 7.1.3. the failure of any relevant person to duly execute, deliver and/or accept a transfer certificate or other transfer document on or before any Delivery Date and/or specify a date for transfer of the relevant Deliverable Obligation that is on or before any Delivery Date, in each case in accordance with the terms of the relevant Deliverable Obligation. In circumstances where a Redemption Failure Event has occurred prior to the Maturity Date, the obligation of the Issuer to pay any cash amount affected by such Redemption Failure Event, subject to 2014 Credit Linked Condition 7.2 below, be postponed without further act or notice, and such payment will be made on a Business Day selected by the Calculation Agent on which such Redemption Failure Event no longer exists.
- 7.2. If a Redemption Failure Event has occurred and exists on the Maturity Date, the obligation of the Issuer to pay any cash amount or make any Delivery (including without limitation the obligation to pay the Credit Event Redemption Amount or to Deliver the Deliverable Obligations Portfolio or part thereof, as the case may be), on such date will be postponed (or will be continued to be postponed, as the case may be) without further act or notice and such payment or Delivery will be made on a Business Day selected by the Calculation Agent on which such Redemption Failure Event no longer exists, provided that, if such Redemption Failure Event continues to exist on the tenth Business Day after the Maturity Date or other scheduled payment date or Delivery Date in respect of an amount required to be paid or Deliverable Obligations to be Delivered (as the case may be), the Noteholder may request the Issuer in writing to make payment of such amount or Delivery of such Deliverable Obligations to such account or to such other person as the Noteholder specifies (the “**Alternative Settlement Request**”), provided that, the Issuer first receives an irrevocable and unconditional release and indemnity in respect of liabilities arising therefrom to its absolute satisfaction and provided further that the Issuer shall be entitled to refuse to comply with such Alternative Settlement Request in its sole and absolute discretion without any further explanation.
- 7.3. Notwithstanding anything to the contrary in the Terms and Conditions, if the Calculation Agent determines that such Redemption Failure Event continues to exist on the 180th calendar day after the Maturity Date or other scheduled payment date or Delivery Date

in respect of an amount required to be paid or Deliverable Obligations to be Delivered (as the case may be) no such payment or Delivery will be made by the Issuer and the Issuer's obligations to the Noteholder hereunder will be deemed to be fully discharged as of that date.

- 7.4. Any postponement or deemed discharge of payment pursuant to this 2014 Credit Linked Condition 7 will not constitute a default hereunder (including for the purpose of Condition 14 of the Terms and Conditions) and will not entitle the relevant Noteholder to any additional interest or other payment as a result thereof. For the avoidance of doubt, the provisions of this 2014 Credit Linked Condition 7 are in addition to any provisions of 2014 Credit Linked Condition 6 above regarding, *inter alia*, the failure to Deliver Deliverable Obligations.

## 8. CALCULATION AGENT

- 8.1. Except as otherwise set forth in the Applicable Pricing Supplement any determination, discretion or calculation of the Issuer or the Calculation Agent as may be specified in these 2014 Credit Linked Conditions will be made in the sole and absolute discretion of the Issuer or the Calculation Agent, as applicable, and neither assume any obligation to, or relationship of agency or trust with, any Noteholders or any other person. Furthermore, each Noteholder agrees that neither of the Issuer nor the Calculation Agent is acting as fiduciary for or as an adviser to such Noteholder in respect of its duties as Issuer or Calculation Agent. In making any such determination or calculation or exercising any such discretion, neither of the Issuer nor the Calculation Agent shall be required to take into account any person's interest other than its own.
- 8.2. The Calculation Agent is responsible for, *inter alia*:
- 8.2.1. determining a Successor or Successors and making any other determinations required to be made under the Successor Provisions;
  - 8.2.2. determining whether:
    - 8.2.2.1. the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments);
    - 8.2.2.2. any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a 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

- 8.2.2.3. for any reason other than as described in 2014 Credit Linked Condition 8.2.2.1 or 2014 Credit Linked Condition 8.2.2.2 above and other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity;
- 8.2.3. identifying and determining a Substitute Reference Obligation;
- 8.2.4. in the event that multiple Credit Event Notices with respect to a Restructuring Credit Event are delivered pursuant to 2014 Credit Linked Condition 4.3, making any modifications required pursuant to that 2014 Credit Linked Condition;
- 8.2.5. obtaining Quotations (and, if necessary, determining whether such Quotations shall include or exclude accrued but unpaid interest) and determining the Final Price in accordance with the applicable Valuation Method;
- 8.2.6. converting the Quotation Amount into the relevant Obligation Currency;
- 8.2.7. determining the Dealers (where none have been specified in the Applicable Pricing Supplement) and substituting Dealers;
- 8.2.8. determining the Currency Rate;
- 8.2.9. determining the Representative Amount;
- 8.2.10. determining the number of Business Days in each Physical Settlement Period;
- 8.2.11. determining the Outstanding Principal Balance;
- 8.2.12. if "Include Accrued Interest" is specified in the Applicable Pricing Supplement, determining accrued but unpaid interest;
- 8.2.13. determining the Accreted Amount of any Accreting Obligation; and
- 8.2.14. determining the Largest Asset Package.

- 8.3. Except as otherwise expressly set forth herein or in the Applicable Pricing Supplement, whenever the Calculation Agent is required to act or to exercise its judgement, it will do so in good faith and in a commercially reasonable manner. Each Noteholder in respect of the relevant Series of 2014 Credit Linked Notes acknowledges and agrees that the Calculation Agent is not acting as a fiduciary for or an adviser to any person in respect of the Notes, and acts in all respects as an arm's length contractual counterparty.
- 8.4. If any of the matters set out in this 2014 Credit Linked Condition 8 are decided and/or determined by a Credit Derivatives Determinations Committee, the Calculation Agent shall follow such decision or determination to the extent such decision and/or determination is applicable to any Series of 2014 Credit Linked Notes.

## 9. NOTICES

### 9.1. Notices required to be delivered

- 9.1.1. The Issuer shall give notice to Noteholders of the following, to the extent required to be delivered pursuant to a Series of 2014 Credit Linked Notes and unless otherwise specified in the Applicable Pricing Supplement:
- 9.1.1.1. Credit Event Notice;
  - 9.1.1.2. Notice of Publicly Available Information;
  - 9.1.1.3. Notice of Physical Settlement;
  - 9.1.1.4. Extension Notice;
  - 9.1.1.5. Repudiation/Moratorium Extension Notice;
  - 9.1.1.6. the occurrence of any Successor determination, including if applicable details of any Successors and any amendments to the weighting of each Reference Entity within the Reference Portfolio (provided that (i) no Successor Notice shall be required following a determination by a Credit Derivatives Determinations Committee that a succession event (or, in relation to a Reference Entity that is a Sovereign, a Sovereign Succession Event) in respect of which a Succession Date has occurred and pursuant to which one or more Successors to such Reference Entity has been determined, and (ii) the failure of the Issuer to deliver a notice to the Noteholders pursuant to this 2014 Credit Linked Condition shall not affect

the effectiveness of any determinations by the Calculation Agent in respect of such Successor (such determinations to be in accordance with these 2014 Credit Linked Conditions);

- 9.1.1.7. the selection of any Replacement Reference Entity;
- 9.1.1.8. if the terms of any Notes provide for the Reference Portfolio to be amended from time to time other than due to the determination of a Successor, details of any amendments to the Reference Portfolio;
- 9.1.1.9. the designation of any Substitute Reference Obligation (provided that (i) no such notice shall be required following a determination by a Credit Derivatives Determinations Committee of a Substitute Reference Obligation has occurred and (ii) the failure of the Issuer to deliver a notice to the Noteholders pursuant to this 2014 Credit Linked Condition 9 shall not affect the effectiveness of any designation of such Substitute Reference Obligation by the Calculation Agent (such designation to be in accordance with these 2014 Credit Linked Conditions));
- 9.1.1.10. in respect of any Cash Settled CLN, following the selection by the Issuer of an obligation of the Reference Entity constituting a Reference Obligation for the purposes of “Terms relating to Cash Settlement”, a notice specifying the identification details of such selected obligation, provided that the failure of the Issuer to deliver a notice to the Noteholders pursuant to this 2014 Credit Linked Condition shall not affect the effectiveness of any designation of such Reference Obligation by the Calculation Agent (such designation to be in accordance with these 2014 Credit Linked Conditions);
- 9.1.1.11. following the determination of the CLN Cash Settlement Amount with respect to any Cash Settled CLN, a notice specifying, to the extent applicable:
  - 9.1.1.11.1. the Reference Obligation;
  - 9.1.1.11.2. the CLN Valuation Date;

- 9.1.1.11.3. the Quotation Amount;
- 9.1.1.11.4. the Quotations obtained;
- 9.1.1.11.5. the Final Price or Auction Final Price, as applicable;
- 9.1.1.11.6. the CLN Cash Settlement Amount;
- 9.1.1.11.7. if applicable, any Settlement Expenses and/or Swap Costs; and
- 9.1.1.11.8. if applicable, the Credit Event Redemption Amount,

or any NOPS Amendment Notice;

- 9.1.1.12. following delivery of a Notice of Physical Settlement (to the extent such information is not included in the Notice of Physical Settlement):

- 9.1.1.12.1. the proposed Delivery Date;
- 9.1.1.12.2. if applicable, the Settlement Expenses and/or Swap Costs; and
- 9.1.1.12.3. the Outstanding Principal Balance of Deliverable Obligations to be Delivered; and

- 9.1.1.13. following the occurrence of an Asset Package Credit Event, a detailed description of the Asset Package that the Issuer intends to Deliver in lieu of the Prior Deliverable Obligations or Package Observable Bond, if any, specified in a Notice of Physical Settlement.

## 9.2. Effectiveness of Notices

- 9.2.1. Any notice required to be delivered by the Issuer and Paying Agent pursuant to these 2014 Credit Linked Conditions or the Applicable Pricing Supplement shall be effective when delivered. The Issuer and Paying Agent will deliver a copy thereof to Noteholders if required in accordance with the provisions of Condition 16 of the Terms and Conditions.

9.2.2. A notice delivered by the Issuer to the Paying Agent on or prior to 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day will be effective on such Calculation Agent City Business Day. A notice delivered after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day will be deemed effective on the next following Calculation Agent City Business Day, regardless of the form in which it is delivered. For purposes of the two preceding sentences, a notice given by telephone will be deemed to have been delivered at the time the telephone conversation takes place. If the notice is delivered by telephone, a written confirmation of such notice will be executed and delivered confirming the substance of such notice within one Business Day of that notice. Failure to provide a written confirmation shall not affect the effectiveness of a notice given by telephone. If a notice is given by email, it will be deemed effective at the date and time it was delivered.

9.3. Confidentiality

Noteholders will treat as confidential any information about a Reference Entity which is designated by the Issuer as confidential information and conveyed to the Noteholders for the purposes of identifying the Credit Event or giving rise to its determination of a Credit Event.

10. **ADDITIONAL PROVISIONS IN RESPECT OF A SUCCESSOR**

10.1. Provisions for determining a Successor

10.1.1. “**Successor**” means, subject to 2014 Credit Linked Condition 10.3 below, the entity or entities, if any, determined as follows:

10.1.1.1. subject 2014 Credit Linked Condition 10.1.7 below, if one entity succeeds, either directly or as a provider of a Relevant Guarantee to 75% (seventy-five percent or more of the Relevant Obligations of the Reference Entity, that entity will be the sole Successor in respect of the relevant Reference Entity;

10.1.1.2. if only one entity succeeds, either directly or as a provider of a Relevant Guarantee, to more than twenty-five percent (but less than 75% (seventy-five percent) of the Relevant Obligations of the Reference Entity, and not more than 25% (twenty-five percent.) of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity

that succeeds to more than 25% (twenty-five percent) of the Relevant Obligations will be the sole Successor in respect of the Reference Entity;

- 10.1.1.3. if more than one entity each succeeds, either directly or as a provider of a Relevant Guarantee to more than 25% (twenty-five percent) of the Relevant Obligations of the Reference Entity, and not more than 25% (twenty-five percent) of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than 25% (twenty-five percent) of the Relevant Obligations will each be a Successor (subject to 2014 Credit Linked Condition 10.2.1 below);
- 10.1.1.4. if one or more entities each succeeds, either directly as a provider of a Relevant Guarantee, to more than 25% (twenty-five percent) of the Relevant Obligations of the Reference Entity, and more than 25% (twenty-five percent) 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 (subject to 2014 Credit Linked Condition 10.2.1 below);
- 10.1.1.5. if one or more entities succeed, either directly or as a provider of a Relevant Guarantee to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than 25% (twenty-five percent) of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of such succession;
- 10.1.1.6. if one or more entities succeed, either directly or as provider of a Relevant Guarantee to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than 25% (twenty-five percent) of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations will be the Successor (provided that if 2 (two) or more entities succeed to an equal

percentage of Relevant Obligations, each such entity will be a Successor (subject to 2014 Credit Linked Condition 10.2.1 below); and

- 10.1.1.7. in respect of a Reference Entity which is not a Sovereign, if one entity assumes all of the obligations (including at least one Relevant Obligation) of the Reference Entity, and at the time of the determination either (i) the Reference Entity has ceased to exist, or (ii) the Reference Entity is in the process of being dissolved (howsoever described) and the Reference Entity has not issued or incurred any Borrowed Money obligation at any time since the legally effective date of the assumption, such entity (the “**Universal Successor**”) will be the sole Successor in respect of the relevant Reference Entity.
- 10.1.2. The Calculation Agent will be responsible for determining, as soon as reasonably practicable after delivery of a Successor Notice and with effect from the Succession Date, any Successor or Successors; provided that the Calculation Agent will not make such determination if, at the time of such determination, the DC Secretary has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that there is no Successor based on the relevant succession to the Relevant Obligations. The Calculation Agent will make all calculations and determinations required to be made under this 2014 Credit Linked Condition 10 on the basis of Eligible Information and will notify the Issuer of any such calculation or determination as soon as practicable. In calculating the percentages used to determine whether an entity qualifies as a Successor, if there is a Steps Plan, the Calculation Agent shall consider all related successions in respect of such Steps Plan in aggregate as if forming part of a single succession.
- 10.1.3. An entity may only be a Successor if:
  - 10.1.3.1. either (i) the related Succession Date occurs on or after the Successor Backstop Date, or (ii) such entity is a Universal Successor in respect of which the Succession Date occurred on or after 1 January 2014;
  - 10.1.3.2. the Reference Entity had at least one Relevant Obligation outstanding immediately prior to the Succession Date and

such entity succeeds to all or part of at least one Relevant Obligation of the Reference Entity; and

- 10.1.3.3. where the Reference Entity is a Sovereign, such entity succeeded to the Relevant Obligations by way of a Sovereign Succession Event.
- 10.1.4. For purposes of this 2014 Credit Linked Condition 10.1, “**succeed**” means, with respect to the Reference Entity and its Relevant Obligations, that an entity other than the Reference Entity (i) assumes or becomes liable for such Relevant Obligations whether by operation of law or pursuant to any agreement (including with respect to a Reference Entity that is a Sovereign, any protocol, treaty, convention, accord, concord, entente, pact or other agreement) or (ii) issues Bonds or incurs Loans (the “**Exchange Bonds or Loans**”) that are exchanged for Relevant Obligations, and in either case the Reference Entity is not thereafter a direct obligor or a provider of a Relevant Guarantee with respect to such Relevant Obligations or such Exchange Bonds or Loans, as applicable. For purposes of this 2014 Credit Linked Condition 10, “succeeded” and “succession” shall be construed accordingly.
- 10.1.5. In the case of an exchange offer, the determination required pursuant to 2014 Credit Linked Condition 10.1.1 above shall be made on the basis of the Outstanding Principal Balance of Relevant Obligations exchanged and not on the basis of the Outstanding Principal Balance of the Exchange Bonds or Loans.
- 10.1.6. If two or more entities (each a “**Joint Potential Successor**”) jointly succeed to a Relevant Obligation (the “**Joint Relevant Obligation**”) either directly or as a provider of a Relevant Guarantee, then (i) if the Joint Relevant Obligation was a direct obligation of the Reference Entity, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as direct obligor or obligors, or (ii) if the Joint Relevant Obligation was a Relevant Guarantee, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as guarantor or guarantors, if any, or otherwise by each Joint Potential Successor in equal parts.

- 10.1.7. Where, pursuant to 2014 Credit Linked Condition 10.1.1.3, or 10.1.1.6 above, or 2014 Credit Linked Condition 10.2.1.3 or 10.2.1.4 below, 1 (one) or more Successors have been identified, the relevant Notes shall be divided, with effect from the Succession Date, into the same number of new Notes (the “**New Note(s)**”) as there are Successors, with the following terms:
- 10.1.7.1. each Successor shall be the Reference Entity for the purposes of one of the New Notes;
  - 10.1.7.2. in respect of each New Note, the Aggregate Nominal Amount (determined on or about the date of the applicable succession event, (or, in relation to a Reference Entity that is a Sovereign, a Sovereign Succession Event)), as applicable, shall be the Aggregate Nominal Amount of the original Note (before the identification of the relevant Successor(s)) divided by the number of Successors;
  - 10.1.7.3. all other terms and conditions of the original Notes shall be replicated in each of the New Notes, with such modifications as would be required, as determined by the Calculation Agent, to preserve substantially the economic effect of the original Notes in the New Notes (considered in the aggregate);
  - 10.1.7.4. each of the New Notes shall be deemed to constitute a separate and distinct issuance which shall be treated as a separate Series of Notes by the Issuer, and the Register shall be endorsed by the Registrar to reflect such separate Series of the New Notes and, at the request of a Noteholder, the Definitive Note representing the original Note (before the identification of the relevant Successor(s)) will be replaced by Definitive Notes representing the New Notes in accordance with this 2014 Credit Linked Condition 10.1.7; and
  - 10.1.7.5. the Calculation Agent shall make such other conforming and consequential changes as it shall deem appropriate to give effect to this 2014 Credit Linked Condition including, without limitation, the amendment of 2014 Credit Linked Condition 4.1 to 2014 Credit Linked Condition 4.3 above to allow, *inter alia*, for redemption of 2014 Credit Linked Notes with an Aggregate

Nominal Amount (determined on or about the Succession Date) equal to the nominal amount of one (or more) New Note(s) in respect of which a Relevant Event Determination Date has occurred, with the remainder of such Aggregate Nominal Amount of the Notes remaining outstanding and accruing interest on such reduced Aggregate Nominal Amount (until such time as a further Event Determination Date in respect of a different New Note may occur or a redemption of the remaining Aggregate Nominal Amount of the Notes may otherwise occur pursuant to the terms hereof).

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

- 10.1.8.1. any Bonds or Loans outstanding between the Reference Entity and any of its Affiliates, or held by the Reference Entity, shall be excluded;
- 10.1.8.2. if there is a Steps Plan, the Calculation Agent shall, for purposes of the determination required to be made under 2014 Credit Linked Condition 10.1.1 above, make the appropriate adjustments required to take account of any Obligations of the Reference Entity which fall within the Obligation Category “Bond or Loan” that are issued, incurred, redeemed, repurchased or cancelled from and including the legally effective date of the first succession to and including the Succession Date;
- 10.1.8.3. if “Financial Reference Entity Terms” and “Senior Security” are specified as applicable in the Applicable Pricing Supplement, the Relevant Obligations shall only include the Senior Obligations of the Reference Entity which fall within the Obligation Category “Bond or Loan”; and
- 10.1.8.4. if “Financial Reference Entity Terms” and “Subordinated Security” are specified as applicable in the Applicable Pricing Supplement, Relevant Obligations shall exclude Senior

Obligations and any Further Subordinated Obligations of the Reference Entity which fall within the Obligation Category “Bond or Loan”, provided that if no such Relevant Obligations exist, “Relevant Obligations” shall have the same meaning as it would if “Senior Security” were specified as applicable in the Applicable Pricing Supplement.

- 10.1.9. **“Sovereign Succession Event”** means, with respect to a Reference Entity that is a Sovereign, an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other similar event.
- 10.1.10. **“Steps Plan”** means a plan evidenced by Eligible Information contemplating that there will be a series of successions to some or all of the Relevant Obligations of the Reference Entity, by one or more entities.
- 10.1.11. **“Succession Date”** means the legally effective date of an event in which one or more entities succeed to some or all of the Relevant Obligations of the Reference Entity; provided that, if at such time there is a Steps Plan, the Succession Date will be the legally effective date of the final succession in respect of such Steps Plan, or if earlier (i) the date on which a determination of the Calculation Agent in accordance with the definition of “Successor” would not be affected by any further related successions in respect of such Steps Plan, or (ii) the occurrence of an Event Determination Date in respect of the Reference Entity or any entity which would constitute a Successor.
- 10.1.12. **“Successor Backstop Date”** means, for purposes of any Successor determination determined by DC Resolution, the date that is 90 (ninety) calendar days prior to the Successor Resolution Request Date, otherwise, the date that is ninety calendar days prior to the earlier of:
- 10.1.12.1. the date on which the Successor Notice is effective; and
- 10.1.12.2. in circumstances where: (i) a Successor Resolution Request Date has occurred, (ii) the relevant Credit Derivatives Determinations Committee has Resolved not to make a Successor determination and (iii) the Successor Notice is delivered by the Calculation Agent not more than 14 (fourteen) calendar days after the day on which the DC Secretary publicly announces that the relevant Credit Derivatives

Determinations Committee has Resolved not to make a Successor determination, the Successor Resolution Request Date.

The Successor Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

- 10.1.13. **“Successor Resolution Request Date”** means, with respect to a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve one or more Successors to the Reference Entity, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.
- 10.1.14. **“Successor Notice”** means an irrevocable notice from the Calculation Agent that describes a succession (or, in relation to a Reference Entity that is a Sovereign, a Sovereign Succession Event) in respect of which a Succession Date has occurred and pursuant to which one or more Successors to the Reference Entity can be determined and which contains a description in reasonable detail of the facts relevant to the determination to be made pursuant to 2014 Credit Linked Condition 10.1.1 and any consequential amendments to the Reference Portfolio and/or the 2014 Credit Linked Notes as a result thereof.
- 10.1.15. **“Eligible Information”** means information which is publicly available or which can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.
- 10.1.16. **“Sovereign”** means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority acting in a governmental capacity (including, without limiting the foregoing, the central bank) thereof.
- 10.1.17. **“Standard Reference Obligation”** means the obligation of the Reference Entity with the relevant Seniority Level which is specified from time to time on the SRO List. If the Standard Reference Obligation is removed from the SRO List, such obligation shall cease to be the Reference Obligation (other than for purposes of the “Not Subordinated” Obligation Characteristic or “Not Subordinated” Deliverable Obligation

Characteristic) and there shall be no Reference Obligation unless and until such obligation is subsequently replaced on the SRO List, in which case, the new Standard Reference Obligation in respect of the Reference Entity shall constitute the Reference Obligation.

10.1.18. “**Non-Standard Reference Obligation**” means the Original Non-Standard Reference Obligation or, if a Substitute Reference Obligation has been determined, the Substitute Reference Obligation.

10.1.19. “**Original Non-Standard Reference Obligation**” means the obligation of the Reference Entity (either directly or as provider of a guarantee) which is specified as the Reference Obligation in the Applicable Pricing Supplement (if any is so specified) provided that if an obligation is not an obligation of the Reference Entity, such obligation will not constitute a valid Original Non-Standard Reference Obligation for purposes of the 2014 Credit Linked Notes (other than for the purposes of determining the Seniority Level and for the “Not Subordinated” Obligation Characteristic or “Not Subordinated” Deliverable Obligation Characteristic) unless otherwise specified in the Applicable Pricing Supplement.

10.2. Successor provisions specific to Nth-to-Default CLN

In respect of Nth-to-Default CLN, this 2014 Credit Linked Condition 10.2 shall apply in addition to 2014 Credit Linked Condition 10.1 above. If there is any inconsistency between this 2014 Credit Linked Condition 10.2 and the rest of the 2014 Credit Linked Conditions (including 2014 Credit Linked Condition 10.1 above), then this 2014 Credit Linked Condition 10.2 shall prevail.

10.2.1. Treatment of certain Successors

10.2.1.1. In the event that, pursuant to the application of 2014 Credit Linked Condition 10.1.1 above, a Reference Entity in relation to which no succession has occurred (the “**Surviving Reference Entity**”) would be the only Successor to a Reference Entity (the “**Legacy Reference Entity**”):

10.2.1.1.1. such Successor (that is a Surviving Reference Entity) shall not be a Successor to such Legacy Reference Entity; and

- 10.2.1.1.2. the replacement Reference Entity (the **“Replacement Reference Entity”**) selected by the Issuer in accordance with 2014 Credit Linked Condition 10.2.2 below shall be the sole Successor to such Legacy Reference Entity.
- 10.2.1.2. In the event that, pursuant to the application of 2014 Credit Linked Condition 10.1.1 above, there is only one Successor to a Legacy Reference Entity and such Successor is not a Surviving Reference Entity, such Successor shall be the sole Successor to such Legacy Reference Entity.
- 10.2.1.3. In the event that, pursuant to the application of 2014 Credit Linked Condition 10.1.1.3, 10.1.1.4 or 10.1.1.6 above, there are two or more Successors to a Legacy Reference Entity and none of such Successors is a Surviving Reference Entity:
- 10.2.1.3.1. each of such Successors (that is not a Surviving Reference Entity) shall be a Reference Entity for the purposes of one of the New Notes determined in accordance with 2014 Credit Linked Condition 10.1.6 above; and
- 10.2.1.3.2. each of the Surviving Reference Entity(ies) (that is not a Successor) shall continue to be a Reference Entity for each and every one of the New Notes determined in accordance with 2014 Credit Linked Condition 10.1.6 above.
- 10.2.1.4. In the event that, pursuant to the application of 2014 Credit Linked Condition 10.1.1.3, 10.1.1.4 or 10.1.1.6 above, there are two or more Successors to a Legacy Reference Entity and at least one of such Successors is a Surviving Reference Entity:
- 10.2.1.4.1. each of such Successor(s) (that is a Surviving Reference Entity) shall not be a Successor to

such Legacy Reference Entity, and shall be replaced by a Replacement Reference Entity selected in accordance with 2014 Credit Linked Condition 10.2.2 below;

10.2.1.4.2. each of such Replacement Reference Entity(ies) and any other Successor(s) not constituting a Surviving Reference Entity shall be a Reference Entity for the purposes of one of the New Notes determined in accordance with 2014 Credit Linked Condition 10.1.7 above; and

10.2.1.4.3. each of the Surviving Reference Entity(ies) (that is not a Successor) shall continue to be a Reference Entity for each and every one of the New Notes determined in accordance with 2014 Credit Linked Condition 10.1.7 above.

10.2.2. Selection of Replacement Reference Entity

Upon a determination by the Calculation Agent of the occurrence of a succession with respect to which a Surviving Reference Entity would be a Successor but for the operation of 2014 Credit Linked Condition 10.2.1.1 above, the Issuer shall select an Eligible Reference Entity as the Replacement Reference Entity and the Transaction Type applicable to such Eligible Reference Entity.

**“Eligible Reference Entity”** means an entity:

10.2.2.1. that is in the same Moody's or S&P industry group as the relevant Surviving Reference Entity;

10.2.2.2. that has a bid-side credit spread (at the time the Issuer delivers to the Paying Agent the notice specifying the Eligible Reference Entity that it has selected to be the Replacement Reference Entity) no greater than 110% (one hundred and ten percent) of the bid-side credit spread of the relevant Surviving

Reference Entity at the same time (the “**Credit Spread Requirement**”), in each case based on a credit default swap:

- 10.2.2.2.1. on market standard terms for the relevant entity as at the time of such determination;
- 10.2.2.2.2. in respect of a notional amount equal to at least 50% (fifty percent), but not more than 100% (one hundred percent), of the Aggregate Nominal Amount; and
- 10.2.2.2.3. with a term equal to the period from and including the date of the determination to and including the Maturity Date (the “**Remaining Term**”), provided that if the Issuer, having used reasonable endeavours, cannot obtain Quotations from at least three Dealers in respect of the Remaining Term, the term for the purposes of this 2014 Credit Linked Condition 10.2.2.3 above shall be five years.

The bid-side credit spreads for the purpose of the Credit Spread Requirement shall be the unweighted arithmetic mean of the spread quotations obtained by the Issuer (on the basis of the terms set out above) from at least 3 (three) Dealers, as determined by the Issuer in a commercially reasonable manner and notified by the Issuer to the Paying Agent;

- 10.2.2.3. that is principally traded in the credit derivatives market in respect of the same Geographical Region as the relevant Surviving Reference Entity, as determined in a commercially reasonable manner by the Issuer, where “**Geographical Region**” means North America, Latin America, Western Europe, Eastern Europe, Australia/New Zealand, Singapore, Asia (excluding Japan), Japan or such region determined in a commercially reasonable manner by the Issuer to give best effect to then current market practice in respect of the relevant Surviving Reference Entity; and

10.2.2.4. that is not an Affiliate of any Reference Entity or the Issuer both immediately prior to and following the determination of the relevant Successor.

10.2.3. Fallback Successor Process

If 2014 Credit Linked Condition 10.2.1.1 above applies and the Issuer fails to specify a Replacement Reference Entity in accordance with 2014 Credit Linked Condition 10.2.2 above, then:

10.2.3.1. the Legacy Reference Entity shall cease to be a Reference Entity unless it is itself a Successor; and

10.2.3.2. notwithstanding 2014 Credit Linked Condition 10.2.1.1 above each Surviving Reference Entity shall continue to be a Successor, together with any other Successors, and all other terms of the Notes shall remain unaffected.

10.2.4. Effective Date for Substitution of Reference Entity Following a Successor Determination

The substitution of a Reference Entity and the issuance of New Notes in accordance with the terms hereof shall be deemed to be effective on the Succession Date.

10.3. Substitute Reference Obligation

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

10.3.1.1. The Calculation Agent shall identify the Substitute Reference Obligation in accordance with 2014 Credit Linked Conditions 10.3.1.3, 10.3.1.4 and 10.3.1.5, below to replace the Non-Standard Reference Obligation, provided that the Calculation Agent will not identify an obligation as the Substitute Reference Obligation if, at the time of the determination, such obligation has already been rejected as the Substitute Reference Obligation by the relevant Credit Derivatives Determinations Committee and such obligation

has not changed materially since the date of the relevant DC Resolution.

10.3.1.2. If any of the events set forth under 2014 Credit Linked Conditions 10.4.1.1 or 10.4.1.3 have occurred with respect to the Non-Standard Reference Obligation, the Non-Standard Reference Obligation will cease to be the Reference Obligation (other than for purposes of the “Not Subordinated” Obligation Characteristic or “Not Subordinated” Deliverable Obligation Characteristic and 2014 Credit Linked Condition 10.3.1.3.2 below). If the event set forth in 2014 Credit Linked Condition 10.4 has occurred with respect to the Non-Standard Reference Obligation and no Substitute Reference Obligation is available, the Non-Standard Reference Obligation will continue to be the Reference Obligation until the Substitute Reference Obligation is identified or, if earlier, until any of the events set forth under 2014 Credit Linked Condition 10.4.1.1 or 10.4.1.3 occur with respect to such Non-Standard Reference Obligation.

10.3.1.3. The Substitute Reference Obligation shall be an obligation that on the Substitution Date:

10.3.1.3.1. is a Borrowed Money obligation of the Reference Entity (either directly or as provider of a guarantee);

10.3.1.3.2. satisfies the Not Subordinated Deliverable Obligation Characteristic as of the date it was issued or incurred (without reflecting any change to the priority of payment after such date) and on the Substitution Date; and

10.3.1.3.3. if:

10.3.1.3.3.1. the Non-Standard Reference Obligation was a Conforming Reference Obligation when issued or incurred and

immediately prior to the  
Substitution Event Date:

- 10.3.1.3.3.1.1. is a Deliverable  
Obligation (other  
than a Loan)  
determined in  
accordance with  
2014 Credit Linked  
Condition 16.1.1; or  
if no such obligation  
is available
- 10.3.1.3.3.1.2. is a Loan (other than  
a Private-side Loan)  
which constitutes a  
Deliverable  
Obligation  
determined in  
accordance with  
2014 Credit Linked  
Condition 16.1.1;
- 10.3.1.3.3.2. the Non-Standard Reference  
Obligation was a Bond (or  
any other Borrowed Money  
obligation other than a Loan)  
which was a Non-  
Conforming Reference  
Obligation when issued or  
incurred and/or immediately  
prior to the Substitution  
Event Date:
  - 10.3.1.3.3.2.1. is a Non-Conforming  
Substitute  
Reference  
Obligation (other  
than a Loan); or if no

- such obligation is available
- 10.3.1.3.3.2.2. is a Deliverable Obligation (other than a Loan) determined in accordance with 2014 Credit Linked Condition 16.1.1; or if no such obligation is available
- 10.3.1.3.3.2.3. is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available
- 10.3.1.3.3.2.4. is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with 2014 Credit Linked Condition 16.1.1; or
- 10.3.1.3.3.3. the Non-Standard Reference Obligation was a Loan which was a Non-Conforming Reference Obligation when incurred and/or immediately

prior to the Substitution  
Event Date:

- 10.3.1.3.3.3.1. is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available
- 10.3.1.3.3.3.2. is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available
- 10.3.1.3.3.3.3. is a Deliverable Obligation (other than a Loan) determined in accordance with 2014 Credit Linked Condition 16.1.1; or if no such obligation is available
- 10.3.1.3.3.3.4. is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with 2014 Credit Linked Condition 16.1.1.

- 10.3.1.4. If more than one potential Substitute Reference Obligation is identified pursuant to the process described in 2014 Credit Linked Condition 10.3.1.3 above, the Substitute Reference Obligation will be the potential Substitute Reference Obligation that most closely preserves the economic equivalent of the delivery and payment obligations of the Issuer in respect of the relevant 2014 Credit Linked Notes, as determined by the Calculation Agent. The Calculation Agent will notify the Issuer of the Substitute Reference Obligation within a reasonable period after it has been identified in accordance with 2014 Credit Linked Condition 10.3.1.3 above and the Substitute Reference Obligation shall replace the Non-Standard Reference Obligation immediately upon such notification.
- 10.3.1.5. If a Substitution Event has occurred with respect to the Non-Standard Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for the Non-Standard Reference Obligation, then, subject to 2014 Credit Linked Condition 10.3.1.1 above and notwithstanding the fact that the Non-Standard Reference Obligation may have ceased to be the Reference Obligation in accordance with 2014 Credit Linked Condition 10.3.1.2 above, the Calculation Agent shall continue to attempt to identify the Substitute Reference Obligation.
- 10.3.2. **“Conforming Reference Obligation”** means a Reference Obligation which is a Deliverable Obligation determined in accordance with 2014 Credit Linked Condition 16.1.1 below.
- 10.3.3. **“Non-Conforming Reference Obligation”** means a Reference Obligation which is not a Conforming Reference Obligation.
- 10.3.4. **“Non-Conforming Substitute Reference Obligation”** means an obligation which would be a Deliverable Obligation determined in accordance with 2014 Credit Linked Condition 16.1.1 below on the Substitution Date but for one or more of the same reasons which resulted in the Reference Obligation constituting a Non-Conforming Reference Obligation on the date it was issued or incurred and/or immediately prior to the Substitution Event Date (as applicable).

- 10.3.5. **“Private-side Loan”** means a Loan in respect of which the documentation governing its terms is not publicly available or capable of being made public without violating a law, agreement, understanding or other restriction regarding the confidentiality of such information.
- 10.3.6. **“Seniority Level”** means, with respect to an obligation of the Reference Entity, (i) “Senior Level” or “Subordinated Level” as specified in the Applicable Pricing Supplement, or (ii) if no such seniority level is specified in the Applicable Pricing Supplement, “Senior Level” if the Original Non-Standard Reference Obligation is a Senior Obligation or “Subordinated Level” if the Original Non-Standard Reference Obligation is a Subordinated Obligation, failing which (iii) “Senior Level”.
- 10.3.7. **“SRO List”** means the list of Standard Reference Obligations as published by ISDA on its website at [www.isda.org](http://www.isda.org) from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time.
- 10.3.8. **“Substitution Date”** means, with respect to a Substitute Reference Obligation, the date on which the Calculation Agent determines that such Substitute Reference Obligation has been identified in accordance with this 2014 Credit Linked Condition 10.3 above.
- 10.3.9. **“Substitution Event Date”** means, with respect to the Reference Obligation, the date of the occurrence of the relevant Substitution Event.
- 10.3.10. **“Substitute Reference Obligation Resolution Request Date”** means, with respect to a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve a Substitute Reference Obligation to the Non-Standard Reference Obligation, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.
- 10.3.11. **“Senior Note”** means a 2014 Credit Linked Note for which:
- 10.3.11.1. the Reference Obligation or Prior Reference Obligation, as applicable, is a Senior Obligation; or
- 10.3.11.2. there is no Reference Obligation or Prior Reference Obligation.

- 10.3.12. “**Senior Obligation**” means any obligation which is not Subordinated to any unsubordinated Borrowed Money obligation of the Reference Entity.
- 10.3.13. “**Subordinated Note**” means a 2014 Credit Linked Note for which the Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation.
- 10.3.14. “**Subordinated Obligation**” means any obligation which is Subordinated to any unsubordinated Borrowed Money obligation of the Reference Entity or which would be so Subordinated if any unsubordinated Borrowed Money obligation of the Reference Entity existed.
- 10.3.15. “**Further Subordinated Obligation**” means, if the Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, any obligation which is Subordinated thereto.

10.4. Substitution Event

- 10.4.1. “**Substitution Event**” means, with respect to the Non-Standard Reference Obligation:
- 10.4.1.1. the Non-Standard Reference Obligation is redeemed in whole;
- 10.4.1.2. the aggregate amounts due under the original Non-Standard Reference Obligation have been reduced by redemption or otherwise below USD10,000,000 (ten million) (or its equivalent in the relevant Obligation Currency, as determined by the Calculation Agent); or
- 10.4.1.3. for any reason, other than due to the existence or occurrence of a Credit Event, the Non-Standard Reference Obligation is no longer an obligation of the Reference Entity (either directly or as provider of a guarantee).
- 10.4.2. For purposes of identification of the Non-Standard Reference Obligation, any change in the Non-Standard Reference Obligation’s CUSIP or ISIN number or other similar identifier will not, in and of itself, constitute a Substitution Event.
- 10.4.3. If an event described in 2014 Credit Linked Condition 10.4.1.1 or 10.4.1.2 above has occurred on or prior to the Trade Date, then a Substitution Event shall be deemed to have occurred pursuant to 2014 Credit Linked

Condition 10.4.1.1 or 10.4.1.2 above, as the case may be, on the Trade Date.

## 11. **ADDITIONAL PROVISIONS RELATING TO DELIVERABLE OBLIGATIONS**

For the purposes of making a determination pursuant to 2014 Credit Linked Condition 11.1 and 11.2 below, the final maturity date shall, subject to 2014 Credit Linked Condition 11.2 below, be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the final maturity date shall be deemed to be the date on which such determination is made.

### 11.1. Mod R

11.1.1. For any Physically Delivered CLN where “Mod R” is specified in the Applicable Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice delivered by the Issuer, then unless the Deliverable Obligation is a Prior Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Deliverable Obligation may only be specified for any 2014 Credit Linked Note (or deemed specified pursuant to 2014 Credit Linked Condition 6.8) in the Notice of Physical Settlement or specified in any NOPS Amendment Notice, as applicable, only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the Restructuring Maturity Limitation Date in each case, as of both the NOPS Effective Date and the Delivery Date.

11.1.2. **“Fully Transferable Obligation”** means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, in each case, as of both the NOPS Effective Date and the Delivery Date. 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 2014 Credit Linked Condition 11.1.

11.1.3. **“Restructuring Maturity Limitation Date”** means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Maturity Date. 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 (two comma five) year Limitation Date (such Restructured Bond or Loan, a “**Latest Maturity Restructured Bond or Loan**”) and the Maturity Date occurs prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan.

11.1.4. “**Eligible Transferee**” means:

11.1.4.1. any:

11.1.4.1.1. bank or other financial institution;

11.1.4.1.2. insurance or reinsurance company;

11.1.4.1.3. mutual fund, unit trust or similar collective investment vehicle (other than an entity described in 2014 Credit Linked Condition 11.1.4.3.1 below); and

11.1.4.1.4. 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 (five hundred million);

11.1.4.2. an Affiliate of an entity specified in 2014 Credit Linked Condition 11.1.4.1 above;

11.1.4.3. each of a corporation, partnership, proprietorship, organisation, trust or other entity:

11.1.4.3.1. that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligation, commercial paper conduit or other special purpose vehicle) that (i) has total assets of at least USD100,000,000 (one hundred million) or (ii) is one of a group of investment vehicles under common control or management

having, in the aggregate, total assets of at least USD100,000,000 (one hundred million);

11.1.4.3.2. that has total assets of at least USD500,000,000 (five hundred million); or

11.1.4.3.3. 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 2014 Credit Linked Condition 11.1.4.1, 11.1.4.2, 11.1.4.3.2 or 11.1.4.4;

11.1.4.4. any Sovereign; or

11.1.4.5. any entity or organisation established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

11.1.5. All references in this 2014 Credit Linked Condition 11.1 to USD include equivalent amounts in other currencies, as determined by the Calculation Agent.

## 11.2. Mod Mod R

11.2.1. For any Physically Delivered CLN where “Mod Mod R” is specified in the Applicable Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice delivered by Issuer, then unless the Deliverable Obligation is a Prior Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Deliverable Obligation may only be specified (or deemed specified pursuant to 2014 Credit Linked Condition 6.8) in the Notice of Physical Settlement or in any NOPs Amendment Notice, as applicable, if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date, in each case, as of both the NOPS Effective Date and the Delivery Date. Notwithstanding the foregoing, for purposes of the above, in the case of a Restructured Bond

or Loan with a final maturity date on or prior to the 10-year Limitation Date, the final maturity date of such Bond or Loan shall be deemed to be the earlier of such final maturity date or the final maturity date of such Bond or Loan immediately prior to the relevant Restructuring.

- 11.2.2. **“Conditionally Transferable Obligation”** means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, in each case as of both the NOPS Effective Date and the Delivery Date, 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 of the Reference Entity that is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer to so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or Paying Agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this 2014 Credit Linked Condition 11.2.
- 11.2.3. If this 2014 Credit Linked Condition 11.2 applies and the Deliverable Obligation specified in the Notice of Physical Settlement (or any NOPS Amendment Notice, as applicable) is a Conditionally Transferable Obligation with respect to which consent is required to novate, assign or transfer and the requisite consent is refused (whether or not a reason is given for such refusal and, where a reason is given for such refusal, regardless of that reason), or is not received by the Physical Settlement Date (in which case it shall be deemed to have been refused), Issuer shall promptly notify the Noteholders of such refusal (or deemed refusal) and if the Noteholder does not designate a third party or the Noteholder does not take Delivery on or prior to the Loan Alternative Procedure Start Date, then 2014 Credit Linked Condition 6.8 shall apply.
- 11.2.4. **“Modified Restructuring Maturity Limitation Date”** means, with respect to a Deliverable Obligation, the Limitation Date occurring on or

immediately following the Maturity Date. Subject to the foregoing, if the Maturity Date is later than the 10 (ten)year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Maturity Date.

11.2.5. **“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.

11.2.6. For the purposes of 2014 Credit Linked Conditions 11.1 and 11.2:

11.2.6.1. **“Limitation Date”** means, in respect of a Credit Event that is a Restructuring the first of March 20, June 20, September 20 or December 20 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 (two comma five) years (the **“2,5 year Limitation Date”**), 5 (five) years (the **“5 year Limitation Date”**), 7,5 (seven comma five) years, 10 (ten) years (the **“10 year Limitation Date”**), 12,5 (twelve comma five) years, 15 (fifteen) years or 20 (twenty) years, as applicable. Limitation Dates shall not be subject to adjustment unless otherwise provided in the Applicable Pricing Supplement;

11.2.6.2. **“Restructured Bond or Loan”** means an Obligation that is a Bond or Loan and in respect of which the relevant Restructuring has occurred; and

11.2.6.3. **“Restructuring Date”** means the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

11.3. Deliverable Obligations where the Transaction Type is Emerging European Corporate LPN

Where a Reference Entity is specified to have a Transaction Type of “Emerging European Corporate LPN” or where this 2014 Credit Linked Condition 11.3 is stated to be applicable in the Applicable Pricing Supplement, the following shall apply.

11.3.1. Multiple Holder Obligation will be Not Applicable with respect to any Reference Obligation (and any Underlying Loan).

- 11.3.2. Each Reference Obligation will be an Obligation notwithstanding anything to the contrary in these 2014 Credit Linked Conditions, and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity.
- 11.3.3. Each Reference Obligation will be a Deliverable Obligation notwithstanding anything to the contrary in these 2014 Credit Linked Conditions, including but not limited to the definition thereof, and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity. For the avoidance of doubt with respect to any LPN Reference Obligation that specifies an Underlying Loan or an Underlying Finance Instrument, the Outstanding Principal Balance shall be determined by reference to the Underlying Loan or Underlying Finance Instrument (as applicable) relating to such LPN Reference Obligation. The Not Subordinated Obligation Characteristic and Deliverable Obligation Characteristic shall be construed as if no Reference Obligation was specified in respect of the Reference Entity.
- 11.3.4. **“Reference Obligation”** means, as of the Trade Date, each of the obligations listed as a Reference Obligation of the Reference Entity in the Applicable Pricing Supplement or set forth on the relevant LPN Reference Obligations List (each, a **“Markit Published LPN Reference Obligation”**), as published by Markit Group Limited, or any successor thereto, which list is currently available at <http://www.markit.com/marketing/services.php> (or any successor page thereto), any Additional LPN, determined in accordance with 2014 Credit Linked Condition 11.3.5 below, and each Additional Obligation. Each Reference Obligation determined in accordance with the foregoing will be a Reference Obligation notwithstanding anything to the contrary in these 2014 Credit Linked Conditions, and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity. Standard Reference Obligation shall be Not Applicable. The proviso in the definition of “No Standard Reference Obligation” shall not apply. It is intended that there may be more than one Reference Obligation, as a result of which all applicable references in these 2014 Credit Linked Conditions to “the Reference Obligation” shall be construed as a reference to “a Reference Obligation”, and all other provisions of these 2014 Credit Linked Conditions shall be construed accordingly.

11.3.5. 2014 Credit Linked Conditions 10.3 and 10.4 shall not be applicable in respect of LPN Reference Obligations.

11.3.6. **“Additional LPN”** means any bond issued in the form of a loan participation note (an **“LPN”**) by an entity (the **“LPN Issuer”**) for the sole purpose of providing funds for the LPN Issuer to:

11.3.6.1. finance a loan to the Reference Entity (the **“Underlying Loan”**); or

11.3.6.2. provide finance to the Reference Entity by way of a deposit, loan or other Borrowed Money instrument (the **“Underlying Finance Instrument”**),

provided that,

11.3.6.3. either:

11.3.6.3.1. in the event that there is an Underlying Loan with respect to such LPN the Underlying Loan satisfies the Obligation Characteristics specified in respect of the Reference Entity; or

11.3.6.3.2. in the event that there is an Underlying Finance Instrument with respect to such LPN the Underlying Finance Instrument satisfies the Not Subordinated, Not Domestic Law and Not Domestic Currency Obligation Characteristics;

11.3.6.4. the LPN satisfies the following Deliverable Obligation Characteristics: Transferable, Not Bearer, Specified Currency- Standard Specified Currencies, Not Domestic Law, Not Domestic Issuance; and

11.3.6.5. the LPN Issuer has, as of the issue date of such obligation, granted a First Ranking Interest over or in respect of certain of its rights in relation to the relevant Underlying Loan or Underlying Finance Instrument (as applicable) for the benefit of the holders of the LPNs.

- 11.3.7. **“First Ranking LPN Interest”** means a charge, security interest (or other type of interest having similar effect) (an **“LPN Interest”**), which is expressed as being “first ranking”, “first priority”, or similar (**“First Ranking LPN”** in the document creating such LPN Interest (notwithstanding that such LPN Interest may not be First Ranking LPN under any insolvency laws of any relevant insolvency jurisdiction of the LPN Issuer).
- 11.3.8. **“LPN Reference Obligation”** means each Reference Obligation other than any Additional Obligation. For the avoidance of doubt, any change to the issuer of an LPN Reference Obligation in accordance with its terms shall not prevent such LPN Reference Obligation from constituting a Reference Obligation. Each LPN Reference Obligation is issued for the sole purpose of providing funds for the LPN Issuer to finance a loan to the Reference Entity. For the purposes of these 2014 Credit Linked Conditions each such loan shall be an Underlying Loan.
- 11.3.9. **“Additional Obligation”** means each of the obligations listed as an Additional Obligation of the Reference Entity in the Applicable Pricing Supplement or set forth on the relevant LPN Reference Obligations List, as published by Markit Group Limited, or any successor thereto, as of the Trade Date, which list is currently available at <http://www.markit.com/marketing/services.php> or any successor page thereto.
- 11.4. Deliverable Obligations where the Transaction Type is Sukuk Corporate or Sukuk Sovereign

Where a Reference Entity is specified to have a Transaction Type of “Sukuk Corporate” or “Sukuk Sovereign” or where this 2014 Credit Linked Condition 11.4 is stated to be applicable in the Applicable Pricing Supplement, the following shall apply.

- 11.4.1. Multiple Holder Obligation will be Not Applicable with respect to any Reference Obligation that is a Sukuk Obligation.
- 11.4.2. Each Qualifying Sukuk Obligation which satisfies the Not Subordinated, Not Domestic Currency, Not Domestic Law and Not Domestic Issuance Obligation Characteristics on the relevant date will be an Obligation notwithstanding anything to the contrary in these 2014 Credit Linked Conditions, notwithstanding that a Qualifying Sukuk Obligation may not be an obligation of the Reference Entity.

- 11.4.3. Each Qualifying Sukuk Obligation which:
- 11.4.3.1. satisfies the Not Subordinated, Specified Currency: Standard Specified Currencies, Not Domestic Issuance, Not Domestic Law, Transferable and Not Bearer Deliverable Obligation Characteristics on the relevant date; and
  - 11.4.3.2. is payable in an amount equal to its Due and Payable Amount,
- will be a Deliverable Obligation notwithstanding anything to the contrary in the 2014 Credit Linked Conditions, and in particular, notwithstanding that a Qualifying Sukuk Obligation may not be an obligation of the Reference Entity. For the avoidance of doubt, any change as to the identity of the Sukuk Issuer shall not prevent a Sukuk Obligation from constituting a Qualifying Sukuk Obligation.
- 11.4.4. **“Markit Published Sukuk Obligation”** means each obligation set forth, as of the Event Determination Date or if later, the date of the DC Credit Event Announcement, on the relevant sukuk obligations list in respect of the Reference Entity, as published by Markit Group Limited, or any successor thereto.
- 11.4.5. **“Reference Obligation”** means:
- 11.4.5.1. either:
    - 11.4.5.1.1. each obligation specified as such or of a type described in the applicable Pricing Supplement (if any are so specified or described); or
    - 11.4.5.1.2. if an obligation or type of obligation is not specified in the applicable Pricing Supplement, each Markit Published Sukuk Obligation; and
  - 11.4.5.2. any Substitute Reference Obligation.
  - 11.4.5.3. It is intended that there may be more than one Reference Obligation, as a result of which all applicable references in these 2014 Credit Linked Conditions to “the Reference Obligation” shall be construed as a reference to “a Reference

Obligation”, and all other provisions of these 2014 Credit Linked Conditions shall be construed accordingly. The definitions of “Standard Reference Obligation”, “Non-Standard Reference Obligation”, “Original Non-Standard Reference Obligation”, “No Standard Reference Obligation” and “Seniority Level” shall not be applicable in respect of such Series.

11.4.6. **“Qualifying Sukuk Obligation”** means any Sukuk Obligation in respect of which:

11.4.6.1. if the related Recourse Obligation (if any) is not a Recourse Guarantee, the related Recourse Obligation is described by the Payment Obligation Category, satisfies the Not Subordinated Obligation Characteristic on the relevant date and, pursuant to its terms, may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment); or

11.4.6.2. if the related Recourse Obligation (if any) is a Recourse Guarantee:

11.4.6.2.1. the Underlying Recourse Obligation is described by the Payment Obligation Category, satisfies the Not Subordinated Obligation Characteristic on the relevant date and, pursuant to its terms, may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment); and

11.4.6.2.2. the related Recourse Obligation satisfies the Not Subordinated Obligation Characteristic on the relevant date.

11.4.7. **“Sukuk Obligation”**

11.4.7.1. “Sukuk Obligation” means any trust certificate or other instrument (a **“Sukuk Certificate”**) evidencing a beneficial or other ownership interest in assets, rights, benefits or entitlements and which may be issued by the Reference Entity

or another entity (in either case, the “**Sukuk Issuer**”) where if the Reference Entity is not the Sukuk Issuer, the Sukuk Issuer (or any agent, delegate or trustee acting on its behalf) has recourse to the Reference Entity and/or to assets over which the Reference Entity has granted security in favour of the Sukuk Issuer (or any agent, delegate or trustee acting on its behalf) in order to fund payment obligations of the Sukuk Issuer under the Sukuk Certificates (whether such recourse is pursuant to (a) an obligation of the Reference Entity to purchase assets owned by the Sukuk Issuer or (b) any other obligation of the Reference Entity, including as provider of any Recourse Guarantee (each such obligation, a “**Recourse Obligation**”).

11.4.7.2. For the purposes of the foregoing:

11.4.7.2.1. “**Recourse Guarantee**” means an arrangement evidenced by a written instrument pursuant to which the Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the “**Underlying Recourse Obligation**”) for which another party is the obligor (the “**Underlying Recourse Obligor**”).

11.4.7.2.2. Recourse Guarantee shall exclude any arrangement:

11.4.7.2.2.1. structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement; or

11.4.7.2.2.2. 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).

11.4.8. **“Potential Failure to Pay”** means:

- 11.4.8.1. in relation to any Obligations other than Sukuk Obligations, the failure by a Reference Entity to make, when and where due, any payments under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure; and/or
- 11.4.8.2. in relation to any Obligations that are Sukuk Obligations, the failure by the Reference Entity or the Sukuk Issuer to make, when and where due any payments or Expected Payments under one or more Sukuk Obligations or any payments under one or more related Recourse Obligations, as applicable, in accordance with the terms of such Sukuk Obligations or Recourse Obligations, as applicable, at the time of such failure,

where the aggregate amount of such failures under 2014 Credit Linked Conditions 11.4.8.1 and 11.4.8.2 above (aggregated for the Reference Entity and all related Sukuk Issuers but without double counting amounts in respect of the same Sukuk Obligation (whether such amounts are in respect of such Sukuk Obligation or related Recourse Obligation)) is not less than the Payment Requirement, in each case without regard to any grace period or conditions precedent to the commencement of any grace period applicable to such Obligations.

11.4.9. **“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):

- 11.4.9.1. in relation to any Obligations other than Sukuk Obligations, the failure by a Reference Entity to make, when and where due, any payments under one or more Obligations, in accordance

with the terms of such Obligations at the time of such failure;  
and/or

- 11.4.9.2. in relation to any Obligations that are Sukuk Obligations, the failure by the Reference Entity or the Sukuk Issuer to make, when and where due, any payments or Expected Payments under one or more Sukuk Obligations or any payments under one or more related Recourse Obligations, as applicable, in accordance with the terms of such Sukuk Obligations or Recourse Obligations, as applicable, at the time of such failure,

where the aggregate amount of such failures under Credit Linked Conditions 11.4.9.1 and 11.4.9.2 above (aggregated for the Reference Entity and all related Sukuk Issuers but without double counting amounts in respect of the same Sukuk Obligation (whether such amounts are in respect of such Sukuk Obligation or related Recourse Obligation)) is not less than the Payment Requirement.

- 11.4.10. **“Expected Payments”** means, in relation to any Sukuk Obligations and with respect to any day, the amount of any payment or distribution expected to be made on such day in accordance with the initial schedule of payments as specified in the terms of such Sukuk Obligation or the offering circular relating to such Sukuk Obligation, determined without regard to the effect of any provisions of such Sukuk Obligation that permit the expected payments or distributions to be reduced, extinguished, postponed or withheld or for recourse in respect of such Sukuk Obligation to be limited (or any similar provisions, howsoever described).

- 11.4.11. **“Due and Payable Amount”**

11.4.11.1. “Due and Payable Amount” means:

- 11.4.11.1.1. in relation to any Deliverable Obligations other than Sukuk Obligations, the amount that is due and payable by the Reference Entity under the obligation whether by reason of maturity, acceleration, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups

and other similar amounts) less all or any portion of such amount which, pursuant to the terms of the obligation:

11.4.11.1.1. is subject to any Prohibited Action; or

11.4.11.1.2. may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of payment or a Permitted Contingency), in each case, determined in accordance with the terms of the obligation in effect on either:

11.4.11.1.2.1. the NOPS Effective Date (or if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date); or

11.4.11.1.2.2. the Valuation Date, as applicable; and

11.4.11.1.2. in relation to any Deliverable Obligations that are Sukuk Obligations, means the amount that is due and payable, or expected to be due and payable, by the Reference Entity under the obligation whether by reason of maturity, acceleration, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts) less all or any

portion of such amount which, pursuant to the terms of the obligation:

11.4.11.1.2.1. is subject to any Prohibited Action; or

11.4.11.1.2.2. may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of payment or a Permitted Contingency), in each case, determined in accordance with the terms of the obligation in effect on either:

11.4.11.1.2.2.1. the NOPS Effective Date (or if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date); or

11.4.11.1.2.2.2. the Valuation Date, as applicable.

11.4.11.2. Any provisions of a Sukuk Obligation that permit expected amounts payable to be reduced, extinguished, postponed or withheld or for recourse in respect of such Qualifying Sukuk Obligation to be limited (or any similar provisions, howsoever described) shall be disregarded for the purposes of determining the Due and Payable Amount.

11.4.12. References to "Reference Entity" in the definitions of "DC Credit Event Meeting Announcement", "DC Credit Event Question Dismissal", "DC Credit Event Announcement", "DC No Credit Event Announcement",

“Subordination”, “Publicly Available Information”, “Public Source”, “Payment Timing”, “Due and Payable Amount”, “Prohibited Action”, “Permitted Contingency”, “Credit Event”, “Bankruptcy”, “Obligation Acceleration”, “Obligation Default”, “Repudiation/Moratorium”, “Restructuring”, “Default Requirement”, “Governmental Authority”, “Obligation Currency”, “Payment Requirement”, “Deliver” and 2014 Credit Linked Condition 9.3 shall be deemed to include a Sukuk Issuer.

- 11.4.13. In respect of Transactions for which “Standard Sukuk Sovereign” is the Transaction Type and in relation to which the Sukuk Issuer is not the Reference Entity, notwithstanding anything to the contrary in the 2014 Credit Linked Conditions or the Applicable Pricing Supplement, “Bankruptcy” shall be deemed to have been specified as a Credit Event in the Applicable Pricing Supplement and any references to “Reference Entity” in the definition of “Bankruptcy” shall be deleted and replaced with “Sukuk Issuer”.
- 11.4.14. References to “Obligation” in the definitions of “Grace Period”, “Grace Period Business Day”, “Publicly Available Information”, “Credit Event”, “Obligation Acceleration”, “Obligation Default”, “Repudiation/Moratorium”, “Restructuring”, “Default Requirement”, “Governmental Authority”, “Obligation Currency”, “Payment Requirement” and 2014 Credit Linked Condition 9.3 shall be deemed to include a Recourse Obligation that relates to any Obligation that is a Sukuk Obligation (if any).
- 11.4.15. References to “interest” in the 2014 Credit Linked Conditions (insofar as they relate to interest on Obligations or Deliverable Obligations) shall be deemed to include distributions, profit or other similar amounts of an income nature or expected distributions, profit or other similar amounts of an income nature.
- 11.4.16. References to “Bond” in 2014 Credit Linked Condition 10.1.4, and the definitions of “Repudiation/Moratorium” and “Restructuring”, shall be deemed to include a Sukuk Obligation.
- 11.4.17. References to “trustee” in the definition of “Publicly Available Information” shall be deemed to include a delegate.
- 11.4.18. 2014 Credit Linked Condition 10.1.1 shall be amended such that the words “*or in the case of Sukuk Obligations only, as provider of a Recourse*”

*Guarantee*” shall be added immediately after the words “*Relevant Guarantee*” wherever they appear in such 2014 Credit Linked Condition.

11.4.19. 2014 Credit Linked Condition 10.1.4 shall be amended such that the words:

11.4.19.1. “*or (iii) enters into Replacement Recourse Obligations in relation to Replacement Sukuk Obligations that are exchanged for Sukuk Obligations*” shall be added after the words “*that are exchanged for Relevant Obligations*” at the end of the first sentence; and

11.4.19.2. “*or in the case of Sukuk Obligations only, a provider of a Recourse Obligation or Recourse Guarantee*” shall be added immediately after the words “*Relevant Guarantee*”.

For the purposes of the foregoing:

11.4.19.3. “**Replacement Sukuk Obligation**” means, in relation to an entity, any trust certificate or other instrument (a “**Replacement Sukuk Certificate**”) evidencing a beneficial or other ownership interest in assets, rights, benefits or entitlements and which may be issued by such entity or another entity (in either case, the “**Replacement Sukuk Issuer**”) where if such entity is not the Replacement Sukuk Issuer, the Replacement Sukuk Issuer (or any agent, delegate or trustee acting on its behalf) has recourse to such entity and/or to assets over which such entity has granted security in favour of the Replacement Sukuk Issuer (or any agent, delegate or trustee acting on its behalf) in order to fund payment obligations of the Replacement Sukuk Issuer under the Replacement Sukuk Certificates (whether such recourse is pursuant to (i) an obligation of such entity to purchase assets owned by the Replacement Sukuk Issuer or (ii) any other obligation of such entity, including as provider of any Replacement Recourse Guarantee (each such obligation, a “**Replacement Recourse Obligation**”)); and

11.4.19.4. “**Replacement Recourse Guarantee**” means an arrangement evidenced by a written instrument pursuant to

which an entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation for which another party is the obligor. Replacement Recourse Guarantees shall exclude any arrangement:

11.4.19.4.1. structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement; or

11.4.19.4.2. pursuant to the terms of which the payment obligations of the relevant 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).

11.4.20. The definition of “Relevant Obligations” in 2014 Credit Linked Condition 10.1.8 shall be amended such that the words “*or Recourse Obligations*” shall be added immediately after the words “*Obligation Category “Bond or Loan”*” wherever they appear in such definition.

11.4.21. 2014 Credit Linked Condition 10.1.6 shall be amended such that:

11.4.21.1. the words “*or in the case of Sukuk Obligations only, as a provider of a Recourse Guarantee*” shall be added immediately after the words “*as a provider of a Relevant Guarantee*”; and

11.4.21.2. the words “*or in the case of Sukuk Obligations only, a Recourse Guarantee*” shall be added immediately after the words “*was a Relevant Guarantee*”.

11.4.22. The definition of “*Substitute Reference Obligation*” in 2014 Credit Linked Condition 10.3 shall be amended such that all references to “*Non-Standard Reference Obligation*” shall be deemed to be references to “*Reference Obligation*”.

11.4.23. 2014 Credit Linked Condition 10.3.1.1 shall be amended such that the words “*2014 Credit Linked Conditions 10.3.1.3, 10.3.1.4 and 10.3.1.5*”

shall be deleted in their entirety and replaced with “*2014 Credit Linked Conditions 10.3.1.3 and 10.3.1.4*”.

11.4.24. 2014 Credit Linked Condition 10.3.1.2 above shall be amended such that the words “*and 2014 Credit Linked Condition 10.3.1.3.2 below*” shall be deleted in their entirety.

11.4.25. 2014 Credit Linked Condition 10.3.1.3 shall be deleted in its entirety and replaced with the following:

*“10.3.1.3 Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that on the Substitution Date:*

*10.3.1.3.1 ranks pari passu in priority of payment with the ranking in priority of payment of each of the Substitute Reference Obligation and such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the date on which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such date) or where such Substitute Reference Obligation is a Sukuk Obligation in respect of which the Sukuk Issuer is not the Reference Entity the related Recourse Obligation shall rank pari passu in priority of payment with the ranking in priority of payment of the Recourse Obligation relating to each of the Substitute Reference Obligation and the Reference Obligation (with the ranking in priority of payment of such Recourse Obligation being determined as of the date on which such Recourse Obligation was issued, incurred or entered into and not reflecting any change to such ranking in priority of payment after such date);*

*10.3.1.3.2 preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent, of the delivery and payment obligations of*

*the Issuer to the relevant Series of 2014 Credit Linked Notes 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 applicable in the related Pricing Supplement, as provider of a Qualifying Guarantee) or an obligation of an entity that provides for recourse by such entity to the relevant Reference Entity. The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations.”*

- 11.4.26. 2014 Credit Linked Condition 10.3.5 shall be deleted in its entirety, and 2014 Credit Linked Condition 10.3.1.5 shall be renumbered accordingly.
- 11.4.27. The definition of "Substitution Event" in 2014 Credit Linked Condition 10.4 shall be amended such that:
- 11.4.27.1. all references to *“the Non-Standard Reference Obligation”* shall be deemed to be references to *“a Reference Obligation”*; and
- 11.4.27.2. the words *“or, where the Sukuk Issuer is not the Reference Entity, a Sukuk Obligation in respect of which the Sukuk Issuer no longer has recourse to the Reference Entity”* shall be added immediately after the words *“(either directly or as provider of a guarantee)”* in 2014 Credit Linked Condition 10.4.1.3 above.
- 11.4.28. The reference to *“the Non-Standard Reference Obligation”* in the definition of *“Reference Obligation Resolution Request Date”* shall be deemed to be a reference to *“a Reference Obligation”*.
- 11.4.29. The definition of *“Deliverable Obligation”* in 2014 Credit Linked Condition 16.1 below shall be amended such that the words *“or in respect of an Obligation that is a Sukuk Obligation where the Reference Entity is a Sovereign and is not the Sukuk Issuer”* shall be added immediately after the words *“which is a Sovereign”* in 2014 Credit Linked Condition 16.1.3 below.

- 11.4.30. The definition of “*Sovereign Restructured Deliverable Obligation*” in 2014 Credit Linked Condition 16.12 below shall be amended such that the words “*or if the Reference Entity is a Sovereign and is not the Sukuk Issuer, an Obligation that is a Sukuk Obligation*” shall be added immediately after the words “*of a Sovereign*”.
- 11.4.31. The definition of “*Accrued Interest*” in 2014 Credit Linked Condition 15.1 below shall be amended such that the words “*or Due and Payable Amount, as applicable,*” shall be added immediately after the words “*Outstanding Principal Balance*” wherever they appear therein.
- 11.4.32. The definition of “*Not Subordinated*” in 2014 Credit Linked Condition 17.1.10 below shall be deleted in its entirety and replaced with the following:

“**Not Subordinated**” means an obligation that is not Subordinated to:

19.1.10.1 *the most senior Reference Obligation in priority of payment that is an obligation of the Reference Entity; or*

19.1.10.2 *if no Reference Obligation is an obligation of the Reference Entity but one or more Reference Obligations are Sukuk Obligations:*

19.1.10.2.1 *where such obligation is a Sukuk Obligation, the most senior Reference Obligation in priority of payment that is an obligation of the Sukuk Issuer; and*

19.1.10.2.2 *where such obligation is a Recourse Obligation, the most senior Recourse Obligation in priority of payment relating to a Reference Obligation; or*

19.1.10.3 *if no Reference Obligation is specified in the applicable Pricing Supplement, any unsubordinated Borrowed Money obligation of the Reference Entity or, if there are no such obligations:*

19.1.10.3.1 *where such obligation is a Sukuk Obligation any unsubordinated Borrowed Money obligation of the Sukuk Issuer; and*

19.1.10.3.2 *where such obligation is a Recourse Obligation, any unsubordinated Recourse Obligation of the Reference Entity; provided that, if any of the events set forth under 2014 Credit Linked Condition 10.3 has occurred with respect to all of the Reference Obligations or if 2014 Credit Linked Condition 10.1.4 is applicable with respect to 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 unless otherwise specified in the Pricing Supplement or if such Prior Reference Obligation is a Sukuk Obligation:*

19.1.10.3.2.1 *where such obligation is a Sukuk Obligation, the most senior such Prior Reference Obligation in priority of payment; and*

19.1.10.3.2.2 *where such obligation is a Recourse Obligation, the most senior Recourse Obligation in priority of payment relating to a Reference Obligation.*

*For 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, each Prior Reference Obligation or each Recourse Obligation, as applicable, shall be determined as of the date as of which the relevant Reference Obligation, Prior Reference Obligation or Recourse Obligation,*

*as applicable, was issued, incurred or entered into, and shall not reflect any change to such ranking in priority of payment after such date.”*

- 11.4.33. The definition of “Obligation Acceleration” in 2014 Credit Linked Condition 18.7 below shall be amended such that the words “*(aggregated for the Reference Entity and all related Sukuk Issuers but without double counting amounts in respect of the same Sukuk Obligation (whether such amounts are in respect of such Sukuk Obligation or related Recourse Obligation))*” shall be added immediately after the words “*aggregate amount*” therein.
- 11.4.34. The definition of “*Obligation Default*” in 2014 Credit Linked Condition 18.9 below shall be amended such that the words “*(aggregated for the Reference Entity and all related Sukuk Issuers but without double counting amounts in respect of the same Sukuk Obligation (whether such amounts are in respect of such Sukuk Obligation or related Recourse Obligation))*” shall be added immediately after the words “*aggregate amount*” in such definition.
- 11.4.35. The definition of “*Repudiation/Moratorium*” in 2014 Credit Linked Condition 18.11 below shall be amended such that the words “*(aggregated for the Reference Entity and all related Sukuk Issuers but without double counting amounts in respect of the same Sukuk Obligation (whether such amounts are in respect of such Sukuk Obligation or related Recourse Obligation))*” shall be added immediately after the words “*aggregate amount*” wherever such words appear therein.
- 11.4.36. The definition of “*Repudiation/Moratorium Extension Condition*” in 2014 Credit Linked Condition 18.11.4 below shall be amended such that the words “*of the relevant Reference Entity*” shall be deleted wherever such words appear after the word “*Obligation*” therein.
- 11.4.37. In the definition of Restructuring in 2014 Credit Linked Condition 18.12 below :
- 11.4.37.1. the words “*(aggregated for the Reference Entity and all related Sukuk Issuers but without double counting amounts in respect of the same Sukuk Obligation (whether such amounts are in respect of such Sukuk Obligation or related Recourse*

*Obligation*))” shall be added immediately after the words “*aggregate amount*”;

11.4.37.2. the words “*(which expression, in the case of a Recourse Obligation, means all holders of the Sukuk Certificates to which such Recourse Obligation is referable)*” shall be added after the words “*holders of such Obligation*” and “*holders of the Obligation*”;

11.4.37.3. references to “*principal*” in 2014 Credit Linked Conditions 18.12.1.2 and 18.12.1.3 shall be deemed to include distributions or expected distributions of any type (other than distributions or profit of an income nature); and

11.4.37.4. references to “*redemption*” in 2014 Credit Linked Condition 18.12.1.2 shall be deemed to include any date for the payment of such distributions or on any date of dissolution.

#### 11.5. Russian Federation as Reference Entity

Where the Reference Entity is the Russian Federation, any obligation that is an IAN, MinFin or PRIN, as determined by the Calculation Agent, shall be an Obligation or a Deliverable Obligation.

11.5.1. “**IAN**” means floating rate interest notes due 2002 and 2015 issued by Vnesheconombank of the USSR pursuant to the Restructuring Agreement and an Exchange Agreement, dated 6 October 1997, among Vnesheconombank of the USSR, the Closing Agent and Participating Creditors named therein.

11.5.2. “**MinFin**” (also known as “OVVZs” or “Taiga” bonds) means Internal Government Hard Currency Bonds issued by the Ministry of Finance of the Russian Federation representing (i) restructured debt of the former USSR (Series II, III, IV, V and VIII) or (ii) debt of the Russian Federation issued in 1996 (Series VI and VII).

11.5.3. “**PRIN**” means Vnesheconombank’s loans arising under a Restructuring Agreement and an Exchange Agreement, dated 6 October 1997, among Vnesheconombank of the USSR, the Closing Agent and Participating Creditors named therein.

## 11.6. Monoline Insurer as Reference Entity

Where “Monoline Provisions” is specified to be applicable with respect to any Reference Entity, the following amendments shall be made to the 2014 Credit Linked Conditions.

### 11.6.1. Additional Definitions

11.6.1.1. **“Qualifying Policy”** means a financial guarantee insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments (as defined below) of an instrument that constitutes Borrowed Money (modified as set forth below) (the **“Insured Instrument”**) for which another party (including a special purpose entity or trust) is the obligor (the **“Insured Obligor”**). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than the payment of Instrument Payments). The benefit of a Qualifying Policy must be capable of being Delivered together with the Delivery of the Insured Instrument.

11.6.1.2. **“Instrument Payments”** means:

11.6.1.2.1. in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest:

11.6.1.2.1.1. the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance; and

11.6.1.2.1.2. the ultimate distribution of the Certificate Balance on or prior to a specified date; and

11.6.1.2.2. in the case of any other Insured Instrument, the scheduled payments of principal and interest,

in each case determined without regard to limited recourse or reduction provisions of the type described in 2014 Credit Linked Condition 11.6.3.2 below and excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

11.6.1.3. **“Certificate Balance”** means, in the case of an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measure of unreimbursed principal investment.

11.6.2. The definitions of “Obligation” and “Deliverable Obligation” are amended by adding “*or Qualifying Policy*” after “*or as provider of a Relevant Guarantee*”.

11.6.3. In the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, the terms of the definition thereof will apply, with references to the “Relevant Guarantee”, the “Underlying Obligation” and the “Underlying Obligor” deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:

11.6.3.1. the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the Deliverable Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms “obligation” and “obligor” as used in these

2014 Credit Linked Conditions in respect of such an Insured Instrument shall be construed accordingly;

- 11.6.3.2. references in the definitions of Assignable Loan and Consent Required Loan to the guarantor and guaranteeing shall be deemed to include the insurer and insuring, respectively;
  - 11.6.3.3. neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable in the Applicable Pricing Supplement;
  - 11.6.3.4. if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified in the Applicable Pricing Supplement and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument;
  - 11.6.3.5. with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term “maturity”, as such term is used in the Maximum Maturity Deliverable Obligation Characteristic, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur; and
  - 11.6.3.6. with respect to a Qualifying Policy and an Insured Instrument, only the Qualifying Policy must satisfy on the relevant date or dates the “Not Subordinated” Obligation Characteristic or Deliverable Obligation Characteristic, if applicable.
- 11.6.4. **“Outstanding Principal Balance”**. References in the definition of “Outstanding Principal Balance” to a “Guarantee”, the “Underlying Obligation” and the “Underlying Obligor” shall be deemed to include a Qualifying Policy, the Insured Instrument and the Insured Obligor respectively. Any provisions of an Insured Instrument limiting recourse in respect of such Insured Instrument to the proceeds of specified assets

(including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument shall be disregarded for the purposes of the definition of “Outstanding Principal Balance”, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction.

11.6.5. **“Deliver”** with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognised custodian representing an interest in such an Insured Instrument and the related Qualifying Policy), and “Delivery” and “Delivered” will be construed accordingly.

11.6.6. **“Provisions for Determining a Successor”**. 2014 Credit Linked Conditions 10.1.1, 10.1.4 and 10.1.6 above are hereby amended by adding “*or provider of a Qualifying Policy*” after “as guarantor or guarantors”.

11.6.7. **“Original Non-Standard Reference Obligation”, “Substitute Reference Obligation” and “Substitution Event”**. The definitions of “Original Non-Standard Reference Obligation”, “Substitute Reference Obligation” and 2014 Credit Linked Condition 10.4 above are hereby amended by adding “*or Qualifying Policy*” after “guarantee”.

11.6.8. Restructuring

With respect to an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest or a Qualifying Policy with respect thereto, 2014 Credit Linked Condition 18.12 is hereby amended to read as follows:

11.6.8.1. a reduction in the rate or amount of the Instrument Payments described in 2014 Credit Linked Condition 11.5.1.2.1.1 above of the definition thereof that are guaranteed or insured by the Qualifying Policy (including by way of redenomination);

11.6.8.2. a reduction in the amount of the Instrument Payments described in 2014 Credit Linked Condition 11.5.1.2.1.2 above

of the definition thereof that are guaranteed or insured by the Qualifying Policy (including by way of redenomination);

- 11.6.8.3. a postponement or other deferral of a date or dates for either (i) the payment or accrual of the Instrument Payments described in 2014 Credit Linked Condition 11.5.1.2.1.1 above of the definition thereof or (ii) the payment of the Instrument Payments described in 2014 Credit Linked Condition 11.5.1.2.1.2 above of the definition thereof, in each case that are guaranteed or insured by the Qualifying Policy;
- 11.6.8.4. a change in the ranking in priority of payment of (i) any Obligation under a Qualifying Policy in respect of Instrument Payments, causing the Subordination of such Obligation to any other Obligation or (ii) any Instrument Payments, causing the Subordination of such Insured Instrument to any other instrument in the form of a pass-through certificate or similar funded beneficial interest issued by the Insured Obligor, it being understood that, for this purpose, Subordination will be deemed to include any such change that results in a lower ranking under a priority of payments provision applicable to the relevant Instrument Payments; or
- 11.6.8.5. any change in the currency of any payment of Instrument Payments that are guaranteed or insured by the Qualifying Policy to any currency other than the lawful currency of Canada, Japan, Switzerland, the United Kingdom, the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds and replaces the euro in whole).
- 11.6.9. 2014 Credit Linked Condition 18.12.1 below shall be amended by adding *“or, in the case of Qualifying Policy and an Insured Instrument, where (a) the Qualifying Policy continues to guarantee or insure, as applicable, that the same Instrument Payments will be made on the same dates on which the Qualifying Policy guaranteed or insured that such Instrument Payments would be made prior to such event and (b) such event is not a change in the ranking in the priority of payment of the Qualifying Policy”* at the end thereof.

- 11.6.10. For purposes of the definition of Restructuring, the term Obligation shall be deemed to include Insured Instruments for which the Reference Entity is acting as provider of a Qualifying Policy. In the case of a Qualifying Policy and an Insured Instrument, references to the Reference Entity in 2014 Credit Linked Condition 18.12.1 below shall be deemed to refer to the Insured Obligor and the reference to the Reference Entity in 2014 Credit Linked Condition 18.12.2 below shall continue to refer to the Reference Entity.
- 11.6.11. In the event that a Fully Transferable Obligation or Conditionally Transferable Obligation is a Qualifying Policy, the Insured Instrument must meet the requirements of the relevant definition and, if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument. References in the definition of Conditionally Transferable Obligation in 2014 Credit Linked Condition 11.2.2 above to the guarantor and guaranteeing shall be deemed to include the insurer and insuring, respectively. With respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term "Final Maturity Date", as such term is used in 2014 Credit Linked Condition 11.1 above and 2014 Credit Linked Condition 11.2 above and the definition of Restructuring Maturity Limitation Date, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.
- 11.6.12. For purposes of the definitions of "Prohibited Action", "Credit Event", "Deliver" and 2014 Credit Linked Condition 9.3 above, references to the Underlying Obligation and the Underlying Obligor shall be deemed to include Insured Instruments and the Insured Obligor, respectively. Any transfer or similar fee reasonably incurred by the Issuer in connection with the Delivery of a Qualifying Policy and payable to the Reference Entity shall be part of the Settlement Expenses.

## 12. **ADDITIONAL PROVISIONS FOR COCO CLN**

- 12.1. "CoCo CLN" means a 2014 Credit Linked Note where the timing and/or amount of payments of interest and/or principal is determined with reference to an Obligation which contains a CoCo Provision.

- 12.2. **“CoCo Provision”** means, with respect to an Obligation, a provision which requires:
- 12.2.1. a permanent or temporary reduction of the amount of principal payable at redemption; or
  - 12.2.2. a conversion of principal into shares or another instrument, in each case, at or below the Trigger Percentage of the Capital Ratio.
- 12.3. A CoCo Provision shall be deemed to be a provision which permits a Governmental Intervention for all purposes under these 2014 Credit Linked Conditions.
- 12.4. If the operation of a CoCo Provision results in:
- 12.4.1. a permanent or temporary reduction of the amount of principal payable at redemption; or
  - 12.4.2. a conversion of principal into shares or another instrument,
- such event shall be deemed to constitute a Governmental Intervention.
- 12.5. **“Trigger Percentage”** means the trigger percentage specified in the related Pricing Supplement (or if no such trigger percentage is specified, 7% (seven percent)).
- 12.6. **“Capital Ratio”** means the ratio of capital to risk weighted assets applicable to the Obligation, as described in the terms thereof in effect from time to time.

### 13. **REPRESENTATIONS**

- 13.1. By its holding of a 2014 Credit Linked Note, each Noteholder is deemed to acknowledge and agree that:
- 13.1.1. none of the Issuer, the Dealers or any of their Affiliates has made any representation whatsoever with respect to any Reference Entity, any Reference Obligation, any Obligation, any Deliverable Obligation, any Underlying Obligor or any Underlying Obligation on which it is relying or is entitled to rely;
  - 13.1.2. the Issuer will be entitled to perform its obligations under the 2014 Credit Linked Notes in accordance with the relevant CLN Settlement Method applicable to such 2014 Credit Linked Notes, irrespective of the existence or amount of the Issuer’s credit exposure to a Reference Entity, and the Issuer need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event;

- 13.1.3. the 2014 Credit Linked Notes do not create any rights or impose any obligations in respect of any entity that is not the Issuer;
  - 13.1.4. the Issuer, the Calculation Agent and each of their Affiliates may deal in each Reference Obligation, Obligation, each Deliverable Obligation and each Underlying Obligation and may, where permitted, accept deposits from or make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, a Reference Entity, any Affiliate of a Reference Entity, any Underlying Obligor or any other person or entity having obligations relating to a Reference Entity, any Underlying Obligor or any Affiliate of a Reference Entity or of any Underlying Obligor, and may act (but is not obliged to act) with respect to such business in the same manner as each of them would if the 2014 Credit Linked Notes did not exist, regardless of whether any such action might have an adverse effect on a Reference Entity, any Underlying Obligor or any Affiliate of a Reference Entity or of any Underlying Obligor or the position of the Noteholders or otherwise (including, without limitation, any action which might constitute or give rise to a Credit Event); and
  - 13.1.5. the Issuer, the Calculation Agent and each of their Affiliates may, whether by virtue of the types of relationships described herein or otherwise, on the Issue Date or at any time thereafter, be in possession of information in relation to a Reference Entity, any Underlying Obligor or any Affiliate of a Reference Entity or of any Underlying Obligor that is or may be material in the context of such 2014 Credit Linked Notes and that may or may not be publicly available or known to the Noteholders, and the 2014 Credit Linked Notes do not create any obligation on the part of such entity to disclose to the Noteholders any such relationship or information (whether or not confidential).
- 13.2. With respect to the Credit Derivatives Determinations Committees, each Noteholder is deemed to agree:
- 13.2.1. 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 DC Rules and/or any Credit Derivatives Auction Settlement Terms, as applicable, shall be liable, whether for negligence or otherwise, to the Issuer or any 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 DC 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 DC Rules and/or any Credit Derivatives Auction Settlement Terms, as applicable, may be still be liable to such DC Party;

13.2.2. to waive any claim, whether for negligence or otherwise, that may arise against a DC Party and any legal counsel or other third-party professional hired by such DC Party in connection with such DC Party's performance of its duties under the DC Rules, 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 DC Rules and/or any Credit Derivatives Auction Settlement Terms, as applicable, may be still be liable to such DC Party;

13.2.3. unless otherwise specified in the Applicable Pricing Supplement, any DC Resolution of the relevant Credit Derivatives Determinations Committee that is applicable to the 2014 Credit Linked Notes, including a DC Resolution that reverses a previous DC Resolution, as determined by the Calculation Agent shall be binding on it:

13.2.3.1. provided that:

13.2.3.1.1. if the effect of such DC Resolution would reverse (i) a prior DC Resolution of the relevant Credit Derivatives Determinations Committee, (ii) any determination by the Calculation Agent that is effectively notified to the Issuer, Payment Agent and the Noteholders in respect of the relevant Series prior to the 5<sup>th</sup> (fifth) Business Day which

immediately precedes the Successor Resolution Request Date, as applicable, or (iii) the occurrence of an Event Determination Date that, in any case, has resulted in:

- 13.2.3.1.1.1. the identification of one or more Successors;
- 13.2.3.1.1.2. the identification of one or more Substitute Reference Obligations; or
- 13.2.3.1.1.3. the occurrence of an Auction Final Price Determination Date, Physical Settlement Date or Redemption Date, as applicable, or to the extent that a Valuation Date or Delivery Date, as applicable, has occurred, in each case, on or prior to the date that the DC Secretary publicly announces such DC Resolution of the relevant Credit Derivatives Determinations Committee;

then such DC Resolution shall not be effective for purposes of the Series, or in the case of a Valuation Date or Delivery Date only, shall not be effective to the extent that a Valuation Date or Delivery Date has occurred; and

13.2.3.2. notwithstanding:

- 13.2.3.2.1. these 2014 Credit Linked Conditions may require such determination to be made by the Calculation Agent; or

13.2.3.2.2. in order to reach such DC Resolution, the relevant Credit Derivatives Determinations Committee may be required to Resolve one or more factual matters before being able to reach such DC Resolution; and

13.2.3.2.3. any actual or perceived conflict of interest on the part of a DC Party, legal counsel or other third-party professional hired by such DC Party in connection with such DC Party's performance of its duties under the DC Rules; and

13.2.4. no DC Party is:

13.2.4.1. under any obligation to research, investigate, supplement, or verify the veracity of, any information on which the relevant Credit Derivatives Determinations Committee bases its decision; and

13.2.4.2. acting as a fiduciary for, or as an adviser to, any Noteholder in connection with the relevant Notes; and

13.2.5. in reaching such DC Resolution, the relevant Credit Derivatives Determinations Committee shall be under no requirement to consult with, or individually notify, any Noteholder, notwithstanding any provision of these 2014 Credit Linked Conditions to the contrary.

13.3. Each Noteholder shall be deemed to acknowledge the disclaimers set out in Section 5.1(B) of the DC Rules on the Issue Date. A copy of the DC Rules is available at [www.isda.org/credit](http://www.isda.org/credit). The disclaimers are incorporated by reference into this Applicable Product Supplement.

#### 14. **ADDITIONAL DISRUPTION EVENTS**

14.1. In addition to each Additional Disruption Event applicable to a Series as set out in the Conditions, Increased Cost of Hedging Due to Market-Wide Change in Standard CDS

Documentation shall be an Additional Disruption Event with respect to each Series of 2014 Credit Linked Notes, where:

**“Increased Cost of Hedging Due to Market-Wide Change in Standard CDS Documentation”** means that if the Calculation Agent determines that, as of the relevant time on the relevant date, the majority of the first eight “Eligible Global Dealers” on the “Global Dealer Trading Volume List” as determined for the most recent “List Review Date” (in each case, as defined in the DC Rules) as at the relevant time sign up to a credit default swap industry-wide protocol or similar agreement to document credit default swaps by way of documentation differing from the prevailing market standard credit default swap documentation existing as of the Trade Date in respect of a Series of 2014 Credit Linked Notes, as determined by the Calculation,] the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) and/or materially increased (as compared with circumstances existing on the Trade Date) costs related to that Series of 2014 Credit Linked Notes, including without limitation internal charges of the Issuer and/or any of its Affiliates in terms of potentially increasing its risk asset weighting and/or worsening any other leverage ratio treatment or any other such capital measure to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the price risk of issuing and performing its obligations with respect to the relevant Series of 2014 Credit Linked Notes, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

14.2. For the avoidance of doubt, if an Additional Disruption Event occurs at any time prior to the redemption of the Notes (including after the occurrence of a Relevant Event Determination Date), the Notes may be redeemed at the Early Redemption Amount pursuant to Condition 4.4 above instead of at the Credit Event Redemption Amount pursuant to 2014 Credit Linked Condition 5 above.

## 15. **DEFINITIONS AND INTERPRETATIONS APPLICABLE TO 2014 CREDIT LINKED NOTES**

15.1. **“Accrued Interest”** means with respect to a Series for which:

15.1.1. “Physical Settlement” is specified to be the CLN Settlement Method (or for which Physical Settlement is applicable as the Fallback Settlement Method in accordance with the terms relating to Auction Settlement), the Outstanding Principal Balance of the Deliverable Obligations being Delivered will exclude accrued but unpaid interest, unless “Include Accrued Interest” is specified as applicable in the Applicable Pricing

Supplement, in which case, the Outstanding Principal Balance of the Deliverable Obligations being Delivered will include accrued but unpaid interest (as the Calculation Agent shall determine);

15.1.2. “Cash Settlement” is specified to be the Settlement Method in the Applicable Pricing Supplement (or if Cash Settlement is applicable as the Fallback Settlement Method in accordance with the terms relating to Auction Settlement), and:

15.1.2.1. “Include Accrued Interest” is specified as applicable in the Applicable Pricing Supplement, the Outstanding Principal Balance of the Reference Obligation shall include accrued but unpaid interest;

15.1.2.2. “Exclude Accrued Interest” is specified as applicable in the Applicable Pricing Supplement, the Outstanding Principal Balance of the Reference Obligation shall not include accrued but unpaid interest; or

15.1.2.3. neither “Include Accrued Interest” nor “Exclude Accrued Interest” is specified as applicable in the Applicable Pricing Supplement, the Calculation Agent shall determine, based on the then current market practice in the market of the Reference Obligation whether the Outstanding Principal Balance of the Reference Obligation shall include or exclude accrued but unpaid interest and, if applicable, the amount thereof; or

15.1.3. 2014 Credit Linked Condition 6.9 above is applicable, the Calculation Agent shall determine, after consultation with the Issuer, based on the then current market practice in the market of the relevant Undeliverable Obligation, Undeliverable Loan Obligation, Undeliverable Participation or Unassignable Obligation, whether such Quotations shall include or exclude accrued but unpaid interest.

15.2. “**Additional Business Centre**” means New York and any other city specified in the Applicable Pricing Supplement.

- 15.3. **“Calculation Agent City”** means the city specified as such in the Applicable Pricing Supplement or, if a city is not so specified:
- 15.3.1. in respect of a Reference Entity the Transaction Type of which is North American Corporate, Standard North American Corporate, Latin America Corporate B, Standard Latin America Corporate B, Latin American Corporate BL, Standard Latin American Corporate BL, Latin America Sovereign or Standard Latin America Sovereign, New York;
  - 15.3.2. in respect of a Reference Entity the Transaction Type of which is Australia Corporate, New Zealand Corporate, Singapore Corporate, Asia Corporate, Asia Sovereign, Australia Sovereign, New Zealand Sovereign, Singapore Sovereign, Standard Australian Financial Corporate, Standard New Zealand Financial Corporate, Standard Singapore Financial Corporate, Standard Asia Financial Corporate, Standard Asia Sovereign, Standard Australia Sovereign, Standard New Zealand Sovereign or Standard Singapore Sovereign, Singapore;
  - 15.3.3. in respect of a Reference Entity the Transaction Type of which is Japan Corporate or Japan Sovereign, Standard Japan Financial Corporate or Standard Japan Sovereign, Tokyo; or
  - 15.3.4. in respect of any other Reference Entity, London,
- 15.4. **“Calculation Agent City Business Day”** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the Calculation Agent City.
- 15.5. **“Cash Settled CLNs”** means either:
- 15.5.1. Notes in respect of which the CLN Settlement Method is specified as “Cash Settlement” or “Auction Settlement” in the Applicable Pricing Supplement; or
  - 15.5.2. Notes in respect of which the Issuer CLN Settlement Option has been designated as applicable and in respect of which the CLN Settlement Method has been selected by the Issuer upon the occurrence of an Event Determination Date to be Cash Settlement.

- 15.6. **“Credit Derivatives Determinations Committee”** means each committee established pursuant to the DC Rules for purposes of reaching certain DC Resolutions in connection with Credit Derivative Transactions.
- 15.7. **“Credit Derivative Transaction”** means any swap transaction that incorporates the 2014 Credit Derivatives Definitions.
- 15.8. **“Credit Event Backstop Date”** means:
- 15.8.1. for purposes of any event that constitutes a Credit Event (or with respect to Repudiation/Moratorium, the event described in 2014 Credit Linked Condition 18.11.1.2 below) as determined by DC Resolution, the date that is sixty calendar days prior to the Credit Event Resolution Request Date; or
  - 15.8.2. otherwise, the date that is sixty calendar days prior to the earlier of:
    - 15.8.2.1. the Notice Delivery Date, if the Notice Delivery Date occurs during the Notice Delivery Period; and
    - 15.8.2.2. the Credit Event Resolution Request Date, if the Notice Delivery Date occurs during the Post Dismissal Additional Period.
- The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.
- 15.9. **“Credit Event Notice”** means an irrevocable notice from the Issuer (which may be in writing (including by facsimile and/or email) and/or by telephone) to the Paying Agent that describes a Credit Event that occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date. A Credit Event Notice must 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.
- 15.10. **“Credit Event Redemption Amount”** means, unless otherwise specified in the Applicable Pricing Supplement, in respect of each Note an amount equal to the CLN Cash Settlement Amount *minus* such Note’s *pro rata* share of the Settlement Expenses and Swap Costs, subject to a minimum of zero.
- 15.11. **“Credit Event Resolution Request Date”** means, with respect to a DC Credit Event Question, the date as publicly announced by the DC Secretary that the relevant Credit

Derivatives Determinations Committee Resolves to be the date on which the DC Credit Event Question was effective and on which the relevant Credit Derivatives Determinations Committee was in possession of Publicly Available Information with respect to such DC Credit Event Question.

- 15.12. **“DC Announcement Coverage Cut-off Date”** means, with respect to a DC Credit Event Announcement, the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is fourteen calendar days following the No Auction Announcement Date, if any, as applicable.
- 15.13. **“DC Credit Event Announcement”** means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event for purposes of the relevant Series has occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date, provided that if the Credit Event occurred after the Maturity Date, the DC Credit Event Announcement must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.
- 15.14. **“DC Credit Event Meeting Announcement”** means, with respect to the Reference Entity, a public announcement by the DC Secretary that a Credit Derivatives Determinations Committee will be convened to Resolve the matters described in a DC Credit Event Question.
- 15.15. **“DC Credit Event Question Dismissal”** means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in a DC Credit Event Question.
- 15.16. **“DC Credit Event Question”** means a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve whether an event that constitutes a Credit Event for purposes of the relevant Series has occurred.
- 15.17. **“DC No Credit Event Announcement”** means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that is the subject of a DC Credit Event Question does not constitute a Credit Event.
- 15.18. **“DC Party”** has the meaning given to that term in the DC Rules.

- 15.19. “**DC Resolution**” means a resolution made by a relevant Credit Derivatives Determinations Committee or, if the context requires, has the meaning given to that term in the DC Rules.
- 15.20. “**DC Rules**” means the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at [www.isda.org](http://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.
- 15.21. “**DC Secretary**” has the meaning given to that term in the DC Rules.
- 15.22. “**Event Determination Date**” means:
- 15.22.1. The first date on which both the Credit Event Notice and, if “Notice of Publicly Available Information” is specified as applicable in the Applicable Pricing Supplement, the Notice of Publicly Available Information are delivered by the Issuer and are effective during either:
- 15.22.1.1. the Notice Delivery Period; or
- 15.22.1.2. the Post Dismissal Additional Period,
- provided however that:
- 15.22.1.3. the Issuer shall not deliver a Credit Event Notice if, prior to the date of delivery, a DC No Credit Event Announcement has occurred; and
- 15.22.1.4. if a DC Credit Event Announcement occurs, the Issuer may elect (by notice included in the Credit Event Notice) that the Event Determination Date be the later of the Issue Date and the Credit Event Resolution Request Date.
- 15.22.2. 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, prior to the Auction Final Price Determination Date, a CLN Valuation Date, the Physical Settlement Date (or, if earlier, a Delivery Date), or the Maturity Date or Deferred Redemption Date, as applicable, a DC No Credit Event Announcement Date occurs with respect to the relevant Reference Entity or Obligation thereof.

- 15.22.3. If, in accordance with the provisions above:
- 15.22.3.1. following the determination of an Event Determination Date such Event Determination Date is deemed:
- 15.22.3.1.1. to have occurred on a date that is different from the date that was originally determined to be the Event Determination Date; or
- 15.22.3.1.2. not to have occurred; or
- 15.22.3.2. an Event Determination Date is deemed to have occurred prior to a preceding Interest Payment Date,
- the Calculation Agent will determine:
- 15.22.3.3. the adjustment payment, if any, that is payable to reflect any change that may be necessary to the amounts previously calculated and/or paid in respect of the 2014 Credit Linked Notes; and
- 15.22.3.4. the date in which such adjustment payment is payable, if any. For the avoidance of doubt, no accruals of interest shall be taken into account when calculating any such adjustment payment.
- 15.23. “**Extension Date**” means the latest of:
- 15.23.1. the Maturity Date;
- 15.23.2. the Grace Period Extension Date if:
- 15.23.2.1. “Failure to Pay” and “Grace Period Extension” are specified as applicable in the Applicable Pricing Supplement; and
- 15.23.2.2. the Potential Failure to Pay with respect to the relevant Failure to Pay occurs on or prior to the Maturity Date; and
- 15.23.3. the Repudiation/Moratorium Evaluation Date (if any) if “Repudiation/Moratorium” is specified as applicable in the Applicable Pricing Supplement, as applicable.
- 15.24. “**Final List**” has the meaning given to that term in the DC Rules.

15.25. **“Grace Period”** means:

- 15.25.1. subject to 2014 Credit Linked Condition 15.25.2 and 2014 Credit Linked Condition 15.25.3 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;
- 15.25.2. if **“Grace Period Extension”** is specified as applicable in the Applicable Pricing Supplement, a Potential Failure to Pay has occurred on or prior to the Maturity Date and the applicable grace period cannot, by its terms, expire on or prior to the Maturity Date, the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the Applicable Pricing Supplement or, if no period is specified, thirty calendar days; and
- 15.25.3. 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 Pricing Supplement, such deemed Grace Period shall expire no later than the Maturity Date.

15.26. **“Grace Period Extension Date”**

- 15.26.1. Grace Period Extension Date means, if:
  - 15.26.1.1. **“Grace Period Extension”** is specified as applicable in the Applicable Pricing Supplement; and
  - 15.26.1.2. a Potential Failure to Pay occurs on or prior to the Maturity Date,  
the date that is the number of days in the Grace Period after the date of such Potential Failure to Pay.
- 15.26.2. If Grace Period Extension is not specified as applicable in the Applicable Pricing Supplement, Grace Period Extension shall not apply.

15.27. **“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:

- 15.27.1. if the Obligation Currency is the euro, a TARGET Business Day; or
  - 15.27.2. otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the Obligation Currency.
- 15.28. **“Interest Expiration Date”** means the earlier to occur of:
- 15.28.1. the day prior to:
    - 15.28.1.1. the Maturity Date; and
    - 15.28.1.2. if “Accrued Interest” is specified as not applicable in the Applicable Pricing Supplement, the Interest Payment Date (or Issue Date where no Interest Payment Date has occurred) occurring on or immediately preceding the Relevant Event Determination Date; or
  - 15.28.2. the Relevant Event Determination Date.
- 15.29. **“M(M)R Restructuring”** means a Restructuring Credit Event in respect of which either “Mod R” or “Mod Mod R” is specified as applicable in the Applicable Pricing Supplement.
- 15.30. **“Notice Delivery Date”** means the first date on which both an effective Credit Event Notice and, unless “Notice of Publicly Available Information” is specified as not applicable in the Applicable Pricing Supplement, an effective Notice of Publicly Available Information, have been delivered by the Issuer.
- 15.31. **“Notice Delivery Period”** means the period from and including the Issue Date to and including a day that is 3 (three) Business Days following the date that is fourteen calendar days after the Extension Date.
- 15.32. **“Notice of Publicly Available Information”** means an irrevocable notice from the Issuer delivering the relevant Credit Event Notice or Repudiation/Moratorium Extension Notice that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. The notice given must contain a copy, or a description in reasonable detail, of the relevant Publicly Available

Information. If Notice of Publicly Available Information is applicable to a Series and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information.

- 15.33. **“Nth Event Determination Date”** means, in respect of the Reference Portfolio, the Event Determination Date that is the Nth to occur in respect of such Reference Portfolio following the Issue Date where “N” is the number specified as such in the Applicable Pricing Supplement.
- 15.34. **“Permitted Contingency”** means, with respect to an obligation, any reduction to the Reference Entity's payment obligations:
- 15.34.1. as a result of the application of:
    - 15.34.1.1. any provisions allowing a transfer, pursuant to which another party may assume all of the payment obligations of the Reference Entity;
    - 15.34.1.2. provisions implementing the Subordination of the obligation;
    - 15.34.1.3. provisions allowing for a Permitted Transfer in the case of a Qualifying Guarantee (or provisions allowing for the release of the Reference Entity from its payment obligations in the case of any other Guarantee);
    - 15.34.1.4. any Solvency Capital Provisions, if “Subordinated European Insurance Terms” is specified as applicable in the Applicable Pricing Supplement; or
    - 15.34.1.5. provisions which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, if “Financial Reference Entity Terms” is specified as applicable in the Applicable Pricing Supplement; or
  - 15.34.2. which is within the control of the holders of the obligation or a third party acting on their behalf (such as an agent or trustee) in exercising their rights under or in respect of such obligation.

- 15.35. **“Physically Delivered CLNs”** means either:
- 15.35.1. Notes in respect of which the CLN Settlement Method is specified as “Physical Settlement” and in respect of which settlement occurs by way of Delivery of the Deliverable Obligations Portfolio; or
  - 15.35.2. Notes in respect of which the Issuer CLN Settlement Option has been designated as applicable and in respect of which the CLN Settlement Method has been selected by the Issuer upon the occurrence of an Event Determination Date to be Physical Settlement.
- 15.36. **“Post Dismissal Additional Period”** means the period from and including the date of the DC Credit Event Question Dismissal to and including the date that is 14 (fourteen) 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 Issue Date)).
- 15.37. **“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 in accordance with the terms of such Obligations at the time of such failure, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations.
- 15.38. **“Prohibited Action”** means any counterclaim, defense (other than a counterclaim or defense based on the factors set forth in 2014 Credit Linked Condition 18.2.1 to 2014 Credit Linked Condition 18.2.4 below) or right of setoff by or of the Reference Entity or any applicable Underlying Obligor.
- 15.39. **“Public Source”** means each source of Publicly Available Information specified as such in the Applicable Pricing Supplement (or, if no such source is specified, each of *Bloomberg Reuters*, *Dow Jones Newswires*, *The Wall Street Journal*, *The New York Times*, *Nihon Keizai Shimbun*, *Asahi Shimbun*, *Yomiuri Shimbun*, *Financial Times*, *La Tribune*, *Les Echos*, *The Australian Financial Review*, *Debtwire*, (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

15.40. **"Publicly Available Information"**

15.40.1. 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 Repudiation/Moratorium Extension Notice has occurred and which:

15.40.1.1. has been published in or on not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information;

15.40.1.2. is information received from or published by:

15.40.1.2.1. a Reference Entity (or for a Reference Entity which is a Sovereign, any agency, instrumentality, ministry, department or other authority thereof acting in a governmental capacity (including, without limiting the foregoing, the central bank) of such Sovereign; or; or

15.40.1.2.2. a trustee, fiscal agent, administrative agent, clearing agent, Paying Agent, facility agent or agent bank for an Obligation; or

15.40.1.3. 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, regulatory or judicial body,

provided that where any information of the type described in 2014 Credit Linked Condition 15.40.1.2 or 15.40.1.3 above is not publicly available, it can only constitute Publicly Available Information if it can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

15.40.2. In relation to any information of any type described in 2014 Credit Linked Condition 15.40.1.2 or 15.40.1.3 above, the Paying Agent 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 party disclosing such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the person receiving such information.

15.40.3. Publicly Available Information need not state:

15.40.3.1. in relation to the definition of “Downstream Affiliate”, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity; and

15.40.3.2. that the relevant 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.

15.40.4. In relation to a Repudiation/Moratorium Credit Event, Publicly Available Information must relate to the events described in the definition of “Repudiation/Moratorium”.

15.41. “**Relevant City Business Day**” means has the meaning given to it in the DC Rules.

15.42. “**Relevant Credit Event**” means:

15.42.1. in the case of a Single-Name CLN, the Credit Event in relation to the first Event Determination Date to occur with respect to the Reference Entity;

15.42.2. in the case of an Nth-to-Default CLN, the Credit Event in relation to the Nth Event Determination Date to occur with respect to the Reference Portfolio; and

15.42.3. in the case of any other Notes, as specified in the Applicable Pricing Supplement.

15.43. “**Relevant Event Determination Date**” means the Event Determination Date occurring with respect to a Relevant Credit Event.

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

- 15.45. “**Specified Number**” means, unless otherwise specified in the Applicable Pricing Supplement, 2 (two).
- 15.46. “**Settlement Expenses**” means, in respect of any Note or Notes, any costs, fees and expenses or other amounts (other than in relation to Taxes) payable by a Noteholder on or in respect of or in connection with the redemption, exercise or settlement of such Note or Notes as determined by the Calculation Agent in its sole and absolute discretion;
- 15.47. “**Swap Costs**” means an amount determined by the Calculation Agent equal to any loss or costs incurred (or expected to be incurred) by or on behalf of the Issuer as a result of its terminating, liquidating, obtaining or re-establishing any hedge, term deposits, related trading position or funding arrangements entered into by it (including with its internal treasury function) in connection with the Notes.
- 15.48. “**Trade Date**” has the meaning set out in the Applicable Pricing Supplement.
- 15.49. “**Transaction Type**” means the transaction type specified in the Applicable Pricing Supplement.

**15.50. Timing**

- 15.50.1. *Time Zones.* In order to determine the day on which an event occurs for purposes of these 2014 Credit Linked Conditions, the demarcation of days shall be made by reference to Greenwich Mean Time (or, if the Transaction Type of the Reference Entity relates to Japan, Tokyo time), irrespective of the time zone in which such event occurred. Any event occurring at midnight shall be deemed to have occurred immediately prior to midnight.
- 15.50.2. *Payment Timing.* Notwithstanding the definition of Credit Event Notice and 2014 Credit Linked Condition 15.50.1 above, if a payment is not made by the Reference Entity on its due date or, as the case may be, on the final day of the relevant Grace Period, then such failure to make a payment shall be deemed to have occurred on such day prior to midnight Greenwich Mean Time (or, if the Transaction Type of the Reference Entity

relates to Japan, Tokyo time), irrespective of the time zone of its place of payment.

15.50.3. Settlement Suspension and Effect of DC Resolutions

15.50.3.1. If, following the determination of an Event Determination Date in *accordance* with the definition thereof but prior to the Physical Settlement Date or, to the extent applicable, a CLN Valuation Date, there is a DC Credit Event Meeting Announcement, all timing requirements in these 2014 Credit Linked Conditions that pertain to settlement shall toll and remain suspended until the date of the relevant DC Credit Event Announcement or DC Credit Event Question Dismissal. During such suspension period, the Issuer is not obliged to take any action in connection with the settlement of such Credit Event or the redemption, if any, of the 2014 Credit Linked Notes. Once the relevant DC Credit Event Announcement or DC Credit Event Question Dismissal, as applicable, has occurred, the relevant timing requirements that pertain to settlement that have previously tolled or been suspended shall resume on the Business Day following such public announcement by the DC Secretary, with the Issuer having the benefit of the full day notwithstanding when the tolling or suspension began.

15.50.3.2. Any DC Resolution of the relevant Credit Derivatives Determinations Committee that is applicable to a Series, including a DC Resolution that reverses a previous DC Resolution, shall be binding on the Issuer and Noteholders of such Series:

15.50.3.2.1. provided that:

15.50.3.2.1.1. if the effect of a DC Resolution would be to reverse (i) a prior DC Resolution of the relevant Credit Derivatives Determinations Committee, (ii) any determination made

by the Calculation Agent that is effectively notified to the Issuer prior to the fifth Business Day which immediately precedes the Successor Resolution Request Date or a Substitute Reference Obligation Resolution Request Date, as applicable, or (iii) the occurrence of an Event Determination Date, that, in any case, has resulted in:

- 15.50.3.2.1.2. the identification of one or more Successors;
- 15.50.3.2.1.3. the identification of a Substitute Reference Obligation; or
- 15.50.3.2.1.4. the occurrence of an Auction Final Price Determination Date, Physical Settlement Date or Redemption Date, as applicable, or to the extent of the occurrence of a CLN Valuation Date or Delivery Date, as applicable, in each case, on or prior to the date that the DC Secretary publicly announces such DC Resolution of the relevant Credit Derivatives Determinations Committee,

then such DC Resolution shall not be effective for purposes of any Series, or, in the case of a CLN Valuation Date or Delivery Date only, shall not be effective to the extent

that a CLN Valuation Date or Delivery Date has occurred; and

15.50.3.2.2. if the terms of such Series seek to amend or override the agreement contained in this 2014 Credit Linked Condition by expressly referring in writing to this 2014 Credit Linked Condition and which would otherwise be effective in accordance with the terms of such Series, then any DC Resolution shall not be effective for purposes of such Series; and

15.50.3.3. notwithstanding:

15.50.3.3.1. that the 2014 Credit Linked Conditions, as supplemented, or any provisions incorporated in the Applicable Pricing Supplement, may require such determination to be made by the Calculation Agent;

15.50.3.3.2. that in order to reach such DC Resolution, the relevant Credit Derivatives Determinations Committee may be required to Resolve one or more factual matters before being able to reach such DC Resolution; and

15.50.3.3.3. any actual or perceived conflict of interest on the part of a DC Party, legal counsel or other third-party professional hired by such DC Party in connection with such DC Party's performance of its duties under the DC Rules.

16. **REFERENCE ENTITIES AND OBLIGATIONS**

16.1. **"Deliverable Obligation"** means, subject to 2014 Credit Linked Condition 11:

- 16.1.1. any obligation of a Reference Entity (either directly or as provider of a Relevant Guarantee) determined pursuant to the method described in these 2014 Credit Linked Conditions;
- 16.1.2. the Standard Reference Obligation or the Non-Standard Reference Obligation, as applicable;
- 16.1.3. solely in relation to a Restructuring Credit Event applicable to a Reference Entity which is a Sovereign, and unless Asset Package Delivery is applicable, any Sovereign Restructured Deliverable Obligation;
- 16.1.4. if Asset Package Delivery is applicable, any Prior Deliverable Obligation (if "Financial Reference Entity Terms" is specified as applicable in the Applicable Pricing Supplement) or any Package Observable Bond (if the Reference Entity is a Sovereign), or any Asset Package in lieu of such Prior Deliverable Obligation or Package Observable Bond; and
- 16.1.5. any other obligation of a Reference Entity specified as such in the Applicable Pricing Supplement,

in each case:

- 16.1.6. unless it is an Excluded Deliverable Obligation; and
- 16.1.7. provided that the obligation has an Outstanding Principal Balance or Due and Payable Amount that is greater than zero (determined for purposes of 2014 Credit Linked Condition 16.1.4 above, immediately prior to the relevant Asset Package Credit Event).

16.2. **"Excluded Deliverable Obligation"** means:

- 16.2.1. any obligation of a Reference Entity specified as such or of a type specified in the Applicable Pricing Supplement;
- 16.2.2. any principal only component of a Bond from which some or all of the interest components have been stripped; and
- 16.2.3. if Asset Package Delivery is applicable, any obligation issued or incurred on or after the date of the relevant Asset Package Credit Event.

- 16.3. **“Excluded Obligation”** means:
- 16.3.1. any obligation of the Reference Entity specified as such or of a type described in the Applicable Pricing Supplement;
  - 16.3.2. if “Financial Reference Entity Terms” and “Senior Security” are specified as applicable in the Applicable Pricing Supplement, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Subordinated Obligation; and
  - 16.3.3. if “Financial Reference Entity Terms” and “Subordinated Security” are specified as applicable in the Applicable Pricing Supplement, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Further Subordinated Obligation.
- 16.4. **“Obligation”** means:
- 16.4.1. any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) determined pursuant to the method described in “Method for determining Obligations” in 2014 Credit Linked Condition 17.1 below;
  - 16.4.2. the Reference Obligation,
- in each case, unless it is an Excluded Obligation.
- 16.5. The **“Outstanding Principal Balance”** of an obligation will be calculated as follows:
- 16.5.1. first, by determining, in respect of the obligation, the amount of the Reference Entity's principal payment obligations and, where applicable in accordance with the definition of Accrued Interest, the Reference Entity's accrued but unpaid interest payment obligations (which, in the case of a Guarantee will be the lower of (i) the Outstanding Principal Balance (including accrued but unpaid interest, where applicable) of the Underlying Obligation (determined as if references to the Reference Entity were references to the Underlying Obligor) and (ii) the amount of the Fixed Cap, if any);
  - 16.5.2. second, by subtracting all or any portion of such amount which, pursuant to the terms of the obligation, (i) is subject to any Prohibited Action, or (ii) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by

way of (a) payment or (b) a Permitted Contingency) (the amount determined pursuant to 2014 Credit Linked Condition 16.5.1 above less any amounts subtracted in accordance with accordance with this 2014 Credit Linked Condition 16.5.2, the “Non-Contingent Amount”); and

- 16.5.3. third, by determining the Quantum of the Claim, which shall then constitute the Outstanding Principal Balance,

in each case, determined:

- 16.5.4. unless otherwise specified, in accordance with the terms of the obligation in effect on either (i) the NOPS Effective Date (or if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date), or (ii) the Valuation Date, as applicable; and

- 16.5.5. with respect to the Quantum of the Claim only, in accordance with any applicable laws (insofar as such laws reduce or discount the size of the claim to reflect the original issue price or accrued value of the obligation).

- 16.6. **“Prior Deliverable Obligation”** means:

- 16.6.1. if a Governmental Intervention has occurred (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement), any obligation of the Reference Entity which (i) existed immediately prior to such Governmental Intervention, (ii) was the subject of such Governmental Intervention and (iii) fell within 2014 Credit Linked Condition 16.1.1 or 16.1.2 above, in each case, immediately preceding the date on which such Governmental Intervention was legally effective; or

- 16.6.2. if a Restructuring which does not constitute a Governmental Intervention has occurred in respect of the Reference Obligation (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement), such Reference Obligation, if any.

- 16.7. **“Package Observable Bond”** means, in respect of a Reference Entity which is a Sovereign, any obligation (i) which is identified as such and published by ISDA on its website at [www.isda.org](http://www.isda.org) from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time and (ii) which fell within 2014 Credit Linked Condition 16.1.1 or 16.1.2 above, in each case, immediately

preceding the date on which the relevant Asset Package Credit Event was legally effective.

16.8. **“Reference Entity”** means the entity or entities specified as such in the Applicable Pricing Supplement. Any Successor to a Reference Entity either:

16.8.1. identified by the Calculation Agent pursuant to 2014 Credit Linked Condition 10.1 above on or following the Issue Date; or

16.8.2. identified pursuant to a DC Resolution in respect of a Successor Resolution Request Date and publicly announced by the DC Secretary on or following the Issue Date

shall, in each case, with effect from the Succession Date, be the Reference Entity for the relevant Series or New Notes (as determined pursuant to such 2014 Credit Linked Condition 10.1 above).

16.9. **“Reference Entity Notional Amount”** means, in respect of each Reference Entity in a Portfolio CLN, the amount specified in the Applicable Pricing Supplement. If no such amount is specified in the Applicable Pricing Supplement, the Reference Entity Notional Amount for each Reference Entity on any day shall be the Aggregate Nominal Amount of the Notes Outstanding on such day divided by the number of Reference Entities in the Reference Portfolio on such day.

16.10. **“Reference Obligation”** means, in respect of a Reference Entity and subject to the Applicable Pricing Supplement:

16.10.1. for the purposes of “Terms relating to Cash Settlement” or “Terms relating to Physical Settlement and Delivery”, an obligation of the Reference Entity satisfying the definition of Deliverable Obligation in accordance with these 2014 Credit Linked Conditions as selected by the Issuer in its discretion; and

16.10.2. for all other purposes (including the determination of Seniority Level), the Standard Reference Obligation described in the Applicable Pricing Supplement (if any are so specified or described) and any Substitute Reference Obligation identified in accordance with 2014 Credit Linked Condition 10.3, unless:

16.10.2.1. “Standard Reference Obligation” is specified as not applicable in the Applicable Pricing Supplement, in which case the

Reference Obligation will be the Non-Standard Reference Obligation, if any; or

16.10.2.2. "Standard Reference Obligation" is specified as applicable in the related Pricing Supplement (or no election is specified in the related Pricing Supplement), there is no Standard Reference Obligation and a Non-Standard Reference Obligation is specified in the Applicable Pricing Supplement, in which case the Reference Obligation will be:

16.10.2.2.1. the Non-Standard Reference Obligation to but excluding the first date of publication of the Standard Reference Obligation; and

16.10.2.2.2. the Standard Reference Obligation from such date onwards, provided that the Standard Reference Obligation that is published would have been eligible to be selected as a Substitute Reference Obligation.

16.11. "**Reference Portfolio**" means the Reference Entity and Reference Obligation or the portfolio of Reference Entities and Reference Obligations, as the case may be, specified in the Applicable Pricing Supplement, as the same may be amended from time to time in accordance with the provisions of the 2014 Credit Linked Conditions and the Applicable Pricing Supplement.

16.12. "**Sovereign Restructured Deliverable Obligation**" means an Obligation of a Reference Entity which is a Sovereign (either directly or as provider of a Relevant Guarantee):

16.12.1. in respect of which a Restructuring that is the subject of the Credit Event or a DC Credit Event Announcement has occurred; and

16.12.2. which fell within 2014 Credit Linked Condition 16.12.1 above immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

## 17. METHOD FOR DETERMINING OBLIGATIONS AND DELIVERABLE OBLIGATIONS

### 17.1. Method for determining Obligations

For purposes of this 2014 Credit Linked Condition 17, the term “**Obligation**” means each obligation of each Reference Entity described by the Obligation Category specified in the Applicable Pricing Supplement and having each of the Obligation Characteristics, if any, specified in the Applicable Pricing Supplement, in each case, in each case immediately prior to the Credit Event which is the subject of either the Credit Event Notice or the DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- 17.1.1. “**Bond or Loan**” means any obligation that is either a Bond or a Loan.
- 17.1.2. “**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.
- 17.1.3. “**Borrowed Money**” means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit).
- 17.1.4. “**Listed**” means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- 17.1.5. “**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.
- 17.1.6. “**Not Domestic Currency**” means any obligation that is payable in any currency other than the Domestic Currency, provided that a Standard Specified Currency shall not constitute a Domestic Currency.

- 17.1.7. **“Not Domestic Issuance”** means any obligation other than an obligation that was issued (or reissued, as the case may be) or intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or, as a result of some other action having been taken for such purpose, is qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be issued (or reissued, as the case may be), or intended to be offered for sale primarily in the domestic market of the Reference Entity.
- 17.1.8. **“Not Domestic Law”** means any obligation that is not governed by the applicable Domestic Law, provided that the laws of England and the laws of the State of New York shall not constitute a Domestic Law.
- 17.1.9. **“Not Sovereign Lender”** means any obligation that is not primarily owed to:
- 17.1.9.1. a Sovereign; or
  - 17.1.9.2. any entity or organisation established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development, which shall include, without limitation, obligations generally referred to as “Paris Club debt”.
- 17.1.10. **“Not Subordinated”** means an obligation that is not Subordinated to:
- 17.1.10.1. the Reference Obligation; or
  - 17.1.10.2. the Prior Reference Obligation, if applicable;
- 17.1.11. **“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 Pricing Supplement.

- 17.1.12. **“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.
- 17.1.13. **“Payment”** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
- 17.1.14. **“Prior Reference Obligation”** means, in circumstances where there is no Reference Obligation applicable to the relevant Series:
- 17.1.14.1. the Reference Obligation most recently applicable thereto, if any; and
- 17.1.14.2. otherwise, the obligation specified in the Applicable Pricing Supplement as the Reference Obligation, if any, if such Reference Obligation was redeemed on or prior to the Issue Date; and
- 17.1.14.3. otherwise, any unsubordinated Borrowed Money obligation of the Reference Entity.
- 17.1.15. **“Reference Obligations Only”** means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only.
- 17.1.16. **“Specified Currency”** means an obligation that is payable in the currency or currencies specified as such in the Applicable Pricing Supplement (or, if “Specified Currency” is specified in the Applicable Pricing Supplement and no currency is so specified, any Standard Specified Currency), provided that if the euro is a Specified Currency, “Specified Currency” shall also include an obligation that was previously payable in the euro, regardless of any redenomination thereafter if such redenomination occurred as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.
- 17.1.17. **“Subordination”** means, with respect to an obligation (the **“Second Obligation”**) and another obligation of the Reference Entity to which such obligation is being compared (the **“First Obligation”**), a contractual, trust or similar arrangement providing that (i) upon the liquidation, dissolution,

reorganization or winding up of the Reference Entity, claims of the holders of the First Obligation are required to be satisfied prior to the claims of the holders of the Second Obligation or (ii) the holders of the Second Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the First Obligation. “**Subordinated**” will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, (x) the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement or security arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign and (y) in the case of the Reference Obligation or the Prior Reference Obligation, as applicable, the ranking in priority of payment shall be determined as of the date as of which it was issued or incurred (or in circumstances where the Reference Obligation or a Prior Reference Obligation is the Standard Reference Obligation and “Standard Reference Obligation” is specified as applicable in the Applicable Pricing Supplement, then the priority of payment of the Reference Obligation or the Prior Reference Obligation, as applicable, shall be determined as of the date of selection) and, in each case, shall not reflect any change to such ranking in priority of payment after such date.

17.2. Method for determining Deliverable Obligations

- 17.2.1. For purposes of this 2014 Credit Linked Condition 17.2, the term “**Deliverable Obligation**” may be defined as each obligation of each Reference Entity described by the Deliverable Obligation Category specified in the Applicable Pricing Supplement, and, subject to 2014 Credit Linked Condition 17.1 (*Method for determining Obligations*) above, having each of the Deliverable Obligation Characteristics, if any, specified in the Applicable Pricing Supplement, in each case, as of both the NOPS Effective Date and the Delivery Date (unless otherwise

specified in the Applicable Pricing Supplement). The following terms shall have the following meanings:

- 17.2.1.1. **“Accelerated or Matured”** means an obligation under which the total amount owed, whether by reason of maturity, acceleration, termination or otherwise, is due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws.
- 17.2.1.2. **“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 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.
- 17.2.1.3. **“Consent Required Loan”** means a Loan that is capable of being assigned or novated with the consent of the Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if the Reference Entity is guaranteeing such Loan) or any agent.
- 17.2.1.4. **“Deliverable Obligation Category”** means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, and Bond or Loan except that no Deliverable Obligation Characteristics shall be applicable where “Reference Obligation Only” applies.
- 17.2.1.5. **“Deliverable Obligation Characteristics”** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
- 17.2.1.6. **“Direct Loan Participation”** means a Loan in respect of which, pursuant to a participation agreement, Issuer is

capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (i) the Issuer (to the extent Issuer is then a lender or a member of the relevant lending syndicate), or (ii) 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).

17.2.1.7. **“Domestic Currency”** means the currency specified as such in the Applicable Pricing Supplement and any successor currency thereto or if no such currency is specified, the lawful currency and any successor currency of:

17.2.1.7.1. the Reference Entity, if the Reference Entity is a Sovereign; or

17.2.1.7.2. the jurisdiction in which the Reference Entity is organised, if the Reference Entity is not a Sovereign.

17.2.1.8. **“Domestic Law”** means each of the laws of:

17.2.1.8.1. the Reference Entity, if such Reference Entity is a Sovereign; or

17.2.1.8.2. the jurisdiction in which the Reference Entity is organised, if such Reference Entity is not a Sovereign.

17.2.1.9. **“Downstream Affiliate”** means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50% (fifty percent) owned, directly or indirectly, by the Reference Entity.

17.2.1.10. **“Fixed Cap”** means, with respect to a Guarantee, a specified numerical limit or cap on the liability of the Reference Entity in respect of some or all payments due under the Underlying

Obligation, provided that a Fixed Cap shall exclude a limit or cap determined by reference to a formula with one or more variable inputs (and for these purposes, the outstanding principal or other amounts payable pursuant to the Underlying Obligation shall not be considered to be variable inputs).

- 17.2.1.11. **“Guarantee”** means a Relevant Guarantee or a guarantee which is the Reference Obligation.
- 17.2.1.12. **“Maximum Maturity”** means an obligation that has a remaining maturity of not greater than the period specified in the Applicable Pricing Supplement (or, if no such period is specified, 30 (thirty) years).
- 17.2.1.13. **“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 International or any other internationally recognised clearing system.
- 17.2.1.14. **“Permitted Transfer”** means, with respect to a Qualifying Guarantee, a transfer to and the assumption by any single transferee of such Qualifying Guarantee (including by way of cancellation and execution of a new guarantee) on the same or substantially the same terms, in circumstances where there is also a transfer of all (or substantially all) of the assets of the Reference Entity to the same single transferee.
- 17.2.1.15. **“Qualifying Affiliate Guarantee”** means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of the Reference Entity.
- 17.2.1.16. **“Qualifying Guarantee”** means a guarantee evidenced by a written instrument (which may include a statute or regulation), pursuant to which the Reference Entity irrevocably agrees, undertakes, or is otherwise obliged to pay all amounts of principal and interest (except for amounts which are not covered due to the existence of a Fixed Cap) due under an Underlying Obligation for which the Underlying Obligor is the

obligor, by guarantee of payment and not by guarantee of collection (or, in either case, any legal arrangement which is equivalent thereto in form under the relevant governing law).

17.2.1.16.1. A Qualifying Guarantee shall not include any guarantee:

17.2.1.16.1.1. which is structured as a surety bond, financial guarantee insurance policy or letter of credit (or any legal arrangement which is equivalent thereto in form); or

17.2.1.16.1.2. pursuant to the terms applicable thereto, the principal payment obligations of the Reference Entity can be discharged, released, reduced, assigned or otherwise altered as a result of the occurrence or non-occurrence of an event or circumstance, in each case, other than:

17.2.1.16.1.2.1. by payment;

17.2.1.16.1.2.2. by way of Permitted Transfer;

17.2.1.16.1.2.3. by operation of law;

17.2.1.16.1.2.4. due to the existence of a Fixed Cap; or

17.2.1.16.1.2.5. due to (i) provisions permitting or anticipating a Governmental

Intervention, if  
“Financial  
Reference Entity  
Terms” is specified  
as applicable in the  
Applicable Pricing  
Supplement; or  
(ii) any Solvency  
Capital Provisions, if  
“Subordinated  
European Insurance  
Terms” is specified  
as applicable in the  
Applicable Pricing  
Supplement.

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

17.2.1.16.3. In order for a guarantee to constitute a Qualifying Guarantee:

17.2.1.16.3.1. the benefit of such guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation; and

17.2.1.16.3.2. if a guarantee contains a Fixed Cap, all claims to any amounts which are subject to such Fixed Cap must be capable of being Delivered together with the Delivery of such guarantee.

17.2.1.17. **“Qualifying Participation Seller”** means any participation seller that meets the requirements specified in the Applicable Pricing Supplement. If no such requirements are specified, there shall be no Qualifying Participation Seller.

17.2.1.18. **“Relevant Guarantee”** means a Qualifying Affiliate Guarantee or, if “All Guarantees” is specified as applicable in the Applicable Pricing Supplement, a Qualifying Guarantee.

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

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

17.2.1.21. **“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:

17.2.1.21.1. contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the U.S. 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);

17.2.1.21.2. restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds; or

17.2.1.21.3. restrictions in respect of blocked periods on or around payment dates or voting periods.

17.2.1.22. **“Underlying Obligation”** means, with respect to a guarantee, the obligation which is the subject of the guarantee.

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

17.2.1.24. **“Voting Shares”** means the shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

### 17.3. Interpretation of provisions

17.3.1. If the Obligation Characteristics “Listed” or “Not Domestic Issuance” is specified in the Applicable Pricing Supplement, the Applicable Pricing Supplement shall be construed as though the relevant Obligation

Characteristic had been specified as an Obligation Characteristic only with respect to Bonds.

- 17.3.2. If:
- 17.3.2.1. any of the Deliverable Obligation Characteristics “Listed”, “Not Domestic Issuance” or “Not Bearer” is specified in the Applicable Pricing Supplement, the Applicable Pricing Supplement shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds;
  - 17.3.2.2. the Deliverable Obligation Characteristic “Transferable” is specified in the Applicable Pricing Supplement, the Applicable Pricing Supplement 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; or
  - 17.3.2.3. any of the Deliverable Obligation Characteristics “Assignable Loan”, “Consent Required Loan” or “Direct Loan Participation” is specified in the Applicable Pricing Supplement, the Applicable Pricing Supplement shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans.
- 17.3.3. If more than one of “Assignable Loan”, “Consent Required Loan” and “Direct Loan Participation” are specified as Deliverable Obligation Characteristics in the Applicable Pricing Supplement, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics.
- 17.4. Provisions relating to Relevant Guarantees If an Obligation or a Deliverable Obligation is a Relevant Guarantee, the following will apply.
- 17.4.1. For purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Relevant Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.

- 17.4.2. For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Relevant Guarantee and the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or Deliverable Obligation Characteristics, if any, specified in the Applicable Pricing Supplement from the following list: “Not Subordinated”, “Specified Currency”, “Not Sovereign Lender”, “Not Domestic Currency” and “Not Domestic Law”.
- 17.4.3. For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the Applicable Pricing Supplement from the following list: “Listed”, “Not Domestic Issuance”, “Assignable Loan”, “Consent Required Loan”, “Direct Loan Participation”, “Transferable”, “Maximum Maturity”, “Accelerated” or “Matured” and “Not Bearer”.
- 17.4.4. For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- 17.5. Further provisions relating to Obligation Characteristics and Deliverable Obligation Characteristics
- 17.5.1. For purposes of the application of the Deliverable Obligation Characteristic “Maximum Maturity”, remaining maturity shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the remaining maturity shall be zero.
- 17.5.2. If “Financial Reference Entity Terms” and “Governmental Intervention” are specified as applicable in the Applicable Pricing Supplement, if an obligation would otherwise satisfy a particular Obligation Characteristic or Deliverable Obligation Characteristic, the existence of any terms in the relevant obligation in effect at the time of making the determination which permit the Reference Entity’s obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, shall not cause such obligation to fail to satisfy such Obligation Characteristic or Deliverable Obligation Characteristic.

- 17.5.3. For the purposes of determining the applicability of Deliverable Obligation Characteristics and the requirements specified in 2014 Credit Linked Condition 11.1 (*Mod R*) and 2014 Credit Linked Condition 11.2 (*Mod Mod R*) to a Prior Deliverable Obligation or a Package Observable Bond, any such determination shall be made by reference to the terms of the relevant obligation in effect immediately prior to the Asset Package Credit Event.
- 17.5.4. If “Subordinated European Insurance Terms” is specified as applicable in the Applicable Pricing Supplement, if an obligation would otherwise satisfy the “Maximum Maturity” Deliverable Obligation Characteristic, the existence of any Solvency Capital Provisions in such obligation shall not cause it to fail to satisfy such Deliverable Obligation Characteristic.

## 18. CREDIT EVENTS

### 18.1. “Bankruptcy” means a Reference Entity:

- 18.1.1. is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- 18.1.2. 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;
- 18.1.3. makes a general assignment, arrangement, scheme or composition with or for the benefit of its creditors generally or such a general assignment, arrangement, scheme or composition becomes effective;
- 18.1.4. institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other law affecting creditors’ rights , or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within 30 (thirty) calendar days of the institution or presentation thereof;

- 18.1.5. has a resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger);
  - 18.1.6. 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;
  - 18.1.7. 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 (thirty) calendar days thereafter; or
  - 18.1.8. 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 2014 Credit Linked Condition 18.1.1 to 2014 Credit Linked Condition 18.1.7 above.
- 18.2. **“Credit Event”** means the occurrence 1 (one) or more of the Credit Events specified in the Applicable Pricing Supplement which may include Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium, Restructuring or Governmental Intervention, or any additional Credit Event specified in the Applicable Pricing Supplement. 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:
- 18.2.1. any lack or alleged lack of authority or capacity of the Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation;
  - 18.2.2. any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, howsoever described;
  - 18.2.3. any applicable law, order, regulation, decree or notice, howsoever 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, howsoever described; or

18.2.4. the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, howsoever described.

Any event occurring at midnight shall be deemed to occur immediately prior to midnight Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity relates to Japan, Tokyo Time).

18.3. “**Default Requirement**” means the amount specified as such in the Applicable Pricing Supplement or its equivalent in the relevant Obligation Currency (or, if no such amount is specified, USD10,000,000 (ten million US Dollars) or its equivalent in the relevant Obligation Currency) in either case as of the occurrence of the relevant Credit Event.

18.4. “**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. If a payment is not made by the Reference Entity on its due date or, as the case may be, on the final day of the relevant Grace Period, then such failure to make a payment shall be deemed to have occurred on such day prior to midnight Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity relates to Japan, Tokyo time), irrespective of the time zone of its place of payment.

18.5. “**Governmental Authority**” means:

18.5.1. any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof);

18.5.2. any court, tribunal, administrative or other governmental, inter-governmental or supranational body;

18.5.3. any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including the central bank) of the Reference Entity or some or all of its obligations; or

18.5.4. any other authority which is analogous to any of the entities specified in 2014 Credit Linked Conditions 18.5.1 to 18.5.3 above.

- 18.6. **“Governmental Intervention”** means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs as a result of action taken or an announcement made by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other similar law or regulation), in each case, applicable to the Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Obligation:
- 18.6.1. any event which would affect creditors’ rights so as to cause:
    - 18.6.1.1. a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
    - 18.6.1.2. a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
    - 18.6.1.3. a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest, or (ii) the payment of principal or premium; or
    - 18.6.1.4. a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation;
  - 18.6.2. an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Obligation;
  - 18.6.3. a mandatory cancellation, conversion or exchange; or
  - 18.6.4. any event which has an analogous effect to any of the events specified in 2014 Credit Linked Conditions 18.6.1 to 18.6.3 above.
  - 18.6.5. For purposes of the above, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee.
- 18.7. **“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 (howsoever

described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

18.8. **“Obligation Currency”** means the currency or currencies in which an Obligation is denominated.

18.9. **“Obligation Default”**:

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

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

18.10. **“Payment Requirement”** means the amount specified as such in the Applicable Pricing Supplement or its equivalent in the relevant Obligation Currency (or, if no such amount is specified, USD1,000,000 (one million US Dollars) or its equivalent in the relevant Obligation Currency), as determined by the Calculation Agent in a commercially reasonable manner, in either case as of the occurrence of the Relevant Credit Event.

18.11. **“Repudiation/Moratorium”**

18.11.1. Repudiation/Moratorium means the occurrence of both of the following events:

18.11.1.1. an authorised officer of the Reference Entity or a Governmental Authority (i) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or

more Obligations in an aggregate amount of not less than the Default Requirement or (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and

18.11.1.2. 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.

18.11.2. **“Repudiation/Moratorium Evaluation Date”** means:

18.11.2.1. if a Potential Repudiation/Moratorium occurs on or prior to the Maturity Date:

18.11.2.1.1. if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of:

18.11.2.1.1.1. the date that is 60 (sixty) days after the date of such Potential Repudiation/Moratorium; and

18.11.2.1.1.2. the first payment date under any such Bond after the date of such Potential Repudiation / Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date); and

18.11.2.1.2. if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 (sixty) 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 Maturity Date unless the Repudiation / Moratorium Extension Condition is satisfied.

18.11.3. **“Potential Repudiation/Moratorium”** means the occurrence of an event described in 2014 Credit Linked Condition 18.11.2.1.1 above.

18.11.4. The **“Repudiation/Moratorium Extension Condition”** is satisfied:

18.11.4.1. if the DC Secretary publicly announces, pursuant to a valid request that was delivered and effectively received on or prior to the date that is 14 (fourteen) calendar days after the Maturity 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 Reference Entity and that such event occurred on or prior to the Maturity Date; or

18.11.4.2. otherwise, by the delivery by the Issuer of a Repudiation/Moratorium Extension Notice and, unless “Notice of Publicly Available Information” is specified as not applicable in the Applicable Pricing Supplement, a Notice of Publicly Available Information that are each effective on or prior to the date that is 14 (fourteen) calendar days after the Maturity Date. In all cases, the Repudiation/Moratorium Extension Condition will be deemed not to have been satisfied, or capable of being satisfied, if, or to the extent that, the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved that either (i) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the Reference Entity, or (ii) an event that constitutes a Potential Repudiation/Moratorium for purposes of the relevant Notes has occurred with respect to an Obligation of the Reference Entity but that such event occurred after the Maturity Date.

18.11.5. **“Repudiation/Moratorium Extension Notice”** means an irrevocable notice from the Issuer to the Paying Agent that describes a Potential Repudiation/Moratorium that occurred on or prior to the Maturity Date. A

Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.

18.12. **“Restructuring”**:

18.12.1. means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by the Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation (including, in each case, in respect of Bonds only, by way of an exchange), and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Credit Event Backstop Date and the date as of which such Obligation is issued or incurred:

18.12.1.1. a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);

18.12.1.2. a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);

18.12.1.3. a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest, or (ii) the payment of principal or premium;

18.12.1.4. a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or

18.12.1.5. any change in the currency of any payment of interest, principal or premium to any currency other than the lawful currency of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any

successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

18.12.2. Notwithstanding the above, none of the following shall constitute a Restructuring:

18.12.2.1. the payment in euros of interest, principal or premium in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;

18.12.2.2. the redenomination from euros into another currency, if (i) the redenomination occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority and (ii) a freely available market rate of conversion between euros and such other currency existed at the time of such redenomination and there is no reduction in the rate or amount of interest, principal or premium payable, as determined by reference to such freely available market rate of conversion;

18.12.2.3. the occurrence of, agreement to or announcement of any of the events described in 2014 Credit Linked Conditions 18.12.1.1 to 18.12.1.5 above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; or

18.12.2.4. the occurrence of, agreement to or announcement of any of the events described in 2014 Credit Linked Conditions 18.12.1.1 to 18.12.1.5 above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity, provided that in respect of 2014 Credit Linked Condition 18.12.1.5 above only, no such deterioration in the creditworthiness or financial condition of the Reference

Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

- 18.12.3. For purposes of this definition and the definition of “Multiple Holder Obligation”, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee. In the case of a Guarantee and an Underlying Obligation, references to the Reference Entity in this definition shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in this definition shall continue to refer to the Reference Entity.
- 18.12.4. If an exchange has occurred, the determination as to whether one of the events described under 2014 Credit Linked Conditions 18.12.1.1 to 18.12.1.5 above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.
- 18.12.5. Unless “Multiple Holder Obligation” is expressed to be not applicable in the Applicable Pricing Supplement, then none of the events described above shall constitute a Restructuring unless the Obligations is a Multiple Holder Obligation, where “**Multiple Holder Obligation**” means an Obligation that:
- 18.12.5.1. at the time of the event which constitutes a Restructuring Credit Event is held by more than 3 (three) holders that are not Affiliates of each other; and
- 18.12.5.2. 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  $66\frac{2}{3}$  (sixty six and two-thirds) is required to consent to the event which constitutes a Restructuring Credit Event (provided that this 2014 Credit Linked Condition 18.12.5.2 shall be deemed to be satisfied where the Obligation is a Bond).

19. **GENERAL TERMS RELATING TO REDEMPTION AND SETTLEMENT**

- 19.1. **"CLN Settlement Method"** means:
- 19.1.1. the terms relating to the settlement of Auction Settled CLNs (such method **"Auction Settlement"**), as provided in the Terms and Conditions, these 2014 Credit Linked Conditions in respect of such Notes and the Applicable Pricing Supplement;
  - 19.1.2. the terms relating to the settlement of Cash Settled CLNs (such method **"Cash Settlement"**), as provided in the Terms and Conditions, these 2014 Credit Linked Conditions in respect of such Notes and the Applicable Pricing Supplement;
  - 19.1.3. the terms relating to the settlement of Physically Delivered CLNs (such method **"Physical Settlement"**), as provided in the 2014 Credit Linked Conditions in respect of such Notes and the Applicable Pricing Supplement.
- 19.2. **"Deferred Redemption Date"** means, if an Extension Notice is effective and no Event Determination Date occurs on or prior to the Note Extension Date, the date falling five Business Days after the Note Extension Date or, if an Extension Notice is effective and an Event Determination Date occurs on or prior to the Note Extension Date, in respect of Cash Settled CLNs, the Credit Event Redemption Date, or, in respect of Physically Delivered CLNs, the Final Delivery Date.
- 19.3. **"Extended Interest Period"** means the period, if any, from and including the Maturity Date to but excluding the Deferred Redemption Date.
- 19.4. **"Extension Notice"** means an irrevocable notice (which may be by telephone) from the Issuer to the Paying Agent which is effective on or prior to the Maturity Date that specifies one or more Reference Entities which the Issuer determines, in its discretion, is or may be subject to a Credit Event, Potential Failure to Pay or a Potential Repudiation/Moratorium.
- 19.5. **"Fallback CLN Settlement Method"** means, with respect to a Series of 2014 Credit Linked Notes for which "Auction Settlement" is specified as the CLN Settlement Method in the Applicable Pricing Supplement, if "Physical Settlement" is specified as the Fallback CLN Settlement Method in the Applicable Pricing Supplement, Physical Settlement, otherwise Cash Settlement.

- 19.6. **“Issuer CLN Settlement Option”** means, if specified in the Applicable Pricing Supplement, the option, exercisable by the Issuer in its discretion, for the Issuer to redeem the Notes by way of Cash Settlement, Auction Settlement or Physical Settlement upon the occurrence of a Relevant Event Determination Date.
- 19.7. **“Note Extension Date”** means the later to occur of:
- 19.7.1. the last applicable day specified in the definition of Notice Delivery Period in respect of each Reference Entity specified in an Extension Notice; and
  - 19.7.2. 14 calendar days after the day on which ISDA publicly announces that either:
    - 19.7.2.1. the relevant Credit Derivatives Determinations Committee has Resolved the matters described in 2014 Credit Linked Condition 15.11; or
    - 19.7.2.2. the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, in either case relating to a Credit Event Resolution Request Date that occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Issue Date).
- 19.8. **“Reference Price”** means, notwithstanding any other provision of this Programme Memorandum, the percentage specified as such in relation to a Reference Entity in the Applicable Pricing Supplement or, if a percentage is not so specified, 100% (one hundred percent.).
- 19.9. **“Settlement Currency”** means the currency specified as such in the Applicable Pricing Supplement, or if no currency is so specified in the Applicable Pricing Supplement, the Specified Currency.
- 19.10. **“Settlement Date”** means the Auction Settlement Date, the Cash Settlement Date or the Physical Settlement Date, as applicable.

20. **TERMS RELATING TO CASH SETTLEMENT**

- 20.1. **“CLN Cash Settlement Amount”** means, with respect to any Note, the product of (i) the portion of the Aggregate Nominal Amount of the Notes and (ii) the Final Price (if Cash Settlement applies) or Auction Final Price (if Auction Settlement applies).

- 20.2. **“CLN Valuation Date”** means:
- 20.2.1. if “Single CLN Valuation Date” is specified in the Applicable Pricing Supplement, a date selected by the Issuer not less than 5 (five) Business Days following the Event Determination Date or if “Cash Settlement” is applicable pursuant to the fallback provisions in Auction Settlement, any Auction Cancellation Date or any No Auction Announcement Date, if later);
  - 20.2.2. if “Multiple CLN Valuation Dates” is specified in the Applicable Pricing Supplement:
    - 20.2.2.1. subject to 2014 Credit Linked Condition 15.50.3 above, the date that is the number of Business Days specified in the Applicable Pricing Supplement (or, if the number of Business Days is not so specified, 5 (five) Business Days) following the Event Determination Date (or, if “Cash Settlement” is applicable pursuant to the Fallback Settlement Method in accordance with the terms relating to Auction Settlement, the date that is the number of Business Days specified in the Applicable Pricing Supplement (or, if the number of Business Days is not so specified, 5 (five) Business Days) following the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable); and
    - 20.2.2.2. each successive date that is the number of Business Days specified in the Applicable Pricing Supplement (or, if the number of Business Days is not so specified, 5 (five) Business Days) after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding CLN Valuation Date.
  - 20.2.3. if neither “Single CLN Valuation Date” nor “Multiple CLN Valuation Dates” is specified in the Applicable Pricing Supplement, Single CLN Valuation Date shall apply.
- 20.3. **“CLN Valuation Time”** means the time specified as such in the Applicable Pricing Supplement or, if no such time is specified, the time specified by the Calculation Agent, which shall be as close as reasonably practicable to 11h00 a.m. in the relevant Calculation Agent City, unless the Calculation Agent determines that the principal market for transactions in the Reference Obligation would be closed at such time or

such transactions are not being conducted in sufficient volume (as determined by the Calculation Agent in its sole and absolute discretion) at such time, in which event the CLN Valuation Time shall be such other time as may be specified by the Calculation Agent that such principal market is open.

20.4. **“Credit Event Redemption Date”** means:

20.4.1. if the Credit Event Redemption Amount is not specified in the Applicable Pricing Supplement, the date that is the number of Business Days specified in the Applicable Pricing Supplement (or, if a number of Business Days is not so specified, 5 (five) Business Days) following the calculation of the Final Price; and

20.4.2. if the Credit Event Redemption Amount is specified in the related Applicable Pricing Supplement, the date that is the number of Business Days specified in the related Applicable Pricing Supplement (or, if a number of Business Days is not so specified, 5 (five) Business Days) following the Event Determination Date, ,

provided, however, that if Auction Settlement is applicable then the Credit Event Redemption Date shall be the cash settlement date determined pursuant to the Credit Derivatives Auction Settlement Terms for such Auction.

20.5. **“Dealer”** means, as selected by the Calculation Agent, at least 5 (five) financial institutions, funds or other entities that purchase or deal in obligations of the type of the relevant Reference Obligation, Obligation or Undeliverable Obligation one of which institutions, funds or other entities may be the Issuer or an Affiliate thereof.

20.6. **“Final Price”** means the price of the Reference Obligation, expressed as a percentage of its Outstanding Principal Balance or Due and Payable Amount, as applicable, determined in accordance with the specified Valuation Method. Unless Auction Settlement applies, the Calculation Agent shall, as soon as reasonably practicable after obtaining all Quotations for a CLN Valuation Date, notify the Paying Agent in writing of each such Quotation (together with a written computation showing such calculation) that it receives in connection with the calculation of the Final Price. The Paying Agent shall deliver such notice through the relevant settlement system to holders of Notes, provided that the failure of the Paying Agent to deliver any such notice shall not affect the effectiveness of any notice delivered by the Calculation Agent. If “Auction Settlement” is specified to be applicable or is elected to be applicable pursuant to the Issuer CLN Settlement Option, then notwithstanding the Valuation Method, Final Price

means the Auction Final Price. If Cash Settlement is applicable as the Fallback CLN Settlement Method and the Issuer has not delivered a notice specifying the Reference Obligation on or prior to:

- 20.6.1. if “60 (sixty) Business Day Cap on Settlement” is specified as “Not Applicable” in the Applicable Pricing Supplement, the later of the Maturity Date and 60 (sixty) Business Days following a No Auction Announcement Date or an Auction Cancellation Date or any equivalent cancellation date under a Relevant Settlement Mechanic, as applicable; or
- 20.6.2. if “60 (sixty) Business Day Cap on Settlement” is not specified as “Not Applicable” in the Applicable Pricing Supplement, the date that is 60 (sixty) Business Days following a No Auction Announcement Date or an Auction Cancellation Date or any equivalent cancellation date under a Relevant Settlement Mechanic, as applicable,

then the Final Price shall be deemed to be 100% (one hundred percent.).

20.7. **“Full Quotation”** means, in accordance with the Quotation Method, each firm quotation obtained from a Dealer at the CLN Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation with an Outstanding Principal Balance or Due and Payable Amount, as applicable, equal to the Quotation Amount.

20.8. **“Market Value”** means, with respect to a Reference Obligation on a CLN Valuation Date:

- 20.8.1. 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 value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- 20.8.2. 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);
- 20.8.3. if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation;

- 20.8.4. if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject to 2014 Credit Linked Condition 21.10.2, an amount that the Calculation Agent shall determine on the next Business Day on which 2 (two) or more Full Quotations or a Weighted Average Quotation is obtained; and
- 20.8.5. if two or more Full Quotations or a Weighted Average Quotation are not obtained within the additional five Business Day period set forth in 2014 Credit Linked Condition 21.10.2, the Market Value shall be determined as provided in such definition.
- 20.9. **“Minimum Quotation Amount”** means the amount specified as such in the Applicable Pricing Supplement (or its equivalent in the relevant Obligation Currency) or, if no such amount is specified, the lower of (i) USD1,000,000 (one million US Dollars) (or its equivalent in the relevant Obligation Currency) and (ii) the Quotation Amount.
- 20.10. **“Quotation”** means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage of the Reference Obligation’s Outstanding Principal Amount or Due and Payable Amount, as applicable, with respect to a CLN Valuation Date in the manner that follows.
- 20.10.1. The Calculation Agent shall attempt to obtain Full Quotations with respect to the CLN Valuation Date from 5 (five) or more Dealers. If the Calculation Agent is able to obtain 2 (two) or more such Full Quotations from Dealers other than the Issuer in respect of such CLN Valuation Date, then the Calculation Agent shall use such Full Quotations to determine the Final Price in accordance with the specified Valuation Method. If the Calculation Agent is unable to obtain two or more such Full Quotations in respect of such CLN Valuation Date but is able to obtain a Weighted Average Quotation in respect of such CLN Valuation Date, then the Calculation Agent shall use such Weighted Average Quotation to determine the Final Price in accordance with the specified Valuation Method.
- 20.10.2. If the Calculation Agent is unable to obtain 2 (two) or more such Full Quotations or such a Weighted Average Quotation in respect of such CLN Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until and including the fifth Business Day) the Calculation Agent shall attempt to obtain 2 (two) or more such Full Quotations from Dealers other than the Issuer and, if two or more such Full Quotations are not available from Dealers other than the

Issuer on such Business Day, a Weighted Average Quotation on such Business Day. If the Calculation Agent is able to obtain two or more such Full Quotations in respect of any such Business Day from Dealers other than the Issuer, then the Calculation Agent shall use such Full Quotations to determine the Final Price in accordance with the specified Valuation Method. If the Calculation Agent is unable to obtain two or more such Full Quotations in respect of any such Business Day but is able to obtain a Weighted Average Quotation in respect of any such Business Day, then the Calculation Agent shall use such Weighted Average Quotation to determine the Final Price in accordance with the specified Valuation Method.

- 20.10.3. If the Calculation Agent is unable to obtain 2 (two) or more such Full Quotations or such a Weighted Average Quotation from Dealers other than the Issuer on or prior to the 5<sup>th</sup> (fifth) Business Day following the relevant CLN Valuation Date, then the Calculation Agent shall use the Full Quotation, if any, obtained from the Issuer on such 5<sup>th</sup> (fifth) Business Day to determine the Final Price in accordance with the specified Valuation Method.
  - 20.10.4. If the Calculation Agent is unable to obtain a Full Quotation from the Issuer on such fifth Business Day following the relevant CLN Valuation Date, then the Quotation shall be deemed to be zero.
  - 20.10.5. Any quotation provided by the Issuer or an Affiliate thereof shall be deemed to be a firm quotation.
- 20.11. **“Quotation Amount”** means the amount specified as such in the Applicable Pricing Supplement or, if no amount is so specified, an amount specified by the Calculation Agent not in excess of the Aggregate Nominal Amount of the Notes outstanding in the case of the Notes in respect of the 2014 Credit Linked Notes (or its equivalent in the relevant Obligation Currency, which shall be 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).
- 20.12. **“Quotation Method”** means the applicable Quotation Method specified in the Applicable Pricing Supplement by reference to one of the following terms (or, if no Quotation Method is specified, Bid shall apply):
- 20.12.1. **“Bid”** means that only bid quotations shall be requested from Dealers;

- 20.12.2. “**Offer**” means that only offer quotations shall be requested from Dealers;  
or
- 20.12.3. “**Mid-market**” means that bid and offer quotations shall be requested from Dealers and shall be averaged for purposes of determining a relevant Dealer’s quotation.
- 20.13. “**Representative Amount**” means an amount that is representative for a single transaction in the relevant market and at the relevant time, which amount the Calculation Agent shall determine.
- 20.14. “**Weighted Average Quotation**” means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Dealers at the CLN Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an Outstanding Principal Balance or Due and Payable Amount, as applicable, of as large a size as available but less than the Quotation Amount (but of a size equal to the Minimum Quotation Amount that in the aggregate are approximately equal to the Quotation Amount.
- 20.15. “**Valuation Method**” means:
- 20.15.1. The following Valuation Methods may be specified in the Applicable Pricing Supplement for a Series with only one CLN Valuation Date:
- 20.15.1.1. “**Market**” means the Market Value determined by the Calculation Agent with respect to the CLN Valuation Date;
- 20.15.1.2. “**Highest**” means the highest Quotation obtained by the Calculation Agent (or in accordance with the definition thereof) with respect to the CLN Valuation Date; or
- 20.15.1.3. “**Lowest**” means the lowest Quotation obtained by the Calculation Agent (or in accordance with the definition of “Quotation”) with respect to the CLN Valuation Date. If no such Valuation Method is specified in the Applicable Pricing Supplement, the Valuation Method shall be Highest.

20.15.2. The following Valuation Methods may be specified in the Applicable Pricing Supplement for a Series with more than one CLN Valuation Date:

20.15.2.1. **“Average Market”** means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each CLN Valuation Date;

20.15.2.2. **“Highest”** means the highest Quotation obtained by the Calculation Agent (or in accordance with the definition thereof) with respect to any CLN Valuation Date; or

20.15.2.3. **“Average Highest”** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent (or in accordance with the definition thereof) with respect to each CLN Valuation Date.

20.15.3. If no such Valuation Method is specified in the Applicable Pricing Supplement, the Valuation Method shall be Average Highest.

20.15.4. Notwithstanding 2014 Credit Linked Condition 20.15.1 and 20.15.2 above, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Valuation Method shall be Market or Average Blended Market, as the case may be.

## 21. **TERMS RELATING TO AUCTION SETTLEMENT**

21.1. If **“Auction Settlement”** is the applicable Settlement Method with respect to a Series as specified in the Applicable Pricing Supplement or elected pursuant to the Issuer CLN Settlement Option and a Relevant Event Determination Date occurs on or prior to the Auction Final Price Determination Date, the Auction Final Price shall be the Final Price with respect to the related Credit Event. Without prejudice to the foregoing, but without duplication of settlement, if:

21.1.1. an Auction Cancellation Date occurs;

21.1.2. a No Auction Announcement Date occurs;

21.1.3. a DC Credit Event Question Dismissal occurs; or

21.1.4. an Event Determination Date was determined pursuant to 2014 Credit Linked Condition 18.9.1.1 or 18.9.1.2 above and no Credit Event Resolution Request Date has occurred on or prior to the date falling three

Business Days after such Event Determination Date, "Auction Settlement" shall not apply and the Fallback CLN Settlement Method shall apply.

21.2. In the event that no Auction occurs, Auction Settlement shall encompass any settlement protocol or process (howsoever described) relating to the settlement of credit derivatives transactions linked to the Reference Entity:

21.2.1. published by the International Swaps and Derivatives Association (or any successor thereto);

21.2.2. resolved by the Credit Derivatives Determinations Committee; or

21.2.3. adopted by a significant portion of the relevant credit derivatives market, as determined by the Calculation Agent,

(each, a "**Relevant Settlement Mechanic**"), provided that the Calculation Agent shall be entitled to adjust the conditions applicable to the Notes such that the Relevant Settlement Mechanic would produce a reasonable result thereunder. For the avoidance of doubt, if Auction Settlement is specified with respect to a Series in the Applicable Pricing Supplement or is elected pursuant to the Issuer CLN Settlement Option and a Relevant Event Determination Date occurs on or prior to the Auction Final Price Determination Date, the Auction Final Price shall still be the Final Price with respect to the related Credit Event, notwithstanding that the Deliverable Obligation Category and/or Deliverable Obligation Characteristics are different to those set out in the Applicable Pricing Supplement, provided that if the Calculation Agent determines in its reasonable discretion that the terms of the Deliverable Obligations in respect of the relevant Auction are not identical to the terms of the Deliverable Obligations in respect of the relevant Series of 2014 Credit Linked Notes, then the Calculation Agent may determine in its reasonable discretion that Cash Settlement will apply in respect of such Series.

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

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

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

- 21.6. **“Auction Final Price”** has the meaning set forth in the Transaction Auction Settlement Terms in respect of the relevant Reference Entity, provided that:
- 21.6.1. where both a Senior Auction and a Subordinate Auction are held in connection with an Auction in respect of such Reference Entity, the Issuer may in its discretion, elect to apply the price determined pursuant to the Senior Auction where the Reference Obligation in respect of such Reference Entity is specified as a “Sub” or “Subordinated” Reference Obligation; and
- 21.6.2. if the Credit Event is a Restructuring, the Calculation Agent shall select which of the Transaction Auction Settlement Terms shall apply in a commercially reasonable manner in accordance with the current market practice by reference to the Maturity Date of the relevant Notes.
- 21.7. **“Auction Final Price Determination Date”** has the meaning set forth in the Transaction Auction Settlement Terms.
- 21.8. **“Auction Settlement Date”** means the date that is the number of Business Days specified in the Transaction Auction Settlement Terms (or, if a number of Business Days is not so specified, 3 (three) Business Days) immediately following the Auction Final Price Determination Date. The Auction Settlement Date shall be the Redemption Date.
- 21.9. **“Credit Derivatives Auction Settlement Terms”** means any Credit Derivatives Auction Settlement Terms published by ISDA, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time..
- 21.10. **“Deliverable Obligation Provisions”**, has the meaning set forth in the Credit Derivatives Auction Settlement Terms.
- 21.11. **“Deliverable Obligation Terms”** has the meaning set forth in the Credit Derivatives Auction Settlement Terms.
- 21.12. **“No Auction Announcement Date”** means, with respect to a Credit Event, the date on which the DC Secretary first publicly announces that:
- 21.12.1. no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms, will be published;

21.12.2. following the occurrence of an M(M)R Restructuring, no Transaction Auction Settlement Terms will be published ; or

21.12.3. the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by the DC Secretary to the contrary in circumstances where either:

21.12.3.1. no Parallel Auction will be held; or

21.12.3.2. one or more Parallel Auctions will be held.

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

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

21.15. **"Parallel Auction Settlement Terms"** means, following the occurrence of an M(M)R Restructuring with respect to a Reference Entity and a Series, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such M(M)R Restructuring, and for which the Deliverable Obligation Terms are the same as the Deliverable Obligation Provisions specified in the Applicable Pricing Supplement.

21.16. **"Senior Auction"** means an Auction in respect of one or more Obligations of the relevant Reference Entity specified as "Senior" pursuant to such Auction.

21.17. **"Subordinated Auction"** means an Auction in respect of one or more Obligations of the relevant Reference Entity specified as "Subordinated" or "Sub" pursuant to such Auction.

21.18. **"Transaction Auction Settlement Terms"** means the Credit Derivatives Auction Settlement Terms applicable to the relevant Reference Entity and Reference Obligation.

## 22. **TERMS RELATING TO PHYSICAL SETTLEMENT AND DELIVERY**

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

## 22.2. “Deliver”

22.2.1. “Deliver” means to deliver, novate, transfer, cede (including, in the case of a Guarantee, transfer and cede of the benefit of the Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title (or, with respect to Deliverable Obligations where only equitable title is customarily conveyed, all equitable title) and interest in the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, to Noteholders free and clear of any and all liens, charges, claims or encumbrances (excluding any liens routinely imposed on all securities in a relevant clearance system, but including, without limitation, any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in 2014 Credit Linked Condition 18.2.1 to 2014 Credit Linked Condition 18.2.4 above or right of set-off by or of the Reference Entity or any applicable Underlying Obligor); provided that:

22.2.1.1. if a Deliverable Obligation is a Direct Loan Participation, “Deliver” means to create (or procure the creation) of a participation in favour of each Noteholder; and

22.2.1.2. if a Deliverable Obligation is a Guarantee, “Deliver” means to Deliver both the Underlying Obligation and the Guarantee, provided further that if the Guarantee has a Fixed Cap:

22.2.1.2.1. “Deliver” means to deliver the Underlying Obligation, the Guarantee and all claims to any amounts which are subject to such Fixed Cap; and

22.2.1.2.2. those claims shall be deemed to be Deliverable Obligations for purposes of any Physical Settlement, and

“Delivery” and “Delivered” will be construed accordingly.

22.2.2. In the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for Delivery of such Loan at that time, provided further that

each of the Issuer and each Noteholder agrees to comply with the provisions of any documentation (which shall include any market advisory that the relevant Credit Derivatives Determinations Committee Resolves to approve for such purpose) that the relevant Credit Derivatives Determinations Committee Resolves constitutes documentation customarily used in the relevant market for Delivery of such Loan at that time, as such documentation may be amended to the extent the relevant Credit Derivatives Determinations Committee Resolves is appropriate, which is consistent with the delivery and payment obligations of the Issuer hereunder. Each of the Issuer and each Noteholder further agrees that compliance by it with the provisions of any such documentation, shall be required for, and, without further action, constitute, Delivery for purposes of this definition (to the extent that such documentation contains provisions describing how Delivery should be effected) and neither the Issuer nor any Noteholder shall be permitted to request that the other take, nor shall it be required to take, any action under 2014 Credit Linked Condition 6.3 unless otherwise contemplated by such documentation.

- 22.2.3. If Asset Package Delivery applies:
- 22.2.3.1. Delivery of a Prior Deliverable Obligation or a Package Observable Bond specified in the Notice of Physical Settlement or NOPS Amendment Notice, as applicable, may be satisfied by Delivery of the related Asset Package, and such Asset Package shall be treated as having the same currency, Outstanding Principal Balance or Due and Payable Amount, as applicable, as the Prior Deliverable Obligation or Package Observable Bond to which it corresponds had immediately prior to the Asset Package Credit Event;
  - 22.2.3.2. each Asset in the Asset Package shall be Delivered provided that if any such Asset is not a Bond, it shall be treated as if it were a Loan for these purposes,
  - 22.2.3.3. if the Asset Package is zero, the Outstanding Amount of the Prior Deliverable Obligation or Package Observable Bond shall be deemed to have been Delivered in full 3 (three) Business Days following the date on which the Issuer has notified Noteholders and the Calculation Agent of the detailed

description of the Asset Package that it intends to Deliver in the Notice of Physical Settlement,

- 22.2.3.4. the Issuer may satisfy its obligation to make Delivery of the Prior Deliverable Obligation or Package Observable Bond in part by Delivery of each Asset in the Asset Package in the correct proportion; and
- 22.2.3.5. if the relevant Asset is a Non-Transferable Instrument or Non-Financial Instrument, the Asset shall be deemed to be an amount of cash equal to the Asset Market Value.

22.3. **“Deliverable Obligations Portfolio”** means, in respect of each Physically Delivered CLN, subject to 2014 Credit Linked Condition 10.1 and unless otherwise elected by the Issuer in accordance with the Issuer CLN Settlement Option as set out in these 2014 Credit Linked Conditions, such Deliverable Obligations, or if Asset Package is applicable, such Asset Package, as may be selected by the Issuer with:

- 22.3.1. an Outstanding Principal Balance, in respect of Deliverable Obligations that are Borrowed Money obligations; or
- 22.3.2. Due and Payable Amount, in respect of Deliverable Obligations that are not Borrowed Money obligations (or in either case, the equivalent Currency Amount thereof), in an aggregate amount (excluding any accrued and unpaid interest) equal to:
  - 22.3.2.1. the aggregate Nominal Amount of the Notes outstanding in respect of the 2014 Credit Linked Notes, as of the relevant Event Determination Date; less
  - 22.3.2.2. (if, at the option of the Issuer, Settlement Expenses and Swap Costs are to be deducted rather than separately paid by each such Noteholder) an outstanding principal balance or Due and Payable Amount, as the case may be, of such Deliverable Obligations with a market value as determined by the Calculation Agent equal to the Settlement Expenses and Swap Costs.

If the amount of the Deliverable Obligations Portfolio is less than zero, no Deliverable Obligations will be required to be Delivered and the amount of the Deliverable Obligations Portfolio will be deemed to be zero. If an

obligation by its terms represents or contemplates an obligation to pay an amount greater than the Outstanding Principal Balance of such obligation as of the Delivery Date as a result of the occurrence or non-occurrence of an event or circumstance, the Outstanding Principal Balance of such obligation shall not include any additional amount that would be payable upon the occurrence or non-occurrence of such event or circumstance.

- 22.4. **“Delivery Date”** means, with respect to a Deliverable Obligation or an Asset Package, the date such Deliverable Obligation or Asset Package is Delivered (or deemed Delivered, as applicable), and, in circumstances where 2014 Credit Linked Condition 6.2 applies in respect of the 2014 Credit Linked Notes, with respect to an amount of cash comprised in the Deliverable Obligations Portfolio, the date on which such cash is paid.
- 22.5. **“Delivery Method”** has the meaning specified in the Applicable Pricing Supplement, or, if no such meaning is specified, shall mean, unless otherwise agreed between a Noteholder and the Issuer, that delivery to such Noteholder shall be to a securities account designated by such Noteholder.
- 22.6. **“Due and Payable Amount”** means the amount that is due and payable by the Reference Entity under the obligation whether by reason of maturity, acceleration, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts) less all or any portion of such amount which, pursuant to the terms of the obligation:
- 22.6.1. is subject to any Prohibited Action; or
  - 22.6.2. may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (i) payment or (ii) a Permitted Contingency),
- in each case, determined in accordance with the terms of the obligation in effect on either:
- 22.6.3. the NOPS Effective Date (or if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date); or
  - 22.6.4. the Valuation Date, as applicable.
- 22.7. **“Final Delivery Date”** means, in respect of a Physical Settlement Date, the final Delivery Date to occur with respect to Deliverable Obligations (or, where 2014 Credit

Linked Condition 6.9 applies in respect of the Notes, the amount of cash) comprised in the Deliverable Obligations Portfolio pertaining to such Physical Settlement Date.

22.8. **“Latest Permissible Physical Settlement Date”** means, in respect of 2014 Credit Linked Condition 6.4, the date that is 30 (thirty) calendar days after the Physical Settlement Date and, in respect of 2014 Credit Linked Condition 6.5, 2014 Credit Linked Condition 6.6 and 2014 Credit Linked Condition 6.7, the date that is 15 (fifteen) Business Days after the Physical Settlement Date (or, where “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation” applies, the Modified Restructuring Maturity Limitation Date).

22.9. **“Notice of Physical Settlement”**

22.9.1. Notice of Physical Settlement means a notice from Issuer that:

22.9.1.1. confirms that the Issuer will redeem the Notes (unless the Applicable Pricing Supplement provides for multiple Deliveries) and require performance in accordance with Physical Settlement as the CLN Settlement Method; and

22.9.1.2. contains a detailed description of each Deliverable Obligation that Issuer will, subject to 2014 Credit Linked Condition 6, Deliver to Noteholders, including, if available, the CUSIP or ISIN number (or, if such identifying number is not available, the rate and tenor) of each such Deliverable Obligation; and

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

22.9.2. The Issuer may, from time to time, notify the Noteholders in the manner specified above (each such notification, a **“NOPS Amendment Notice”**) that the Issuer is replacing, in whole or in part, one or more Deliverable Obligations specified in the Notice of Physical Settlement or a prior NOPS Amendment Notice, as applicable, (to the extent the relevant Deliverable Obligation has not been Delivered as of the date such NOPS Amendment

Notice is effective). A NOPS Amendment Notice shall contain a revised detailed description of each replacement Deliverable Obligation that the Issuer will, subject to 2014 Credit Linked Condition 6, Deliver to Noteholders (each, a **“Replacement Deliverable Obligation”**) and shall also specify the Outstanding Amount of each Deliverable Obligation identified in the Notice of Physical Settlement or a prior NOPS Amendment Notice, as applicable, that is being replaced (with respect to each such Deliverable Obligation, the **“Replaced Deliverable Obligation Outstanding Amount”**). The Outstanding Amount of each Replacement Deliverable Obligation identified in a NOPS Amendment Notice shall be determined by applying the Revised Currency Rate to the relevant Replaced Deliverable Obligation Outstanding Amount. The Outstanding Amount of the Replacement Deliverable Obligations specified in any NOPS Amendment Notice in aggregate with the Outstanding Amount of the Deliverable Obligations specified in the Notice of Physical Settlement or any earlier NOPS Amendment Notice which, in each case, are not being replaced must not be greater than the Aggregate Outstanding Amount. Each such NOPS Amendment Notice must be effective on or prior to the Physical Settlement Date (determined without reference to any change resulting from such NOPS Amendment Notice).

22.9.3. Notwithstanding the foregoing:

- 22.9.3.1. 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 Noteholders prior to the relevant Delivery Date; and
- 22.9.3.2. if Asset Package Delivery is applicable, the Issuer shall on the NOPS Effective Date, or as soon as reasonably practicable thereafter (but in any case prior to the Delivery Date), notify the Noteholders of the detailed description of the Asset Package, if any, that it intends to, subject to 2014 Credit Linked Condition 6, Deliver to the Noteholders in lieu of the Prior Deliverable Obligation or Package Observable Bond, if any, specified in the Notice of Physical Settlement or NOPS Amendment Notice, as applicable,

it being understood in each case that such notice of correction shall not constitute a NOPS Amendment Notice.

- 22.10. **“NOPS Effective Date”** means the date on which an effective Notice of Physical Settlement or NOPS Amendment Notice, as the case may be, is delivered by the Issuer.
- 22.11. **“Physical Settlement Date”** means the last day of the longest Physical Settlement Period following the NOPS Cut-off Date, as the Calculation Agent may designate in its reasonable discretion provided that if the Final Price has not been determined by the Business Day immediately preceding the Physical Settlement Date, the Physical Settlement Date shall be the first Business Day after the Final Price is determined. If all Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, are Delivered on or before the day so designated, the date that Delivery of such Deliverable Obligations is completed shall be deemed to be the Physical Settlement Date.
- 22.12. **“Physical Settlement Period”** means the number of Business Days specified as such in the Applicable Pricing Supplement or, if a number of Business Days is not so specified, 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 the Calculation Agent shall determine, provided, however, that, if the Issuer has notified the Paying Agent that it intends to Deliver an Asset Package in lieu of a Prior Deliverable Obligation or a Package Observable Bond, the Physical Settlement Period shall be 30 (thirty) Business Days.

## 23. **TERMS RELATING TO CURRENCIES**

- 23.1. **“Currency Amount”** means, with respect to:
- 23.1.1. a Deliverable Obligation specified in a Notice of Physical Settlement that is denominated in a currency other than the Settlement Currency, an amount converted into the Settlement Currency using a conversion rate determined by reference to the Currency Rate; and
- 23.1.2. a Replacement Deliverable Obligation specified in a NOPS Amendment Notice, an amount converted to the Settlement Currency (or, if applicable, back into the Settlement Currency) using a conversion rate determined by reference to the Currency Rate, if any, and each Revised Currency Rate used to convert each Replaced Deliverable Obligation Outstanding

Amount specified in each NOPS Amendment Notice with respect to the relevant portion of the applicable Nominal Amount into the currency of denomination of the relevant Replacement Deliverable Obligation.

23.2. **“Currency Rate”** means with respect to:

23.2.1. a Deliverable Obligation specified in the Notice of Physical Settlement, the rate of conversion between the relevant currency and the currency in which the Outstanding Amount of such Deliverable Obligation is denominated that is either (i) determined by reference to the Currency Rate Source as at the Next Currency Fixing Time or (ii) if such rate is not available at such time, as the Calculation Agent shall determine; and

23.2.2. a Replacement Deliverable Obligation specified in a NOPS Amendment Notice, the Revised Currency Rate,

provided, however, that if a Notice of Physical Settlement is delivered within 5(five) Business Days of an Auction Final Price Determination Date, the Issuer may elect to use the Auction Currency Rate (as defined in the Credit Derivatives Auction Settlement Terms) if such rate exists for the relevant currency pair, or if “Local Market Currency Rate” is specified with respect to a Series in the Applicable Pricing Supplement, then the Issuer may elect, instead of using the Currency Rate Source, to determine the Currency Rate by reference to quotes from four leading dealers at the next Currency Fixing Time. The highest and lowest quotes shall be discarded and the Calculation Agent shall take an average of the remaining to quotes. If it is not possible to obtain four quotes, then the Calculation Agent shall determine the rate acting in a commercially reasonable manner.

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

23.4. **“Next Currency Fixing Time”** means 4:00 p.m. (London time) on the London Business Day immediately following the date on which the Notice of Physical Settlement or relevant NOPS Amendment Notice, as applicable, is effective.

23.5. **“Revised Currency Rate”** means, with respect to a Replacement Deliverable Obligation specified in a NOPS Amendment Notice, the rate of conversion between the currency in which the Replaced Deliverable Obligation Outstanding Amount is denominated and the currency in which the Outstanding Amount of such Replacement Deliverable Obligation is denominated that is determined either (i) by reference to the

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

**Responsibility:**

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the placing document contains all information required by law, the Debt Listings Requirements and section 19 of the JSE Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in the placing document and the annual financial statements and/or the pricing supplements.

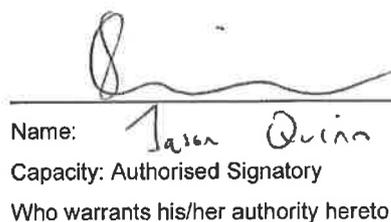
The JSE takes no responsibility for the contents of the placing document and the annual financial statements and/or\* the pricing supplements and/or\* the annual report of the issuer and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the placing document and the annual financial statements and/or\* the pricing supplements and/or\* the annual report of the issuer and any amendments or supplements to the aforementioned documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the placing document and listing of the debt securities is not to be taken in any way as an indication of the merits of the issuer or of the debt securities and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

SIGNED at JOHANNESBURG on this 7th day of NOVEMBER 2018

for and on behalf of

**ABSA BANK LIMITED**

  
Name: Garth Klintworth  
Capacity: Authorised Signatory  
Who warrants his/her authority hereto

  
Name: Jason Quinn  
Capacity: Authorised Signatory  
Who warrants his/her authority hereto

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**PRO FORMA APPLICABLE PRICING SUPPLEMENT – CREDIT LINKED NOTES**

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Below is the form of Applicable Pricing Supplement that will be completed for each Tranche of Credit Linked Notes issued under this Master Programme Memorandum and this Applicable Product Supplement.

**ABSA BANK LIMITED**

*(incorporated in the Republic of South Africa with limited liability under registration number 1986/004794/06)*

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Credit Linked Notes]**

**under its ZAR40,000,000,000 Master Structured Note Programme**

This Applicable Pricing Supplement must be read in conjunction with the Master Programme Memorandum and the Applicable Product Supplement for 2014 Credit Linked Notes, all dated on or about 7 November 2018 and approved by the JSE on 31 October 2018, prepared by Absa Bank Limited in connection with the Absa Bank Limited ZAR40,000,000,000 Master Structured Note Programme, as amended and/or supplemented from time to time (the “**Master Programme Memorandum**”) and the Applicable Product Supplement, dated on or about 7 November 2018, as amended and/or supplemented from time to time (the “**Applicable Product Supplement**”).

Any capitalised terms not defined in this Applicable Pricing Supplement have the meanings ascribed to them in Section II-A of the Master Programme Memorandum headed “*Terms and Conditions of the Notes*”, as amended by the Applicable Product Supplement.

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as replaced, amended and/or supplemented by the Applicable Product Supplement and/or this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the provisions of this Applicable Pricing Supplement and the provisions of the Master Programme Memorandum and/or the Applicable Product Supplement, the provisions of this Applicable Pricing Supplement will prevail.

This Applicable Pricing Supplement supersedes any previous pricing supplement, confirmation, term sheet or other communication with respect to the Notes referred to below.

**DESCRIPTION OF THE NOTES**

- |     |                               |                                                                                                                                                                                                                                                                 |
|-----|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  | Issuer                        | Absa Bank Limited                                                                                                                                                                                                                                               |
| 2.  | Applicable Product Supplement | [provide reference]                                                                                                                                                                                                                                             |
| 3.  | Status of Notes               | [Unsubordinated / Subordinated] and [unsecured / secured].<br><br>(The default status of the Notes under the Master Structured Note Programme is “unsubordinated and unsecured” per Condition 5 ( <i>Status of Notes</i> ) of the Master Programme Memorandum.) |
| 4.  | Listing                       | [Listed Notes / Unlisted Notes]                                                                                                                                                                                                                                 |
| 5.  | Issuance Currency             | [●]                                                                                                                                                                                                                                                             |
| 6.  | Rated                         | [Yes/No]<br><br>[If Yes: [●] Rating on the long-term [national] / [international] scale.                                                                                                                                                                        |
| 7.  | Rating Agency                 | [Moody's / Fitch / S&P / GCR]                                                                                                                                                                                                                                   |
| 8.  | Series Number                 | [●]                                                                                                                                                                                                                                                             |
| 9.  | Tranche Number                | [●]                                                                                                                                                                                                                                                             |
| 10. | Aggregate Nominal Amount:     |                                                                                                                                                                                                                                                                 |
|     | a) Series                     | [●]                                                                                                                                                                                                                                                             |
|     | b) Tranche                    | [●]                                                                                                                                                                                                                                                             |
| 11. | Interest                      | [Interest-bearing/Non-interest-bearing]                                                                                                                                                                                                                         |
| 12. | Interest Payment Basis        | [[Fixed Rate / Floating Rate / Zero Coupon / Index Linked / Dual Currency / Partly Paid / Instalment] Notes / other]                                                                                                                                            |
| 13. | Interest Payment Date(s)      | means [please insert the specific interest payment dates of each calendar year] or, if                                                                                                                                                                          |

such day is not a Business Day, the Business Day on which interest will be paid, as determined in accordance with the applicable Business Day Convention (as specified in the Applicable Pricing Supplement)

- |     |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 14. | Interest Period                                                                     | means each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period will commence on (and include) the interest commencement date and end on (but exclude) [the following Interest Payment Date/state specific Interest Payment Date] (each Interest Payment Date as adjusted in accordance with the applicable Business Day Convention) |
| 15. | Interest Rate Determination Date(s) or Reset Dates                                  | means [please insert the interest rate determination date/s or reset dates of each interest period for example, the auction date for the first Interest Period and thereafter the first business day of each Interest Period]                                                                                                                                                                                                                            |
| 16. | Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another | [insert details including date for conversion]                                                                                                                                                                                                                                                                                                                                                                                                           |
| 17. | Form of Notes                                                                       | [Registered Notes: [The Notes in this Tranche are issued in uncertificated form and held by the CSD]. [The Notes in this Tranche are issued in certificated form]].                                                                                                                                                                                                                                                                                      |
| 18. | Trade Date                                                                          | [•]                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 19. | Issue Date                                                                          | [•]                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 20. | Nominal Amount per Note                                                             | [•]                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 21. | Specified Denomination                                                              | [•]                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

22. Issue Price [●]
23. Interest Commencement Date [●]
24. Maturity Date [●]
25. Applicable Business Day Convention Floating Rate Business Day / Following Business Day / Modified Following Business Day / Preceding Business Day / other convention – insert details
26. Definition of Business Day (if different from that set out in Condition 1 (*Interpretation*)) [●]
27. Final Redemption Amount [●]
28. Last Date to Register [●]
29. Books Closed Period(s) The Register will be closed from [●] to [●] and from [●] to [●] (all dates inclusive) in each year until the Maturity Date
30. Default Rate [●]
31. Value of aggregate Nominal Amount of all Notes issued under the Master Structured Note Programme as at the Issue Date As at the date of this issue, the Issuer has issued Notes in the aggregate total amount of [●] under the Master Structured Note Programme.
- The aggregate Nominal Amount of all Notes issued under the Master Structured Note Programme as at the Issue Date, together with the aggregate Nominal Amount of this Tranche (when issued), will not exceed the Programme Amount.

#### **FIXED RATE NOTES**

32. a) Fixed Interest Rate [●] percent per annum [payable [annually / semi-annually / quarterly] in arrear]

- b) Fixed Interest Payment Date(s) [●] in each year up to and including the Maturity Date / other
- c) Fixed Coupon Amount(s) [●] per [●] in Nominal Amount
- d) Initial Broken Amount [●]
- e) Final Broken Amount [●]
- f) Determination Date(s) [●] in each year
- g) Day Count Fraction [●]
- h) Any other terms relating to the particular method of calculating interest [●]

#### FLOATING RATE NOTES

- 33. (a) Floating Interest Payment Date(s) [●]
- (b) Minimum Interest Rate [●] percent per annum
- (c) Maximum Interest Rate [●] percent per annum
- (d) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision) [●]
- (e) Manner in which the Interest Rate is to be determined [ISDA Determination / Screen Rate Determination/other – insert details]
- (f) Margin [[●] basis points to be added to / subtracted from the relevant ISDA Rate / Reference Rate]
- (g) If ISDA Determination:
  - (i) Floating Rate [●]
  - (ii) Floating Rate Option [●]
  - (iii) Designated Maturity [●]
  - (iv) Reset Date(s) [●]

- (v) ISDA Definitions to apply [●]
- (h) If Screen Determination:
  - (i) Reference Rate (including relevant period by reference to which the Interest Rate is to be calculated) [●]
  - (ii) Interest Rate Determination Date(s) [●]
  - (iii) Relevant Screen Page and Reference Code [●]
- (i) If Interest Rate to be calculated otherwise than by ISDA Determination or Screen Determination, insert basis for determining Interest Rate/Margin/Fallback provisions [●]
- (j) Calculation Agent responsible for calculating amount of principal and interest [●]

#### ZERO COUPON NOTES

- 34. (a) Implied Yield [●]
- (b) Reference Price Per cent [NACA] [NACM] [NACQ] [NACS] [other method of compounding]
- (c) Any other formula or basis for determining amount(s) payable [●]

#### INSTALMENT NOTES

- 35. (a) Instalment Dates [●]

- (b) Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes) [●]

#### **PARTLY PAID NOTES**

- 36. (a) Amount of each payment comprising the Issue Price [●]
- (b) Dates upon which each payment is to be made by Noteholder [●]
- (c) Consequences (if any) of failure to make any such payment by Noteholder [●]
- (d) Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments [●]

#### **MIXED RATE NOTES**

- 37. (a) Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for:
  - (i) Fixed Rate Notes [●]
  - (ii) Floating Rate Notes [●]
  - (iii) Index Linked Notes [●]
  - (iv) Dual Currency Notes [●]
  - (v) Other Notes [●]
- (b) The interest rate and other pertinent details are set out under the headings relating to the applicable forms of Notes

**INDEX LINKED NOTES**

- |     |     |                                                                                         |                                                            |
|-----|-----|-----------------------------------------------------------------------------------------|------------------------------------------------------------|
| 38. | (a) | Type of Index Linked Notes                                                              | [Indexed Interest Notes / Indexed Redemption Amount Notes] |
|     | (b) | Name of Index Calculator                                                                | [•]                                                        |
|     | (c) | Code                                                                                    | [•]                                                        |
|     | (d) | Currency                                                                                | [•]                                                        |
|     | (e) | Index Sponsor                                                                           | [•]                                                        |
|     | (f) | Authority from Index Sponsor to use index                                               | [•]                                                        |
|     | (g) | Highs and lows of Index for last five years                                             | [•]                                                        |
|     | (h) | Closing price at last practicable date                                                  | [•]                                                        |
|     | (i) | Index/Formula by reference to which Interest Rate / Interest Amount is to be determined | [•]                                                        |
|     | (j) | Manner in which the Interest Rate / Interest Amount is to be determined                 | [•]                                                        |
|     | (k) | Interest Period(s)                                                                      | [•]                                                        |
|     | (l) | Interest Payment Date(s)                                                                | [•]                                                        |
|     | (m) | [Base CPI for Indexed-Linked Notes]                                                     | [•]                                                        |
|     | (n) | Calculation Agent                                                                       | [•]                                                        |

[Please note: if the performance of an instrument relates to the performance of an index and/or the calculation thereof, the index Calculation Agent for Debt Securities must be registered as such with the JSE – paragraph 4.11(j) of the JSE Debt Listings Requirements.]

- (o) Provisions where calculation by [•]  
reference to Index and/or Formula is  
impossible or impracticable
- (p) Minimum Interest Rate [•] percent per annum
- (q) Maximum Interest Rate [•] percent per annum
- (r) Other terms relating to the method of [•]  
calculating interest (e.g.: Day Count  
Fraction, rounding up provision)
- (s) Other terms relating to Index Linked [•]  
Notes *[Please note: Additional JSE requirements  
may be applicable if Index Linked Notes are  
issued. See the JSE guidelines for Acceptable  
Index Providers and section 19 of the JSE  
Listings Requirements]*
- (t) Any changes to the index [•]  
methodology will be published on  
SENS and communicated to the JSE.
- (u) All other changes as detailed in the [•]  
ground rules document will be  
published on the index calculator's  
website
- (v) The level of the index is published [Daily/Monthly]
- (w) The level of the index will be [Insert website addresses]  
published on the website
- (x) Indices underlying the index being [•]  
referenced
- (y) The level of each of the indices [•]  
underlying the index being  
referenced is published
- (z) The level of each of the indices [•]  
underlying the index being

referenced will be published on the website

#### DUAL CURRENCY NOTES

39. (a) Type of Dual Currency Notes [Dual Currency Interest / Dual Currency Redemption Amount] Notes
- (b) Rate of Exchange/method of calculating Rate of Exchange [●]
- (c) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable [●]
- (d) Person at whose option Issuance Currency(ies) is/are payable [●]

#### EXCHANGEABLE NOTES

40. (a) Mandatory Exchange applicable [Yes/No]
- (b) Noteholders' Exchange Right applicable [Yes/No]
- (c) Exchange Securities [●]
- (d) Manner of determining Exchange Price [●]
- (e) Exchange Period [●]
- (f) Other [●]

#### OTHER NOTES

41. If the Notes are not Partly Paid Notes, Instalment Notes, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Index Linked Notes, Dual Currency Notes, Exchangeable Notes or Zero Coupon Notes or if the Notes are a combination of any of the foregoing, [●]

set out the relevant description and any additional Terms and Conditions, approved by the JSE, relating to such Notes.

<b>CREDIT LINKED NOTES</b>	[applicable / not applicable]
42. (a) Type of Credit Linked Note	[Single Name CLN / Nth-to-Default CLN / Portfolio CLN / other ( <i>specify</i> )]
(b) Issuing entity of the reference obligation	[•]
(c) Calculation Agent City	[As set out in the 2014 Credit Linked Conditions / other ( <i>specify</i> )]
(d) Extension interest	[applicable / not applicable]
<i>Credit Provisions</i>	
(e) [Reference Entit(y)/(ies)] (together with the related Reference Obligation(s), Obligation(s) and/or Deliverable Obligation(s) thereof, as applicable, each a “ <b>Reference Asset</b> ”)	[•]  [For Portfolio CLN, set out the Reference Portfolio (Reference Entity, Reference Obligation, Transaction Type, Reference Entity Notional Amount, whether Monoline Provisions applicable) in an annex – As set out in Annex 1]
(f) Standard Reference Obligation(s)	[Applicable. [As of the Issue Date, the obligation identified as follows:]] / [N/A]  Primary Obligor: [•] Guarantor: [•] Maturity: [•] Coupon: [•] CUSIP/ISIN: [•]
(g) Seniority Level:	[Senior Level] / [Subordinated Level]( <i>if using Annex 1, delete rest of sub-paragraph</i> )
(h) Reference Obligation(s):	[As set out in Annex 1] ( <i>if using Annex 1 delete the rest of this paragraph</i> )

Primary Obligor:

Guarantor:

Maturity:

Coupon:

CUSIP/ISIN:

(i) Transaction Type [Standard North American Corporate] / [Standard European Corporate] / [Other *(specify)*]

(j) Deliverable Obligations [As set out in [the] Annex [2]]

Deliverable Obligation Category (*select one only*) [As set out in [the] Annex [2]]

[Payment]

[Borrowed Money]

[Reference Obligations Only]

[Bond]

[Loan]

[Bond or Loan]

Deliverable Obligation Characteristics (*select all of which apply*) [As set out in [the] Annex [2]]

[Not Subordinated]

[Specified Currency: Standard Specified Currencies]

[Assignable Loan]

[Consent Required Loan]

[Transferable]

[Maximum Maturity: [30] years]

[Not Bearer]

[Not Sovereign Lender]

[Not Domestic Currency]

[Domestic Currency means: (*specify currency if different from 2014 Credit Linked Conditions*)]

[Not Domestic Law]

[Domestic Law means: (*specify law if different from 2014 Credit Linked Conditions*)]

[Listed]

[Not Domestic Issuance]

[Direct Loan Participation]

[Accelerated or Matured]

(k) Excluded Deliverable Obligations [●] / [None]

(l) All Guarantees [applicable / not applicable / As set out in [the] Annex [2]]

*Terms relating to Credit Events*

(m) Credit Events [As set out in [the] Annex [2]]

[Bankruptcy]

[Failure to Pay]

[Grace Period Extension: [applicable / not applicable]]

[Grace Period: [●] (*specify if not the fallback definition in the 2014 Credit Linked Conditions*)]

[Obligation Default]

[Obligation Acceleration]

[Repudiation/Moratorium]

[Governmental Intervention]

[Restructuring]

[Mod R: [applicable / not applicable]]

[Mod Mod R [applicable / not applicable]]

[Multiple Holder Obligation [applicable / not applicable]]

[Other (*specify*)]

- (n) For Nth-to-Default CLNs only, specify N
- (o) Default Requirement  (*Specify if not the fallback definition in the 2014 Credit Linked Conditions*)
- (p) Payment Requirement  (*Specify if not the fallback definition in the 2014 Credit Linked Conditions*)
- (q) Financial Reference Entity Terms [applicable / not applicable]
- (r) Notice of Publicly Available Information [applicable / not applicable]
- (s) Obligation(s)
 

<b>Obligation Category (Select only one):</b>	<b>Obligation Characteristics (Select all that apply):</b>
[As set out in respect of the applicable Transaction Type in Annex 2]	[As set out in respect of the applicable Transaction Type in Annex 2]
<input type="checkbox"/> Payment	<input type="checkbox"/> Not Subordinated
<input type="checkbox"/> Borrowed Money	<input type="checkbox"/> Specified Currency:

- [Standard/Other  
(Specify)]
- [•] Reference Obligations Only [•] Not Sovereign Lender
- [•] Bond [•] Not Domestic Currency [Domestic Currency means [•] (Specify currency if different from 2014 Credit Linked Conditions)]
- [•] Loan [•] Not Domestic Law [Domestic Law means: (specify law if different from 2014 Credit Linked Conditions)]
- [•] Bond or Loan [•] Listed
- [•] Not Domestic Issuance
- (t) Additional Obligation(s) [•]
- (u) Excluded Obligation(s) [None]
- (v) Subordinated European Insurance Terms [applicable / not applicable]

*Terms relating to settlement following a Credit Event*

- (w) CLN Settlement Method [Cash Settlement] / [Physical Settlement] / [Auction Settlement]
- (x) Fallback CLN Settlement Method [Physical Settlement / Cash Settlement]
- (y) Issuer CLN Settlement Option [applicable / not applicable]

- (z) Terms Relating to Cash Settlement: [applicable / not applicable] *(If not applicable, delete the rest of this sub-paragraph)*
- Credit Event Redemption Amount [[•] *(Specify amount, formula or method for determination)*]
- Credit Event Redemption Date [Five] Business Days
- CLN Valuation Date [Single CLN Valuation Date]
- [Multiple CLN Valuation Dates: [•] Business Days; and each [•] Business Days]
- CLN Valuation Time [As specified in the 2014 Credit Linked Conditions / Other *(Specify)*]
- Quotation Method [Bid / Offer / Market]
- Quotation Amount [As specified in the 2014 Credit Linked Conditions / Other *(Specify)*]
- Minimum Quotation Amount [As specified in the 2014 Credit Linked Conditions]
- Valuation Method [Highest / Lowest / Market]
- Accrued Interest [Applicable / Not Applicable]
- (aa) Terms Relating to Physical Settlement: [Applicable / Not Applicable] *(If not applicable, delete the rest of this sub-paragraph)*
- (1) Physical Settlement Period [[•] Business Days / As set out in the 2014 Credit Linked Conditions]
- [Include Accrued Interest / Excluded Interest]
- (2) Partial Cash Settlement due to Impossibility or Illegality [applicable / not applicable]

- (3) Partial Cash Settlement of Consent Required Loans [applicable / not applicable]
- (4) Partial Cash Settlement of Assignable Loans [applicable / not applicable]
- (5) Partial Cash Settlement of Participations [applicable / not applicable]
- (6) Delivery provisions for Entitlement if different from stated above [applicable / not applicable]
- (7) Local Market Currency Rate [applicable / not applicable]
- (8) Asset Package Delivery [applicable / not applicable]
- (bb) Valuation Date [[•] / not applicable]
- (cc) Valuation Time [[•] / not applicable]
- (dd) 60 Business Day Cap on Settlement [applicable / not applicable]
- (ee) The following constitute Additional Disruption Event(s) in respect of 2014 Credit Linked Notes [•]
- (ff) Other Provisions [•]

#### **PROVISIONS REGARDING REDEMPTION/MATURITY**

43. Redemption at the option of the Issuer: [Yes/No]

If yes:

- (a) Optional Redemption Date(s) [•]
- (b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) [•]

- (c) Minimum period of notice (if different from Condition 8.3 (*Redemption at the Option of the Issuer*)) [●]
- (d) If redeemable in part: [●]  
 Minimum Redemption Amount(s) [●]  
 Higher Redemption Amount(s) [●]
- (e) Other terms applicable on Redemption In respect of all Notes which will be automatically redeemed on the occurrence of a trigger event, the early redemption date of the Notes will be a minimum of 5 (five) business days after the date on which the trigger event occurred. Such early redemption date will be announced on SENS in accordance with the timetable set out in paragraph 3 of Schedule 4, Form A4 of the JSE Debt Listings Requirements.

For the purposes of this item, “**trigger event**” means an event that precipitates an automatic redemption in relation to the Notes.

- i) Redemption at the Option of Noteholders: [Yes/No]

If yes:

- (a) Optional Redemption Date(s) [●]
- (b) Optional Redemption Amount(s) [●]
- (c) Minimum period of notice (if different from Condition 8.4 (*Redemption at the Option of Noteholders*)) [●]
- (d) If redeemable in part:  
 Minimum Redemption Amount(s) [●]

Higher Redemption Amount(s)

(e) Other terms applicable on Redemption

(f) Attach pro forma put notice(s)

j) Early Redemption Amount(s) [Yes/No]  
payable on redemption for  
taxation reasons, Change in Law  
or on Event of Default (if  
required).

If an amount other than the Early Redemption  
Amount is payable on redemption for taxation  
reasons, Change in Law or on Event of  
Default [only complete if "no" elected in item j)  
above]:

(a) Amount payable; or

(b) Method of calculation of amount payable

#### **GENERAL**

44. Financial Exchange

45. Calculation Agent

46. Specified Office of the Calculation Agent

47. Paying Agent

48. Specified Office of the Paying Agent

49. Transfer Agent

50. Specified Office of the Transfer Agent

51. Settlement Agent

52. Specified Office of the Settlement Agent

53. Provisions relating to stabilisation [●]
54. Stabilising manager [●]
55. Procedure to be followed in the event of an exercise of a security [●]
56. Procedure in the event that a Noteholder fails to exercise its rights prior to the expiry date [●]
57. If the issuer provides a cash payment where any one of the Note holders fail to exercise their rights prior to the Expiry Date, a statement that payment will be made through the CSD or the relevant Participant on the Payment Date [●]
58. How corporate actions in the underlying asset/assets or affecting the underlying asset/assets will influence the rights of Note holders [●]
59. Whether or not the Note holders will receive any distributions receivable on the underlying assets and frequency thereof [●]
60. Additional selling restrictions [●]
61. ISIN No. [●]
62. Stock Code [●]
63. Method of distribution [*Dutch auction or other*]
64. If syndicated, names of Managers [●]
65. If non-syndicated, name of Dealer [●]
66. Governing law (if the laws of Republic of South Africa are not applicable) [●]
67. Use of proceeds [●]

68. Covenants/Negative Pledge [●]
69. Other provisions In respect of Notes listed on the Main Board, any applicable corporate actions will be carried out in accordance with the Main Board timetable
70. Issuer Rating and issue date [●] / [●]
71. Programme Rating and issue date [●] / [●]
72. Notes Rating and issue date [●] / [●]
73. Date of Rating review [●]
74. Rating Agency [●]
75. Issuer's Annual Financial Statements are available on the Issuer's website: absa.co.za
76. Material Change Statement As at the date of this Applicable Pricing Supplement, after due and careful enquiry, there has been no material change in the financial or trading position of the Issuer and/or any of its subsidiaries since the date of the Issuer's latest audited consolidated financial statements. As at the date of this Applicable Pricing Supplement, there has been no involvement by the auditors in making the aforementioned statement.
77. Any changes in the terms of the Notes must be approved by extraordinary resolution, excluding the votes of the issuer, any guarantor and their associates [●]
78. Debt Listing Requirements In accordance with section 4.22 of the JSE Debt Listing Requirements, the Issuer hereby confirms that the Programme Amount has not been exceeded at the time of the issuing of the Notes.

**Responsibility:**

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the pricing supplement contains all information required by law, the Debt Listings Requirements and section 19 of the JSE Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in the placing document and the annual financial statements and/or the pricing supplements.

The JSE takes no responsibility for the contents of the placing document and the annual financial statements and/or\* the pricing supplements and/or\* the annual report of the issuer and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the placing document and the annual financial statements and/or\* the pricing supplements and/or\* the annual report of the issuer and any amendments or supplements to the aforementioned documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the placing document and listing of the debt securities is not to be taken in any way as an indication of the merits of the issuer or of the debt securities and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

Application [is hereby]/[will not be] made to list this issue of Notes on [●].

SIGNED at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 20[●]

for and on behalf of

**ABSA BANK LIMITED**

\_\_\_\_\_  
Name:

Capacity: Authorised Signatory

Who warrants his/her authority hereto

\_\_\_\_\_  
Name:

Capacity: Authorised Signatory

Who warrants his/her authority hereto

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