APPLICABLE PRICING SUPPLEMENT (NBK19A)

NEDBANK LIMITED

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

ZAR50,000,000,000 DOMESTIC MEDIUM TERM NOTE PROGRAMME

issue of ZAR280,000,000 Unsubordinated 9.64% Fixed Rate Notes due 1 June 2022

General

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

This Applicable Pricing Supplement (including Annexure "A" to this Applicable Pricing Supplement headed "*Risk Factors and South African Taxation*") must be read in conjunction with the Consolidated Programme Memorandum, dated 24 May 2010, as supplemented by the Supplement, dated 3 June 2011, and as further amended and/or supplemented from time to time ("**Programme Memorandum**") prepared by Nedbank Limited ("**Issuer**") in connection with the Nedbank Limited ZAR50,000,000,000 Domestic Medium Term Note Programme ("**Programme**").

The Consolidated Programme Memorandum, dated 24 May 2010, was approved by the JSE Limited ("**JSE**") on or about 24 May 2010.

References in this Applicable Pricing Supplement to the "**Ordinary Conditions**" are to the section of the Programme Memorandum headed "*Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes*". References to any Condition in this Applicable Pricing Supplement are to that Condition of the Ordinary Conditions. Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the Ordinary Conditions.

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

JSE Debt Listings Requirements

References to the "**JSE Debt Listings Requirements**" in this Applicable Pricing Supplement are to the JSE Debt Listings Requirements published by the JSE and set out in Bulletin 1 of 2014 (13 January 2014), as amended by Board Notice 138 of 2014 published in *Government Gazette* No. 38224 of 21 November 2014, and as further amended and/or supplemented from time to come. Board Notice 138 of 2014 came into effect on 22 December 2014.

Amendments to the Banks Act, 1990

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

References to the "**Regulations Relating to Banks**" in this Applicable Pricing Supplement are to the Regulations Relating to Banks (which came into operation on 1 January 2013) published as No. R. 1029 in *Government Gazette* No. 35950 of 12 December 2012, as amended, with effect from 1 April 2015, by Government Notice No R. 261 published in *Government Gazette* No. 38616, dated 27 March 2015, as further supplemented and/or amended from time to time.

The Regulations Relating to Banks provide, among other things, for the partial implementation of the Basel III Accord in South Africa and the requirements with which specified categories of instruments and/or shares ("**Capital Instruments**") must comply in order for the proceeds of the issue thereof to qualify for inclusion in the regulatory capital of banks.

Risk Factors and South African Taxation

The section of the Programme Memorandum headed "*Risk Factors*" ("**Risk Factors**") sets out certain investment considerations and risks.

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

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

A.	**DESCRIPTION OF THE NOTES**	
1.	Issuer	Nedbank Limited
2.	Tranche Number	19
3.	Series Number	3
4.	Status of Notes	Unsubordinated Notes (see Condition 5.1 (*Status of the Unsubordinated Notes*))
5.	Form of Notes	Registered Notes The Notes in this Tranche are issued in uncertificated form and will be held in the Central Securities Depository. Notwithstanding anything to the contrary contained in the Ordinary Conditions: 1. While a Tranche of Notes is held in its entirety in the Central Securities Depository, the Central Securities Depository will be named in the Register as the sole Noteholder of the Notes in that Tranche. 2. Only the Central Securities Depository's Nominee (in the case of Notes held in the Central Securities Depository) and Noteholders named in the Register at 17h00 (South African time) on the Last Day to Register (in the case of Notes represented by Individual Certificates) will be entitled to payments of interest and/or principal in respect of the Notes. 3. Payments of all amounts due and payable in respect of Notes will be made, in accordance with Condition 10 (*Payments*), to the Central Securities Depository's Nominee (in the case of Notes held in the Central Securities Depository) or to the person named as the registered Noteholder of Notes in the Register at 17h00 (South African time) on the Last Day to Register (in the case of Notes represented by Individual Certificates).
6.	Type of Notes	Fixed Rate Notes
7.	Security	Unsecured
8.	Issue Date/Settlement Date	1 June 2015
9.	Issue Price	100%
10.	Interest Basis	Fixed Rate Note Provisions (see Condition 8.1 (*Fixed Rate Note Provisions*))
11.	Redemption/Payment Basis	Redemption at par
12.	Change of Interest or Redemption/ Payment Basis	Not Applicable
13.	Aggregate Principal Amount of this Tranche	ZAR280,000,000
14.	Specified Denomination (Principal Amount per Note)	ZAR1,000,000
15.	Calculation Amount	ZAR1,000,000
16.	Specified Currency	ZAR
B.	**PROGRAMME AMOUNT**	
1.	Programme Amount as at the Issue Date	ZAR50,000,000,000
2.	Aggregate outstanding Principal Amount of all of the Notes issued under the Programme as at the Issue	ZAR35,017,000,000, excluding the aggregate Principal Amount of this Tranche and any other Tranches of Notes issued on the Issue Date specified in Item A(8)

	Date	above.
3.	Issuer confirmation as to Programme Amount	The Issuer confirms that the issue of this Tranche will not cause the Issuer to exceed the Programme Amount.
C.	**FIXED RATE NOTE PROVISIONS**	
1.	Rate of Interest	The Notes in this Tranche will bear interest at the Fixed Rate of Interest per annum (nominal annual compounded semi-annually) equal to 9.64% for the period from and including the Interest Commencement Date to but excluding the Redemption Date.
2.	Interest Commencement Date	1 June 2015.
3.	Interest Payment Dates	Semi-annually in arrear on, subject to Item C(8) below, 1 December and 1 June of each year until the Redemption Date.
4.	First Interest Payment Date	1 December 2015.
5.	Interest Periods	The first Interest Period shall commence on (and include) the Interest Commencement Date and end on (but exclude) the first Interest Payment Date. Thereafter, each successive Interest Period shall commence on (and include) the immediately preceding Interest Payment Date and end on (but exclude) the immediately following Interest Payment Date; provided that the final Interest Period shall end on (but exclude) the Redemption Date.
6.	Fixed Coupon Amount	ZAR96,400.00 per Calculation Amount
7.	Day Count Fraction	Actual/365
8.	Business Day Convention	Modified Following Business Day Convention
9.	Interest step-up	Not Applicable
10.	Broken Amount(s)	Not Applicable
11.	Other terms relating to the method of calculating interest for Fixed Rate Notes	Not Applicable
D.	**REDEMPTION**	
1.	Maturity Date	1 June 2022
2.	Prior approval of the Registrar of Banks required for redemption	No
3.	Call Option	Not Applicable
4.	Put Option	Not Applicable
5.	Final Redemption Amount	The aggregate Principal Amount plus interest accrued (if any) to the Maturity Date.
6.	Early Redemption Amount (Regulatory)	Not Applicable
7.	Early Redemption Amount (Tax)	The aggregate Principal Amount plus interest accrued (if any) to the date fixed for redemption in terms of Condition 9.2.1 (*Redemption for tax reasons*).
8.	Early Termination Amount	The aggregate Principal Amount plus interest accrued (if any) to the date fixed for redemption in terms of Condition 12.1 (*Events of Default relating to Unsubordinated Notes*).
9.	Other terms applicable on redemption	Subject to Item D(10) below, not applicable
10.	***Purchase, cancellation and voting rights:***	Item D(10)(a) below shall replace Condition 9.10 *(Purchase)* in its entirety. Item D(10)(b) below shall replace Condition 9.11 (*Cancellation*) in its entirety.

		The definition of **"Voter"** in Condition 1.1 (*Definitions*) and the provisions of Condition 18.14 (*Votes*) shall, on and with effect from the Issue Date, be amended to the extent set out in Item D(10)(c) below.
(a)	Purchase	The Issuer or any of its Subsidiaries may at any time purchase Unsubordinated Notes (including this Tranche), in the open market or otherwise and at any price. In the event of the Issuer purchasing Unsubordinated Notes (including this Tranche), such Unsubordinated Notes (including this Tranche) may (subject to the restrictions of any Applicable Law) be held, resold or, at the option of the Issuer, cancelled. Unsubordinated Notes (including this Tranche) purchased by any of the Issuer's Subsidiaries may be held or resold.
(b)	Cancellation	All Unsubordinated Notes (including this Tranche) which are redeemed or purchased by the Issuer and, at the option of the Issuer, cancelled (as contemplated in Item D(10)(a) above) will forthwith be cancelled and may not be re-issued or resold.
(c)	Voting rights	On and with effect from the Issue Date, the definition of **"Voter"** in Condition 1.1 (*Definitions*) shall exclude the Issuer and each of its Subsidiaries and, for purposes of Condition 18.14 (*Votes*), neither the Issuer nor any of its Subsidiaries shall have any voting rights in respect of any Unsubordinated Notes (including this Tranche) purchased (and held) by them on or after the Issue Date.
11.	***Amendments to the Ordinary Conditions:***	In terms of the JSE Debt Listings Requirements, among other things, those provisions of the Ordinary Conditions which provide for amendments to the Ordinary Conditions must comply with the prescribed provisions of Rule 7.12 of the JSE Debt Listings Requirements. This Item D(11) below shall replace Condition 19 *(Amendments)* in its entirety. Amendments 1. The Issuer may effect, without the consent of any Noteholder and/or the JSE, any amendment to the Applicable Terms and Conditions (including any of the Ordinary Conditions) which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of South Africa (including, without limitation, all Applicable Laws and the Applicable Procedures). 2. Save as is provided in paragraph 1 above, no amendment to any of the Applicable Terms and Conditions (including any of the Ordinary Conditions) of any Tranche of Notes may be effected unless (i) the proposed amendment is first approved by the JSE and, after having obtained the approval of the JSE to the proposed amendment, (ii) the proposed amendment is in writing and signed by or on behalf of the Issuer and (iii): a) if the proposed amendment is an amendment to any of the Applicable Terms and Conditions (including any of the Ordinary Conditions) which are applicable to all of the Notes, (i) the proposed amendment is approved by an Extraordinary Resolution of all of the Noteholders (provided that the relevant Extraordinary Resolution shall be passed within 15 (fifteen) Business Days after the proposed amendment is submitted to the Noteholders in terms of paragraph 3 below) or (ii) the written resolution containing the proposed amendment is signed by or on behalf of Noteholders holding not less than 75% of the aggregate Outstanding Principal Amount of all of the Notes (provided that the relevant written resolution shall be signed within 15 (fifteen) Business Days after the proposed amendment is submitted to the Noteholders in terms of paragraph 3 below), as the case may be; b) if the proposed amendment is an amendment to any of the Applicable Terms and Conditions (including any of the Ordinary Conditions) which are applicable only to certain Tranche/s of Notes, (i) the proposed

		amendment is approved by an Extraordinary Resolution of the relevant Group/s of Noteholders (provided that the relevant Extraordinary Resolution shall be passed within 15 (fifteen) Business Days after the proposed amendment is submitted to the Noteholders in terms of paragraph 3 below) or (ii) the written resolution containing the proposed amendment is signed by or on behalf of Noteholders in the relevant Group/s of Noteholders holding not less than 75% of the aggregate Outstanding Principal Amount of all of the Notes in the relevant Group/s (provided that the relevant written resolution shall be signed within 15 (fifteen) Business Days after the proposed amendment is submitted to the Noteholders in terms of paragraph 3 below), as the case may be. 3. After having obtained the approval of the JSE to a proposed amendment to the Applicable Terms and Conditions (including any of the Ordinary Conditions) to be effected in terms of paragraph 2 above, the Issuer shall (in the manner set out in Condition 20 (*Notices*)) notify all of the Noteholders or the relevant Group/s of Noteholders (as applicable) of such proposed amendment. Such notice shall (i) include the written resolution setting out such proposed amendment, (ii) the restrictions on voting under the Ordinary Conditions, (iii) the last date on which all of the Noteholders or the relevant Group/s of Noteholders (as applicable) should return the signed written resolution, and the address to which the signed written resolution should be sent. 4. Any amendment to the Applicable Terms and Conditions (including any of the Ordinary Conditions) effected in terms of this Item D(11) above will be binding on (as applicable) all of the Noteholders or the relevant Group/s of Noteholders, and such amendment will be notified to such Noteholders (in the manner set out in Condition 20 (*Notices*)) as soon as practicable thereafter.
E.	**AGENTS AND SPECIFIED OFFICES**	
1.	Calculation Agent	Nedbank Limited
2.	Specified Office of the Calculation Agent	Third Floor Block F, 135 Rivonia Road, Sandown, Sandton, 2196, Republic of South Africa
3.	Paying Agent	Nedbank Investor Services, a division of Nedbank Limited
4.	Specified Office of the Paying Agent	Braampark Forum IV, 2nd Floor, 33 Hoofd Street, Braamfontein, 2001, Republic of South Africa
5.	Transfer Agent	Computershare Investor Services (Proprietary) Limited
6.	Specified Office of the Transfer Agent	Ground Floor, 70 Marshall Street, Johannesburg, 2001, South Africa
F.	**REGISTER CLOSED**	
1.	Last Day to Register	Up until 17h00 (South African time) on 25 November and 26 May of each year until the Redemption Date being, in each instance, the last date on which the Transfer Agent will accept Transfer Forms and record in the Register the transfer of Notes represented by Certificates.
2.	Register Closed Period	The Register will be closed during the 5 days preceding each Interest Payment Date and the Redemption Date from 17h00 (South African time) on the Last Day to Register until 17h00 (South African time) on the day preceding the Interest Payment Date and the Redemption Date, being the period during which the Register is closed for purposes of giving effect to transfers, redemptions or payments in respect of this Tranche.
3.	Books Closed Dates	26 November and 27 May of each year until the Redemption Date.
G.	**GENERAL**	
1.	Additional selling restrictions	Not Applicable

2.	International Securities Numbering (ISIN)	ZAG000126756
3.	Stock Code Number	NBK19A
4.	Financial Exchange	The Interest Rate Market of the JSE Limited
5	Debt Sponsor	Nedbank Limited
6.	Dealer	Nedbank Limited
7.	Stabilisation Manager	Not Applicable
8.	Method of distribution	Method of Distribution set out under "*Auction and Allocation Policy*" in the Term Sheet, dated 26 May 2015, prepared by Nedbank Limited and sent to potential investors for purposes of placing the Notes in this Tranche
9.	Bookbuild and Allocation Policy	Dutch Auction (sealed bid without feedback)
10.	Pricing Methodology	Not Applicable
11.	Credit rating assigned to this Tranche of Notes as at the Issue Date	Not Applicable
12.	Credit rating of the Issuer as at the Issue Date	As at the Issue Date, the Issuer has a domestic long-term credit rating of (i) AA(zaf) from Fitch Southern Africa (Proprietary) Limited last reviewed on 18 July 2014 (and expected to be reviewed in late June 2015), (ii) A1.za from Moody's Investor Services Limited last reviewed on 11 November 2014 (and expected to be reviewed in late June 2015) and (iii) zaAA from Standard & Poor's last reviewed on 1 July 2014 (and expected to be reviewed in July 2015).
13.	Governing law	South African law
14.	Other banking jurisdiction	Not Applicable
15.	Use of proceeds	The proceeds of the issue of this Tranche of Notes will be used by the Issuer for its general corporate purposes.

The Issuer accepts full responsibility for the information contained in the Programme Memorandum (as read with Annexure "A"), this Applicable Pricing Supplement, the annual financial statements of the Issuer and any amendments to such annual financial statements and each supplement to the Programme Memorandum published by the Issuer from time to time (except as otherwise stated therein).

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

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

Application is hereby made to list Tranche 19 of Series 3 of the Notes on the Interest Rate Market of JSE Limited, as from 1 June 2015, pursuant to the Nedbank Limited ZAR50,000,000,000 Domestic Medium Term Note Programme.

NEDBANK LIMITED

By: _____
duly authorised P.LANE
Date: 29 May 2015

By: _____
duly authorised
Date: 29 May 2015

ANNEXURE A: RISK FACTORS AND SOUTH AFRICAN TAXATION

Any capitalised terms not defined in this Annexure "A" shall have the meanings ascribed to them in the Applicable Pricing Supplement.

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

SUPPLEMENTED RISK FACTORS

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

The Issuer believes that the factors outlined in this Section below may, in addition to the Risk Factors (as supplemented by this Section), affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. The value of the Notes could decline due to any of these risks, and investors may lose some or all of their investment.

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

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

BASEL III ACCORD

General

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

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

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

Circulars, guidance notes and directives

Basel III, the Regulations Relating to Banks and the fact that the Banks Act has only recently been amended to provide for the full implementation of the Basel III Accord in South Africa, have introduced a number of uncertainties (see "*Uncertainties*" below).

The Relevant Authority has endeavoured to address these uncertainties by issuing, on a periodic basis, circulars, guidance notes and directives in terms of section 6 of the Banks Act.

In terms of section 6(4) of the Banks Act, the Relevant Authority may from time to time "*by means of a circular furnish banks ... with guidelines regarding the application and interpretation of the provisions of [the Banks] Act*". Section 6(4) of the Banks Act provides that the Relevant Authority may from time to time "*by means of a guidance note furnish banks .... with information in respect of market practices or market or industry developments within or outside [South Africa]*". In terms of section 6(6)(a) of the Banks Act, the Relevant Authority may from time to time "*after consultation with the relevant bank ....., issue a directive to such a bank ...., either individually or collectively, regarding the application of the [Banks] Act*".

Main changes

The main changes under Basel III are summarised as follows:

- Basel III provides for tighter definitions of what constitutes acceptable regulatory capital. Basel III places enhanced emphasis on the consistency and quality of capital and on curtailing, among other things, liquidity risk. From a capital perspective the

most heavily impacted banks are likely to be those with relatively large capital market businesses, particularly trading activities, complex securitisations, over-the-counter derivatives (counterparty credit risk) and securities lending.

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

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

The South African Reserve Bank (**"SARB"**) has approved the provision of a committed liquidity facility (**"CLF"**) to assist banks to meet the LCR, as more fully set out in Guidance Note 08/2014 headed "*Provision of a committed liquidity facility by the South African Reserve Bank*) dated 9 December 2014 (**"Guidance Note 08/2014"**). In terms of Guidance Note 08/2014, among other things, each individual bank will be required to meet the level 1 HQLA requirement of the LCR on its own. The CLF is only available to banks with an LCR shortfall that is attributable to an inadequate supply of level 1 HQLA. The CLF is accepted at 40% of the total amount of HQLA that the particular bank is required to hold in Rand. For the purpose of entering into a facility agreement with SARB during the phase-in period (that is, for the years 2015 to 2018), the size of the CLF will be capped at 40% of the full HQLA requirement, as projected for the year in which the relevant application is made. Guidance Note 08/2014 also contains details of, among other things, acceptable collateral for the CLF.

The following Directives issued by SARB are the most recent Directives which are applicable to the LCR: Directive 6/2014 (*Matters related to liquidity risk and the liquidity coverage ratio*), Directive 7/2014 (*National discretion related to the liquidity coverage ratio*), Directive 8/2014 (*Matters related to compliance with the liquidity coverage ratio (LCR)*) and Directive 11/2014 (*Liquidity coverage ratio: Scope of application and related disclosure requirements*).

Taking into account the Issuer's cash reserves, the liquid assets held for regulatory purposes, the surplus liquidity buffer and the Issuer's anticipated use of the CLF, on a pro forma basis the Issuer is compliant already with the 2015 Basel III LCR requirement.

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

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

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

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

South African implementation of Basel III

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

Regulations Relating to Banks were further amended, with effect from 1 April 2015, by Government Notice No R. 261 published in *Government Gazette* No. 38616, dated 27 March 2015,

The required amendments to the Banks Act to provide, among other things, for the full implementation of the Basel III Accord in South Africa, were promulgated and came into force on 10 December 2013. These amendments are contained in the Banks Amendment Act, 2013, published in Government Gazette No. 37144 of 10 December 2013.

The Capital Regulations include (i) legislation (including the Banks Act) then in effect in South Africa, (ii) regulations (including the Regulations Relating to Banks) then in effect in South Africa, (iii) the Circulars, Guidance Notes and Directives then in effect in South Africa (see "*Circulars, guidance notes and directives*" above) issued by the Relevant Authority, which legislation, regulations, Circulars, Guidance Notes and Directives relate to and/or provide for the implementation of Basel III in South Africa.

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

Uncertainties

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

"Grandfathering" of capital instruments issued before 1 January 2013

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

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

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

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

Capital adequacy requirements

General

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

The Issuer must, in terms of the Banks Act, as read with the Regulations Relating to Banks (see "*South African implementation of Basel III*" above) and Directive 05/2013 (see "*Directive 05/2013*" below), maintain a minimum level of capital based on risk-adjusted assets and off-balance-sheet exposures.

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

Directive 05/2013

A summary of certain of the provisions of Directive 05/2013 dated 26 April 2013 (**"Directive 05/2013"**) is set out below:

Directive 05/2013 informs banks of matters related to the prescribed minimum required capital ratios and the application of various components of the minimum required capital ratios such as the systemic risk capital requirement (Pillar 2A), the domestic systemically important bank (D-SIB) capital requirement, the countercyclical buffer range and the capital conservation buffer range. Directive 05/2013 also details the phase-in requirements for the prescribed minimum required capital ratios.

Annexure A of Directive 05/2013 stipulates the various capital tiers, together with various related elements specified in the Regulations Relating to Banks and in the Basel III Accord, including the systemic risk capital requirement (Pillar 2A), the bank-specific individual capital requirement (ICR, also known as Pillar 2B), and the phasing in of the related minimum requirements. The phase-in arrangements for the minimum requirements are set out in Annexure B of Directive 05/2013.

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

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

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

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

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

Annexures A and B of Directive 05/2013 provide, among other things, for the capital adequacy ratios for 2015:

- CET 1 Capital Requirement: Minimum CETI Ratio (per Basel III) = 4.5% + Pillar 2A for CETI = 2%. Minimum CETI plus Pillar 2A = 6.5%.
- Tier 1 Capital Requirement: Minimum Tier 1 Ratio (per Basel III) = 6% + Pillar 2A for T1 = 2%. Minimum T1 plus Pillar 2A = 8.0%.
- Total Capital Requirement: Minimum Total Capital Ratio (per Basel III) = 8.0% + Pillar 2A for Total Capital = 2%. Minimum Total Capital plus Pillar 2A = 10%.

These minimum 2015 capital requirements exclude any bank-specific individual capital requirement (ICR, also known as Pillar 2B) for 2015.

The required minimum capital requirements will be phased in over a number of years and, as such, will change annually based on Directive 05/2013 (or any other relevant guidance note to be issued in the future by the Relevant Authority).

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

SOUTH AFRICAN TAXATION

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

Securities Transfer Tax

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

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

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

Original issue discount or premium

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

Interest on the Notes

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

A person who or which is not a Resident (**"Non-Resident"**) is currently taxed in South Africa under the Income Tax Act only on income from a source within or deemed to be sourced within South Africa. Interest which, during the relevant year of assessment of a Non-Resident Noteholder, is received or accrued in respect of Notes which are held by that Non-Resident Noteholder may be regarded as being from a South African source.

However, Interest which, during the relevant year of assessment of a Non-Resident Noteholder, is received or accrued in respect of Notes which are held by that Non-Resident Noteholder should be exempt from income tax under section 10(1)(h) of the Income Tax Act (see, however the Withholding Tax on Interest paid to a Non-Resident under "*Withholding tax*" below).

The section 10(1)(h) exemption will not apply to a Non-Resident Noteholder if:

a) that Non-Resident Noteholder is a natural person who was physically present in South Africa for a period exceeding 183 calendar days in aggregate during the relevant year of assessment; or

b) at any time during the relevant year of assessment that Non-Resident Noteholder carried on business through a permanent establishment of that Non-Resident Noteholder in South Africa.

If a Non-Resident Noteholder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, (a) that Non-Resident Noteholder should be exempt from the Withholding Tax on Interest paid to Non-Residents (see "*Withholding tax*" below), (b) an exemption from or reduction of tax liability under the Income Tax Act may be available under an applicable convention concluded between the Government of the Republic of South Africa and the relevant other contracting state for the avoidance of double taxation (**"DTA"**) and (c) certain entities may be exempt from income tax.

Prospective Non-Resident Noteholders must consult their own professional advisers as to whether the interest income earned on the Notes to be held by them will be exempt under section 10(1)(h) of the Income Tax Act or under an applicable DTA.

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

Withholding tax

In terms of Part IVB of the Income Tax Act, a withholding tax on Interest paid to Non-Residents (at a rate of 15% of the amount of the Interest) (**"Withholding Tax"**) was to have come into effect on 1 January 2015. However, the Taxation Laws Amendment Act, No 43 of 2014 (which came into effect on 20 January 2015) has delayed the effective date of imposition of the Withholding Tax to 1 March 2015.

Interest which, during the relevant year of assessment of a Non-Resident Noteholder, is received or accrued in respect of Notes which are held by that Non-Resident Noteholder may be regarded as being from a South African source.

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

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

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

Disposal of the Notes

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

Taxes (whether income tax or capital gains tax) may be levied on the disposal or deemed disposal of any Notes held by a Resident Noteholder. In general, income tax will be leviable to the extent that a Resident Noteholder is a trader or has acquired the Notes for speculative purposes. In general, capital gains tax will be leviable to the extent that the Notes have been acquired by a Resident

Noteholder for investment purposes and the disposal is not regarded as part of a profit-making transaction even though the South African Revenue Service has generally taken the view that these type of transactions would generally be on revenue account.

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

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

Value-added tax

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