



INVESTEC plc

(incorporated with limited liability in England and Wales with registered number 03633621)

£250,000,000

Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities

Issue Price 100.00 per cent.

The £250,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (the “**Securities**”) will be issued by Investec plc (the “**Issuer**”) and constituted by a trust deed to be dated on or about 5 October 2017 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and the Trustee (as defined in “*Terms and Conditions of the Securities*” (the “**Conditions**”), and references herein to a numbered “**Condition**” shall be construed accordingly). References herein to the “**Issuer Group**” shall mean the Issuer and each entity which is part of the UK prudential consolidation group (as that term, or its successor, is used in the Regulatory Capital Requirements, as defined in the Conditions) of which the Issuer is part from time to time.

The Securities will bear interest for the period from, and including, 5 October 2017 (the “**Issue Date**”) to, but excluding, 5 December 2024 (the “**First Reset Date**”) at 6.75 per cent. per annum (the “**Initial Fixed Interest Rate**”). The Interest Rate (as defined in the Conditions) will be reset on each Reset Date (each as defined in the Conditions) for the period to (but excluding) the next succeeding Reset Date thereafter, and the Interest Rate shall be the aggregate of 5.749 per cent. per annum and the Reset Reference Rate on the relevant Reset Determination Date (each as defined in the Conditions). Subject to cancellation (in whole or in part) as provided herein, interest will be payable quarterly in arrear on 5 March, 5 June, 5 September and 5 December in each year (each an “**Interest Payment Date**”) commencing on 5 December 2017.

The Issuer may at any time in its sole and full discretion cancel (in whole or in part) the interest amount otherwise scheduled to be paid on any Interest Payment Date. The Issuer shall cancel the payment of any interest otherwise scheduled to be paid on an Interest Payment Date to the extent that the relevant interest amount payable with respect thereto, when (subject as described in the Conditions) aggregated with any interest payments or distributions on all other own funds instruments paid or made or required to be paid or made in the then current financial year of the Issuer exceeds the amount of the Issuer’s Distributable Items (as defined in the Conditions). The cancellation of any interest payment (in whole or in part) shall not constitute a default for any purpose on the part of the Issuer and any interest amount(s) which are cancelled do not become due and are non-cumulative. Subject as provided herein, all payments in respect of or arising from the Securities are conditional upon the Issuer being solvent (as set out in the Conditions) at the time for payment and immediately following payment.

The Securities are perpetual securities with no fixed redemption date and the holders of the Securities (the “**Holders**”) have no right to require the Issuer to redeem or purchase the Securities at any time. Subject to the Issuer having obtained Supervisory Permission (as defined in the Conditions) and to compliance with the Regulatory Capital Requirements, the Securities may be redeemed at the option of the Issuer (i) on the First Reset Date or any Interest Payment Date thereafter or (ii) at any time upon the occurrence of a Tax Event or a Capital Disqualification Event (each as defined in the Conditions), in each case, at their principal amount together with any accrued and unpaid interest to (but excluding) the date of redemption (but excluding any interest amounts which have been cancelled in accordance with the Conditions).

The entire principal amount of the Securities will automatically be written down to zero on a permanent basis and cancelled, and all accrued and unpaid interests cancelled, if a Trigger Event (as defined in the Conditions) occurs. The Securities will also be subject to write-down and conversion powers exercisable under, and in the circumstances set out in, the Banking Act 2009, as amended. On the occurrence of a Trigger Event and/or the exercise of such write-down and conversion powers, Holders could lose their entire investment in the Securities.

Application has been made to the Financial Conduct Authority (“**FCA**”) under Part VI of the Financial Services and Markets Act 2000 (the “**UK Listing Authority**”) for the Securities to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Securities to be admitted to trading on the London Stock Exchange’s Regulated Market (the “**Market**”). References in this Prospectus to the Securities being “**listed**” (and all related references) shall mean that the Securities have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”).

The Securities will be issued in the form of a global certificate in registered form (the “**Global Certificate**”). The Global Certificate will be deposited with a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”), and registered in the name of the nominee of the common depository, on the Issue Date. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. Interests in the global certificate will be exchangeable for the relevant definitive securities only in certain limited circumstances. See “*Summary of Provisions Relating to the Securities while represented by the Global Certificate*”. The denominations of the Securities shall be £200,000 and integral multiples of £1,000 in excess thereof.

The Securities are not intended to be sold and should not be sold to retail clients in the European Economic Area (the “EEA”), as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, as amended or replaced from time to time, other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed “Restrictions on marketing and sales to retail investors” on pages ii to iii of this Prospectus for further information.

The Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or the state securities laws of any state of the United States and are subject to United States tax law requirements. The Securities are being offered outside the United States by the Joint Lead Managers (as defined in “*Subscription and Sale*”) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Securities are expected, on issue, to be rated Ba2 (hyb) by Moody’s Investors Service Ltd. (“**Moody’s**”). Moody’s is established in the European Union (the “**EU**”) and registered under Regulation 1060/2009/EC on credit rating agencies. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

Investing in the Securities involves significant risks. Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Prospectus.

Investors should reach their own investment decision about the Securities only after consultation with their own financial and legal advisers about risks associated with an investment in the Securities and the suitability of investing in the Securities in light of the particular characteristics and terms of the Securities, which are complex in structure and operation, and in light of each investor’s particular financial circumstances.

JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS

BoFA Merrill Lynch

Investec Bank plc

Citigroup

Lloyds Bank

IMPORTANT NOTICE

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer, the Group and the Securities which according to the particular nature of the Issuer, the Group and the Securities, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”).

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe or purchase, any of the Securities. The distribution of this Prospectus and the offering of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of Securities and distribution of this Prospectus, see “*Subscription and Sale*” below.

No person is or has been authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Joint Lead Managers or the Trustee. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Securities is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

None of the Joint Lead Managers, Deutsche Bank AG, London Branch as principal paying agent (the “**Principal Paying Agent**”) or the Trustee has separately verified the information contained in this Prospectus. None of the Joint Lead Managers, the Principal Paying Agent or the Trustee make any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Prospectus or any other information provided by the Issuer in connection with the offering of the Securities. None of the Joint Lead Managers, the Principal Paying Agent or the Trustee accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the offering of the Securities or their distribution. Neither this Prospectus nor any other information supplied in connection with the offering of the Securities is intended to constitute, and should not be considered as, a recommendation by any of the Issuer, the Joint Lead Managers, the Principal Paying Agent or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Securities should purchase the Securities. Each potential purchaser of Securities should determine for itself the relevance of the information contained in this Prospectus and its purchase of Securities should be based upon such investigation as it deems necessary. None of the Joint Lead Managers, the Principal Paying Agent and the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus or to advise any investor or potential investor in the Securities of any information coming to their attention.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee and the Principal Paying Agent shall have any responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Issuer or the issue and offering of the Securities. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

In the ordinary course of business, each of the Joint Lead Managers has engaged and may in the future engage in normal banking or investment banking transactions with the Issuer and its affiliates or any of them.

Restrictions on marketing and sales to retail investors

The Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities to retail investors.

In particular, in June 2015, the FCA published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the “**PI Instrument**”).

Under the rules set out in the PI Instrument (as amended or replaced from time to time, the “**PI Rules**”), (i) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Securities, must not be sold to retail clients in the EEA and (ii) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

The Joint Lead Managers are required to comply with the PI Rules. By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest in such Securities) from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that:

1. it is not a retail client in the EEA (as defined in the PI Rules);
2. whether or not it is subject to the PI Rules, it will not (A) sell or offer the Securities (or any beneficial interests therein) to retail clients in the EEA or (B) communicate (including the distribution of this Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules), in any such case other than (i) in relation to any sale of or offer to sell Securities (or any beneficial interests therein) to a retail client in or resident in the United Kingdom (the “**UK**”), in circumstances that do not and will not give rise to a contravention of the PI Rules by any person and/or (ii) in relation to any sale of or offer to sell Securities (or any beneficial interests therein) to a retail client in any EEA Member State other than the UK, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Securities (or any beneficial interests therein) and is able to bear the potential losses involved in an investment in the Securities (or any beneficial interests therein) and (b) it has at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC), as amended from time to time (“**MiFID**”) to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Securities (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Suitability of Investment

The Securities are complex financial instruments and will not be a suitable investment for all investors. Each potential investor in the Securities should determine the suitability of such investment in light of its own circumstances, either on its own or with the help of its financial and other professional advisers. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (iii) understand thoroughly the terms of the Securities, such as the provisions governing write down of the principal amount and the cancellation of interest (including, in particular, the Issuer Group's CET1 Ratio (as defined in the Conditions), as well as under what circumstances the Trigger Event (as defined in the Conditions) will occur), and be familiar with the behaviour of any relevant indices and financial markets;
- (iv) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where such potential investor's financial activities are principally denominated in a currency other than pounds sterling, and the possibility that the entire principal amount of the Securities could be lost, including following the exercise of any bail-in power by the resolution authorities; and
- (v) 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 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) Securities are legal investments for it; (ii) Securities can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein.

Presentation of financial and other information

In this Prospectus, unless otherwise specified:

- references to a “**Member State**” are references to a Member State of the EEA;
- references to “**£**”, “**sterling**” and “**pounds sterling**” are to the lawful currency for the time being of the UK, to “**Euro**” are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, to “**U.S. Dollars**” is to the currency of the United States of America (the “**U.S.**”) and to “**Australian Dollars**” is to the currency of Australia;
- references to “**Clearstream, Luxembourg**”, “**Euroclear**” or the “**Clearing Systems**” shall include any successor clearing systems;
- references to “**Investec Group**” are to the Issuer and Investec Limited operating under a dual listed companies (“**DLC**”) structure, as further described in this Prospectus;
- the term “**Issuer Group**” means the Issuer and each entity which is part of the UK prudential consolidation group (as that term, or its successor, is used in the Regulatory Capital Requirements, as defined in the Conditions) of which the Issuer is part from time to time;
- the term “**Group**” means Investec plc (or any successor entity) and its consolidated subsidiaries, unless the context indicates otherwise; and

the term “**PRA**” means the Prudential Regulation Authority of the UK.

Forward looking statements

Some statements in this Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer’s plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Prospectus, the words “anticipates”, “estimates”, “expects”, “believes”, “intends”, “plans”, “aims”, “seeks”, “may”, “will”, “should” and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled “*Risk Factors*” and “*Description of Issuer*” and other sections of this Prospectus. The Issuer has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Prospectus, or if any of the Issuer’s underlying assumptions prove to be incomplete or inaccurate, the Issuer’s actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- the Issuer’s ability to maintain its client base and current investment performance;
- the performance of the markets in the UK and the wider region in which the Issuer operates;
- the Issuer’s ability to obtain additional financing or maintain sufficient capital to fund its existing and future investments;
- changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate; and

- the Issuer’s ability to navigate changes in competitive or regulatory environment, including in relation to tax and accounting;
- the occurrence of natural disasters, failing infrastructure systems, terrorist acts or other acts of war or hostility and responses to those acts in the jurisdictions in which the Issuer operates;
- fluctuations in exchange rates, interest rates, stock markets, currencies and UK real estate values; and
- deterioration of customer and counterparty credit quality.

Any forward looking statements contained in this Prospectus speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate, after the date of this Prospectus, any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

Supplementary Prospectus

Following the publication of the Prospectus a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus prior to the Issue Date which is capable of affecting the assessment of the Securities, prepare a supplement to this Prospectus.

Stabilisation

In connection with the issue of the Securities, Merrill Lynch International (the “**Stabilising Manager**”) (or persons acting on behalf of the Stabilising Manager) may over-allot Securities or effect transactions with a view to supporting the price of the Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

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OVERVIEW OF THE PRINCIPAL FEATURES OF THE SECURITIES

The following overview provides an overview of certain provisions of the Conditions and is qualified by the more detailed information contained elsewhere in this Prospectus. Capitalised terms which are defined in the Conditions have the same meaning when used in this overview.

| | |
|---------------------------------|---|
| Issuer | Investec plc |
| Securities | £250,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities. |
| Risk factors | There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Securities and the Trust Deed. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Securities and certain risks relating to the structure of the Securities. These are set out under " <i>Risk Factors</i> ". |
| Status of the Securities | The Securities will constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> , without any preference, among themselves. |
| Rights on a Winding-Up | The rights and claims of Holders in the event of a Winding-Up are described in Conditions 3 and 9. In any Winding-Up before the Write Down Date, the claims of Holders will rank junior to the claims of Senior Creditors (including holders of Tier 2 Capital instruments), being creditors who are unsubordinated creditors of the Issuer and those whose claims are subordinated other than those who rank <i>pari passu</i> with, or junior to, the claims of Holders. |
| Solvency Condition | Except in the event of a Winding-Up, all payments in respect of or arising from (including any damages awarded for breach of any obligations under) the Securities (other than payment to the Trustee for its own account under the Trust Deed) are conditional upon the Issuer being solvent at the time of payment by the Issuer and no payments of principal, interest or any other amount shall be due and payable in respect of or arising from the Securities or the Trust Deed except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the " Solvency Condition "). |
| Interest | <p>The Securities will bear interest on their principal amount:</p> <ul style="list-style-type: none">(a) from (and including) the Issue Date to (but excluding) the First Reset Date, at the rate of 6.75 per cent. per annum; and(b) thereafter, at the relevant Reset Rate of Interest (as described in Condition 4). <p>Interest shall be payable quarterly in arrear on 5 March, 5 June, 5 September and 5 December of each year, (each an "Interest Payment Date") commencing on 5 December 2017.</p> |

If paid in full, each payment of interest in respect of each Interest Period to but excluding the First Reset Date shall amount to £16.88 per £1,000 principal amount of the Securities save for the first payment of interest which shall be £11.31 per £1,000 principal amount of the Securities.

Optional cancellation of interest

The Issuer may elect at its discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any Interest Payment Date. See Condition 5(a) for further information.

Mandatory cancellation of interest

Under the Regulatory Capital Requirements, the Issuer may elect to pay interest only to the extent that it has Distributable Items. Accordingly, in addition to having the right to cancel payment of interest at any time, the Issuer will cancel the relevant payment of interest on any Interest Payment Date (in whole or, as the case may be, in part) if and to the extent that such interest, when aggregated together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current financial year on all other own funds items of the Issuer (excluding any such interest payments or distributions which (i) are not required to be made out of Distributable Items or (ii) have already been provided for, by way of deduction, in calculating the amount of Distributable Items), in aggregate would exceed the amount of the Distributable Items of the Issuer as at such Interest Payment Date.

See Condition 5(b) for further information.

Whilst a breach by the Issuer of applicable capital buffer requirements will not necessarily result in the cancellation of any payment of interest, the Issuer will be required to cancel any payment of interest (in whole or, as the case may be, in part) if and to the extent that payment of such interest would, when aggregated together with other distributions of the kind referred to in Article 141(2) of CRD IV (or any provision of applicable law implementing, transposing or replacing such Article in the UK), cause the Maximum Distributable Amount (if any) then applicable to the Issuer Group to be exceeded. “Maximum Distributable Amount” means any maximum distributable amount relating to the Issuer Group required to be calculated in accordance with Article 141 of CRD IV (or, as the case may be, any provision of UK law transposing, implementing or replacing CRD IV).

Payments of interest are also subject to the Solvency Condition (see “Solvency Condition” above). Following the occurrence of a Trigger Event, the Issuer will also cancel all interest accrued up to (and including) the Write Down Date (see “Write Down following a Trigger Event” below).

Non-cumulative interest

If the payment of interest scheduled on an Interest Payment Date is cancelled in accordance with the Conditions as described above, the Issuer shall not have any obligation to make such interest payment on such Interest Payment Date and the failure to pay such amount of interest or part thereof shall not constitute a default of the Issuer for any purpose. Any such interest will not accumulate or be payable at any time thereafter and holders of the Securities shall have no right thereto whether in a Winding-Up or otherwise, or to receive any additional interest or other compensation as a result of any such cancelled payment of interest.

Write Down following a Trigger Event

On the Business Day following the determination that a Trigger Event has occurred (the “**Write Down Date**”), an Automatic Write Down shall occur.

“**Automatic Write Down**” means the irrevocable and automatic (without the need for the consent of Holders or the Trustee) reduction of the full principal amount of each Security to zero, the cancellation of all accrued and unpaid interest and any other amounts (if any) arising under or in connection with the Securities and/or the Trust Deed and the cancellation of the Securities on the Write Down Date.

“**Trigger Event**” means that the CET1 Ratio of the Issuer Group has fallen below 7.00 per cent.

Effective upon, and following, the Automatic Write Down, Holders shall not have any rights against the Issuer with respect to (i) repayment of the principal amount of the Securities or any part thereof, (ii) the payment of any interest for any period or (iii) any other amounts arising under or in connection with the Securities and/or the Trust Deed.

See Condition 6 for further information.

Maturity

The Securities are perpetual securities with no fixed redemption date. The Securities may only be redeemed or repurchased by the Issuer in the circumstances below (as more fully described in Condition 7).

Optional redemption

The Issuer may elect, subject to the conditions set out under “*Conditions to redemption, substitution or variation etc.*” below, to redeem all (but not some only) of the Securities on the First Reset Date or on any Interest Payment Date thereafter at their principal amount together with interest accrued and unpaid from and including the immediately preceding Interest Payment Date to (but excluding) the date fixed for redemption.

Redemption following a Tax Event or a Capital Disqualification Event

The Issuer may elect, subject to the conditions set out under “*Conditions to redemption, substitution or variation etc.*” below, to redeem all (but not some only) of the Securities at any time if a Tax Event or a Capital Disqualification Event has occurred, in each case, at their principal amount together with interest

**Conditions to redemption,
substitution or variation etc.**

accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the date fixed for redemption. If a Tax Event or a Capital Disqualification Event has occurred, then the Issuer may, subject to the conditions set out under “*Conditions to redemption, substitution or variation, etc.*” but without any requirement for the consent or approval of the Holders, at any time (whether before or following the First Reset Date) either substitute all (but not some only) of the Securities for, or vary the terms of the Securities so that they remain or, as appropriate, become Compliant Securities.

The Securities may only be redeemed, substituted, varied or purchased pursuant to Condition 7 if:

- (a) the Issuer has obtained prior Supervisory Permission therefor;
- (b) in the case of any redemption or purchase, if and to the extent then required under prevailing Regulatory Capital Requirements, either: (A) the Issuer having replaced the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the Issuer having demonstrated to the satisfaction of the Competent Authority that the own funds of the Issuer would, following such redemption or purchase, exceed its minimum capital requirements (including any capital buffer requirements) by a margin that the Competent Authority considers necessary at such time; and
- (c) in the case of any redemption (A) prior to the First Reset Date in the case of a Tax Event; (B) prior to the fifth anniversary of the Issue Date in the case of a Capital Disqualification Event; or (C), in either case, if such date is later and only if a further tranche of Securities has been issued, prior to the fifth anniversary of the date of issue of the last tranche of Securities to be so issued (X) in the case of redemption upon a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the Issue Date or (if applicable) the date of issue of the last tranche of Securities issued, or (Y) in the case of redemption upon the occurrence of a Capital Disqualification Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Securities was not reasonably foreseeable as at the Issue Date or (if applicable) the date of issue of the last tranche of Securities issued, provided that sub-paragraphs (B) and (C) shall only apply

if and to the extent then required under prevailing Regulatory Capital Requirements.

Purchase of the Securities

The Issuer may, at its option, purchase or otherwise acquire any of the outstanding Securities at any price, in any manner and at any time in accordance with applicable laws and regulations (including, for the avoidance of doubt, the Regulatory Capital Requirements) and Condition 7(g).

Withholding tax and Additional Amounts

All payments of principal and/or interest and any other amount in respect of the Securities shall be made free and clear of, and without withholding or deduction for any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction or any political subdivision thereof, unless such withholding and/or deduction is required by law. In that event, the Issuer shall (subject to certain exemptions) account to the relevant authorities for the amount required to be withheld or deducted and will in respect of payments of interest (but not principal or any other amount) (to the extent such payment can be made out of Distributable Items which are available *mutatis mutandis* in accordance with Condition 5(b)), subject to certain limitations and exceptions, pay such Additional Amounts as will result (after such withholding and/or deduction) in the receipt by the Holders of such sums as would have been received in respect of their Securities had no such withholding been required.

Notwithstanding any other provision of the Trust Deed, all payments of principal, interest and any other amount in respect of the Securities shall be made net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code (as defined in the Conditions), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of any FATCA Withholding.

Enforcement

If the Issuer has not made payment of any amount in respect of the Securities for a period of seven days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, in its discretion or, if so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Securities then outstanding shall, institute proceedings for a winding-up of the

Issuer. The Trustee may prove and/or claim in any winding-up of the Issuer (whether or not instituted by the Trustee) and shall have such claim as is set out in Condition 3.

The Trustee may, at its discretion and without notice, institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation), provided that in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to the Conditions and the Trust Deed. No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for a Winding-Up unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

See Condition 9 for further information.

Modification

The Trust Deed will contain provisions for convening meetings of Holders to consider any matter affecting their interests, pursuant to which defined majorities of the Holders may consent to the modification or abrogation of any of the Conditions or any of the provisions of the Trust Deed, and any such modification or abrogation shall be binding on all Holders.

Subject to receipt of Supervisory Permission from the Competent Authority (if required), the Trustee may agree, without the consent of the Holders, to (i) any modification of the Conditions or of any other provisions of the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of, the Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders. Any such modification shall be binding on the Holders and any such modification shall be notified to the Holders in accordance with Condition 15 as soon as practicable thereafter.

Form

The Securities will be issued in registered form. The Securities will be initially represented by a Global Certificate which is registered in the name of a nominee of a common depositary for the Clearing Systems.

Denomination

£200,000 and integral multiples of £1,000 in excess thereof.

Clearing systems

Euroclear and Clearstream, Luxembourg.

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| Listing | Application has been made for the Securities to be admitted to the Official List of the UK Listing Authority and for the Securities to be admitted to trading on the Market. |
| Governing law | The Securities and the Trust Deed, and any non-contractual obligations arising out of or in connection with the Securities or the Trust Deed, will be governed by, and construed in accordance with, English law. |
| Submission to jurisdiction | The Issuer will, in the Trust Deed, irrevocably agree for the benefit of the Trustee and the Holders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Securities (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Securities). |
| Rating | <p>The Securities are expected to be rated Ba2 (hyb) by Moody's which is a credit rating agency established in the EU and registered under the CRA Regulation. The list of registered and certified rating agencies published by the European Securities and Markets Authority appears on its website (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.</p> |
| ISIN | XS1692045864 |
| Common Code | 169204586 |
| Trustee | Deutsche Trustee Company Limited |
| Principal Paying Agent and Agent Bank | Deutsche Bank AG, London Branch |
| Registrar and Transfer Agent | Deutsche Bank Luxembourg S.A. |

DOCUMENTS INCORPORATED BY REFERENCE

The Issuer (i.e. Investec plc) and Investec Limited are two separate legal entities which together constitute the Investec Group and operate under a DLC structure. The effect of the DLC structure is that the Issuer and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role and accordingly are reported as a single reporting entity under the International Financial Reporting Standards (“IFRS”). Combined financial statements have been prepared on this basis. These combined financial statements are prepared in accordance with IFRS and are contained in the Investec Group’s “integrated” annual reports, together with the unconsolidated balance sheet of the Issuer only, prepared in accordance with Financial Reporting Standard 101 under UK generally accepted accounting principles (“UK GAAP”).

The Issuer also prepares consolidated financial statements to present the financial position and results of Investec plc and its subsidiaries alone as if the contractual arrangements which create the DLC structure did not exist. These financial statements are referred to below as the consolidated financial statements and accounts “of the Issuer” and are contained in a separate annual report that is called the “Investec plc silo” annual report, in contrast to the Investec Group integrated annual report.

The unconsolidated financial information contained at pages 261-269 of the Investec plc silo annual report and accounts for the year ended 31 March 2017 and pages 237-243 of the Investec plc silo annual report and accounts for the year ended 31 March 2016 and the unconsolidated financial information of the Issuer contained at pages 132-141 of the Investec Group’s integrated annual report for the year ended 31 March 2017 and pages 132-139 of the Investec Group’s integrated annual report for the year ended 31 March 2016 are prepared in accordance with UK GAAP.

References in the consolidated financial statements and accounts of the Issuer to the “group”, are to Investec plc and its subsidiaries and references in the Investec Group’s integrated annual reports to the “group” are to the Investec Group.

Further information about the Investec Group and the DLC structure that the Issuer operates under together with Investec Limited is to be found in the section entitled “Information about the Issuer”. It should, however, be noted that the Securities are obligations solely of Investec plc and are not in any way guaranteed by Investec Limited or any other entity.

Incorporation by reference

The following documents shall be deemed to be incorporated in, and to form part of, this Prospectus, save that any documents incorporated by reference in any of the documents set forth below do not form part of this Prospectus:

- (i) the annual report (including the auditor’s report and audited consolidated annual financial statements) of the Issuer for the year ended 31 March 2017 (i.e. the Investec plc silo annual report and accounts);
- (ii) the annual report (including the auditor’s report and audited consolidated annual financial statements) of the Issuer for the year ended 31 March 2016 (i.e. the Investec plc silo annual report and accounts);
- (iii) volume three (entitled “*Annual Financial Statements*”) of the Investec Group’s integrated annual report for the year ended 31 March 2017 containing combined financial statements of the Investec Group, Ernst & Young LLP’s auditor’s report, the unconsolidated balance sheet of Investec plc and shareholder information; and

- (iv) volume three (entitled “*Annual Financial Statements*”) of the Investec Group's integrated annual report for the year ended 31 March 2016 containing combined financial statements of the Investec Group, Ernst & Young LLP’s auditor's report, the unconsolidated balance sheet of Investec plc and shareholder information.

Any statement contained herein or in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a subsequent statement which is deemed to be incorporated by reference herein or contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), provided, however, that such statement shall only form part of this Prospectus to the extent that it is contained in a document all of the relevant portion of which is incorporated by reference by way of a supplement proposed in accordance with Article 16 of the Prospectus Directive. Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

The documents incorporated by reference in this Prospectus shall not include any documents which are themselves incorporated by reference in such incorporated documents (“**daisy chained documents**”). Such daisy chained documents shall not form part of this Prospectus. Where only part of the documents listed above have been incorporated by reference, only information expressly incorporated by reference herein shall form part of this document and the non-incorporated parts are either not relevant for the investor or covered elsewhere in this Prospectus.

Copies of the documents incorporated by reference in this Prospectus can be obtained from (i) the registered office of the Issuer and from the specified offices of the Principal Paying Agent and (ii) in the case of the Investec Group's integrated annual reports, the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>, and, in the case of the Issuer's annual reports and accounts and interim financial statements, https://www.investec.com/en_gb/welcome-to-investec/about-us/investor-relations/financial-information/subsidiary-results.html.

Certain information contained in the documents listed above has not been incorporated by reference in this Prospectus. Such information is either (i) not considered by the Issuer to be relevant for prospective investors in the Securities or (ii) is covered elsewhere in this Prospectus.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Securities. 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.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Securities are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Securities, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Securities for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

1 Risks Related to the Issuer

(a) Risks relating to the macro-environment in which the Group operates

Market risks, business and general macro-economic conditions and fluctuations as well as volatility in the global financial markets could adversely affect the Group's business in many ways

The Group is subject to risks arising from general macro-economic conditions in the countries in which it operates, including in particular the UK, Europe, Asia and Australia, as well as global economic conditions.

During the global financial crisis that started in mid-2008, the UK economy experienced a significant degree of turbulence and periods of recession, adversely affecting, among other things, market interest rates, levels of unemployment, the cost and availability of credit and the liquidity of the financial markets. Whilst economic indicators in the UK had started to improve, the outlook is currently very uncertain given the outcome of the referendum for the UK to leave the European Union. Since a significant portion of the Group's operating profit is derived from clients based in the UK, it is particularly exposed to the condition of the UK economy, including house prices, interest rates, levels of unemployment and consequential fluctuations in individual clients' disposable income and corporate clients' profits.

In recent years, economic conditions in the other countries in which the Group operates have been negatively impacted by a number of global macroeconomic trends, including ongoing concerns surrounding the significant sovereign debts and fiscal deficits of several countries in Europe, a weakening of the Chinese economy, the potential exit of member states from the European Monetary Union and a decline in global commodity prices such as crude oil. The effects of these events have been felt in the global economy and by financial institutions in particular, and have placed strains on funding markets at times when many financial institutions had material funding needs. Any further adverse developments in the global economy could have an adverse impact on its business, results of operations, financial condition and prospects.

Within the Group's Wealth & Investment and Asset Management businesses, adverse market conditions would likely lead to a decline in the volume and value of stockbroking transactions that it executes for its clients and therefore would have a negative impact on its operating income. In addition, because the portfolio management fees that the Group charges are in many cases based on the value of those portfolios, adverse market conditions, the market downturn or any other factor, including

underperformance against benchmarks and reputational damage, that reduces the value of clients' portfolios or increases the amount of withdrawals would reduce the amount of revenue received from the Group's asset and investment management businesses and adversely affect its results of operations.

Revenues from the Specialist Banking business are also sensitive to market volatility. Deterioration in the financial markets and general economic activity has in the past affected, and will continue to affect levels of private client activity. The Group's investment banking and corporate banking income is directly related to the number and size of the transactions in which it participates and general corporate and institutional activity. Accordingly, any reduction in the number and/or size of such transactions and a slowdown in corporate activity, whether occasioned by market volatility or otherwise, will adversely affect its results of operations. Moreover, some of the Specialist Banking income is derived from direct or principal investments or from the management of private equity portfolios. This income is dependent upon the performance of the underlying investments and the ability to realise value upon exit from the investments and, as such, revenues, returns and profitability may fluctuate, impacting the Group's results of operations. As a result of the foregoing factors, market volatility may have a material adverse effect on the Group's business results of operations, financial condition and prospects.

The Group also maintains trading and investment positions in various financial and other assets, including equity, fixed income, currency and related derivative instruments and real estate. At any point in time these positions could be either long positions, such that the Group will benefit from upward movements in the market prices of these assets, or short positions, such that it will benefit from downward movements in the market prices of these assets. Fluctuations in the value of equities, fixed income, currency and related derivative instruments and real estate, either absolutely or relative to other asset classes, could also adversely affect investor sentiment. These financial markets are sometimes subject to significant stress conditions where steep falls in perceived or actual asset values are accompanied by severe reductions in market liquidity. In dislocated markets, hedging and other risk management strategies may not be as effective as they are in normal market conditions. Market instability of this nature could result in the Group incurring losses.

Social, political and economic risks outside the Group's control may adversely affect its business and results of operations

Unfavourable economic, political, military and diplomatic developments producing social instability or legal uncertainty may affect both the performance and demand for the Group's products and services. The Group's businesses, results of operations and financial condition could be materially adversely affected by changes in government or the economic, regulatory or other policies of the governments of the jurisdictions in which the Group operates. Among others, the actions of such governments in relation to employee relations, salaries, the setting of interest rates, or in relation to exerting controls on prices, exchange rates or local and foreign investment, may adversely affect the Group's business and results of operations.

The result of the referendum held in the UK on 23 June 2016 was in favour of the UK leaving the European Union. On 29 March 2017, the UK government invoked Article 50 of the Lisbon Treaty to initiate its withdrawal from the European Union. As a result, the Treaty on the European Union and the Treaty on the Functioning of the European Union will cease to apply in the UK from the date of entry into force of a withdrawal agreement or, failing that, 29 March 2019, although this period may be extended in certain circumstances. The outcome of the referendum has led to some economic and political uncertainty and consequent market volatility. Such conditions may continue for some time and the consequences of the referendum and other subsequent political developments may affect the fiscal, monetary and regulatory landscape to which the Group is subject.

Since 31 March 2016, the Group's legacy portfolio in the UK has continued to be actively managed down from £583 million at 31 March 2016 to £476 million at 31 March 2017 (equating to 5.5 per cent. of net core loans and advances) largely through asset sales, redemptions and write-offs. The remaining legacy portfolio will continue to be managed down. Given the uncertainty in the UK following the EU referendum, the legacy book could take longer to wind down than management's original expectation of two to four years.

The response of governments and regulators to instability in the global financial markets may not be effective

In times of economic instability, governments and regulators are faced with pressure from a variety of sources, including market participants, the media, investor organisations and others, to reform the existing financial and regulatory system. There can be no guarantee that the response of governments and regulators in the jurisdictions in which the Group operates, and the reforms proposed thereby, will be effective or that the timing of responses (which might otherwise have been effective) will be appropriate. In addition, any such measures taken may negatively impact the Group's business even when they achieve their policy goals.

In the past, governments and regulators in some jurisdictions have responded to pressure of the kind referred to above by greatly increasing regulation. Reforms which increase the compliance and reporting burdens of role-players in the financial markets space can have unintended effects on the environment within which such role-players operate. There can be no guarantee that the governments and regulators in the jurisdictions in which the Group operates will not make policy decisions to implement reforms which increase the burdens faced by the Group in relation to compliance and reporting. This could increase the costs the Group has to devote to compliance and reporting and, in turn, could have a negative effect on the Group's financial condition and results of operations.

Government support of the finance and banking industry may have a disproportionate effect on some and an unintended effect on other participants in that industry

The actions of some governments, providing support to certain participants in the finance and banking industry (whether explicitly or implicitly), have had and will continue to have a fundamental effect on the finance and banking industry. Even if such actions have had a positive effect on the industry as a whole and/or the wider economy, there is a risk that those participants in the industry who have not received such government support, including the Group, may have been and may continue to be disadvantaged. For example, it is possible that those banks which have not received the support of governments may be perceived by potential clients as lacking stability. Such a perception may lead to a loss of clients by smaller participants in the industry, including the Group, if clients, for example, take deposits to an institution perceived to be more secure. If this were to occur, the Group's results of operations, financial condition and prospects may be adversely affected.

Failing infrastructure systems may negatively impact the economy generally and the business and results of operations of the Group

Events such as electricity supply failures, the shut-down of transport systems due to inclement weather (such as snow, flash floods, cyclones or extreme heat) or postal, transport or other strikes have a negative impact on the ability of most role-players, including the Group, to do business. The regular occurrence of such events or timing of the occurrence of such events could have an adverse effect on the Group's operations.

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

Terrorist acts, other acts of war or hostility and responses to those acts may create economic and political uncertainties, which could have a negative impact on global economic conditions generally and may directly affect the countries in which the Group operates, and more specifically the business and results of operations of the Group in ways that cannot be predicted.

Fluctuations in exchange rates could have an adverse impact on the Group's results of operations

A proportion of the Group's operations are conducted by the Group entities outside the UK. The results of operations and the financial position of the Group individual companies are reported in the local currencies of the countries in which they are domiciled, including Euro, U.S. Dollars and Australian Dollars. These results are then translated into pounds sterling at the applicable foreign currency exchange rates for inclusion in the Group's consolidated financial statements. The Group is also subject to currency risk in respect of its trading activities, which it conducts through its Specialist Banking business, both in relation to client flows and balance sheet management.

Exchange rates between local currencies and pounds sterling have fluctuated during recent periods. These fluctuations could have an adverse impact on the Group's results of operations.

The Group faces risks associated with interest rate levels and volatility

Interest rates, which are impacted by factors outside of the Group's control, including the fiscal and monetary policies of the UK government and central bank, as well as UK and international political and economic conditions, affect its results of operations, profitability and return on capital in three principal areas: margins and income, cost and availability of funding and impairment levels.

In recent years, the UK has experienced historically low, sustained interest rates which has resulted in relatively low spreads being realised by the Group between the rate it pays on customer deposits and the rate received on the loans, reducing net interest income and net interest margin. Low interest rates may also reduce incentives for consumers to save and, therefore, could reduce the Group's customer deposits, its principal source of funding. The Group's business and financial performance and net interest income and margin may continue to be adversely affected by the continued low interest rate environment.

Increases in interest rates could also adversely affect the Group. In an increasing interest rate environment, it may be more exposed to re-pricing of its liabilities than competitors with higher levels of term deposits. In the event of sudden large or frequent increases in interest rates, it also may not be able to re-price its floating rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short term, which, in turn, could negatively affect its net interest margin and income.

Changes in interest rates could also impact the Group's impairment loss levels and customer affordability. A rise in interest rates, without sufficient improvement in customer earnings or employment levels, could, for example, lead to an increase in default rates among customers with variable rate loans who can no longer afford their repayments, in turn leading to increased impairment charges and lower profitability for the Group. A high interest rate environment also reduces demand for loan products generally, as individuals are less likely or less able to borrow when interest rates are high. In addition, there is a risk that a sudden rise in interest rates, or an expectation thereof, could encourage significant demand for fixed rate products. High levels of movement between products in a concentrated time period could put considerable strain on the Group's business and operational capability, and it may not be willing or able to price its fixed rate products as competitively as others in the market. This could lead to high levels of customer attrition and, consequently, a negative impact on the Group's profitability.

If the Group is unable to manage its exposure to interest rate volatility, whether through hedging, product pricing or by other means, its business, results of operations, financial condition and prospects could be materially adversely affected.

The Group faces risks related to volatility in the value of UK real estate

UK house prices influence the value of the Group's mortgage portfolio. A decline in house prices in the UK could lead to a reduction in the recovery value of real estate assets held as collateral in the event of a customer default, and could lead to higher impairment losses, which could reduce the Group's capital and profitability as well as its ability to engage in lending and other income-generating activities. A significant increase in house prices over a short period of time could also have a negative impact on the Group by reducing the affordability of homes for buyers, which could lead to a reduction in demand for new mortgages. Sustained volatility in house prices could also discourage potential homebuyers from committing to a purchase, thereby limiting the Group's ability to grow its mortgage portfolio.

In addition, the Group's mortgage portfolio is concentrated in London and surrounding areas. The Group has benefited from the fact that in London, prime residential property has been regarded as a preferred outlet for international capital, and residential property price growth has been largely sustained in recent years, in part due to continued growth in the buy-to-let market. Residential property prices in the South East of England generally also have been more resilient to macroeconomic pressures compared to other regions of the UK. However, there can be no assurance that real estate price growth will continue in these areas.

The UK government's intervention into the housing market, both directly through buyer assistance schemes and indirectly through the provision of liquidity to the banking sector under the Bank of England and HM Treasury's Funding for Lending scheme, may also contribute to volatility in house prices. This could occur, for example, as a result of any sudden end to buyer assistance schemes in the future, which could lead to a decrease in house prices, or due to their continuation, which would maintain excess funding liquidity in the mortgage market which has supported a low mortgage interest rate environment, and which could lead to inflation in house prices. The impact of these and any other initiatives on the UK housing market and other regulatory changes or UK government programmes is difficult to predict. Volatility in the UK housing market occurring as a result of these changes, or for any other reason, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

(b) Risks relating to the Group

Risks relating to the Group's Wealth & Investment and Asset Management businesses

Poor investment performance relative to competitors and applicable benchmarks or a deterioration in the Group's Wealth & Investment and Asset Management services could lead to a loss of assets under management and a decline in operating profit

The success of relevant investment strategies ("**Investment Performance**") is an important factor for the maintenance and growth of assets under management across the Group's Wealth & Investment and Asset Management businesses. If the Group's Wealth & Investment and Asset Management businesses were to experience poor Investment Performance over a prolonged period, affected clients (or clients generally) might decide to reduce their investments or withdraw funds altogether in favour of better performing services or competing investment managers, which would lead to a direct reduction in the level of the Group's assets under management and, as a result, lower fee and commission income. Furthermore, during a period of significant poor Investment Performance, the Group's reputation and brand, which have in part been built around its strong Investment Performance, may deteriorate. As a

result, its ability to attract funds from existing and new clients might diminish, particularly given the competitive nature of the wealth and asset management markets.

In addition to Investment Performance, the directors believe that the quality of the services it delivers and the relationships it develops with clients are among the key factors for the maintenance and growth of its assets under management. The Group's investment managers are central to its relationships with its clients and play a key role in enabling the Group's Wealth & Investment business to earn the long-term trust of its client base. However, client complaints regarding dissatisfaction with the services they receive from their investment managers or the Group generally, including in relation to general administration of their investments, could ultimately lead to the withdrawal of client investments and a reduction in the Issuer's assets under management.

The occurrence of any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's Wealth & Investment and Asset Management businesses may lose clients or may experience withdrawals of assets under management at short or no notice, which would result in the loss of assets under management and lower fee and commission income

The Issuer's arrangements with its Wealth & Investment and Asset Management clients are generally terminable without cause and at any time without notice. Clients may decide to withdraw a portion or all of the assets managed by the Group, or transfer their investments to another provider of wealth and asset management services, for various reasons. A reduction in the value of assets under management would lead to an immediate impact on the Group's fee and commission income and therefore on operating profit. Significant withdrawals of assets under management or transfers of client assets could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Changes in distribution trends, in particular in relation to financial advisers, may have a material adverse effect on the Group's Wealth & Investment business

Financial intermediaries are one of the distribution channels for the Wealth & Investment business. In particular, it relies on independent financial advisers, who may retain responsibility for specific aspects of the overall service provided to the client, such as the recording of "know your customer" information and the suitability of the investment mandate. Although the Group has undertaken various steps to expand and deepen its financial adviser relationships and networks, there can be no assurance that its efforts will be successful. In particular, many of the Group's competitors are working to expand and deepen their own financial adviser relationships and networks. As competition expands among wealth management firms for business from financial adviser introductions, the Group may be unable to maintain its key financial adviser relationships or grow the amount of new business it generates from financial adviser introductions.

Changes in distribution trends may also lead to the emergence of new competitors. For example, the increasing popularity of internet investing systems and platforms in recent years has led to the growth of investment managers offering simplified investment management services to the mass affluent investor market, often targeting self-directed investors. In recent years, this trend towards self-directed investments in certain segments of the market has intensified. In many cases, investment managers have focused their services on the development of low-cost, simplified investment models in order to target this segment of the investor market. Although the Group is investing in a digital distribution channel, as internet platforms and similar distribution channels become more prevalent, there can be no assurance that its clients will not transfer their investments to these types of investment management firms, or that it will be able to successfully compete with them for new clients.

A loss of the Group's relationships with particular intermediaries, or the emergence of competitors through new or developing distribution channels, could result in a reduction its assets under management and could have a material adverse effect on its business, results of operations, financial condition and prospects.

The wealth management and asset management industries in which the Group operates are intensely competitive

Within the Wealth & Investment business, the Group's principal competitors are international and UK based wealth management firms, for example Rathbones, Brewin Dolphin, Cazenove, Quilter Cheviot, Smith & Williamson and Charles Stanley, along with certain private banks. It also competes with trust and fiduciary companies. Some of these competitors have proprietary products and distribution channels that make it more difficult for the Group to compete with them. In addition, the wealth management industry has experienced periods of significant consolidation as numerous wealth management firms have either been acquired by other financial services firms or ceased operations. Furthermore, a number of entrants, including commercial banks and foreign entities, have made investments in and acquired wealth management firms.

The Group's principal competitors in its Asset Management business are Aberdeen Asset Management, Henderson Global Investors and Schroders Investment Management.

If clients and potential clients decide to use the services of competitors, this could result in growth in assets under management slowing or in net client outflows. Any of the foregoing factors could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

Risks relating to the Specialist Banking business

The Group is subject to risks concerning customer and counterparty credit quality

Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client's or counterparty's) failure to meet the terms of any agreement. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through contractual agreements, whether reflected on- or off-balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- lending transactions through loans and advances to clients and counterparties creates the risk that an obligor will be unable to unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements, where the Issuer has placed funds with other financial institutions;
- Issuer risk on financial instruments (for example, corporate bonds) where payments due from the issuer of a financial instrument may not be received; and
- trading transactions, giving risk to settlement and replacement risk, which is collectively referred to as counterparty risk. Settlement risk is the risk that the settlement of a transaction does not take place as expected. Replacement risk is the financial cost of having to enter into a replacement contract with an alternative market counterparty following default by the original counterparty.

The Group's credit risk arises primarily in relation to its Specialist Banking business, through which it offers products such as private client mortgages and specialised lending to high income professionals and high net worth individuals and a range of lending products to corporate clients, including corporate loans, asset based lending, fund finance, asset finance, acquisition finance, power and infrastructure finance, resource finance and corporate debt securities. Within its Wealth & Investment business, the

Group is subject to relatively limited settlement risk which can arise due to undertaking transactions in an agency capacity on behalf of clients.

Credit and counterparty risks can be impacted by country risk where cross-border transactions are undertaken. This can include geopolitical risks, transfer and convertibility risks and the impact on the borrower's credit profile due to local and economic political conditions.

In accordance with policies overseen by its Central Credit Management department, the Group makes provision for specific impairments and calculates the appropriate level of portfolio impairments in relation to the credit and counterparty risk to which it is subject. This process requires complex judgements, including forecasts of how changing macro-economic conditions might impair the ability of customers to repay their loans. The Group may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors. Further, despite the Group having conducted an accurate assessment of customer credit quality, customers may be unable to meet their commitments as they fall due as a result of customer-specific circumstances, macro-economic disruptions or other external factors. The failure of customers to meet their commitments as they fall due may result in higher impairment losses. Increased credit and counterparty risk could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

Concentration of credit risk could increase the Group's potential for significant losses

The Group is subject to concentration risk, which arises when large exposures exist to a single client or counterparty, group of connected counterparties or to a particular geography, asset class or industry. Concentration risk can also exist where a portfolio of loan maturities is clustered within a single period of time. While the Group's loan book remains well diversified, geographical concentration in its loan book may pose risks. In the event of a disruption to the credit markets in the geographies in which the Group operates (particularly the UK) or the emergence of adverse economic conditions in any of those geographies, including in relation to interest rates and unemployment levels, this concentration of credit risk could cause the Group to experience greater losses than its competitors. While the Group regularly monitors its loan book to assess potential concentration risk, efforts to divest, diversify or manage its loan book against concentration risks may not be successful and could result in an adverse effect on its business, results of operations, financial condition and prospects.

The Group is subject to liquidity risk, which may impair its ability to fund its operations

Liquidity risk is the risk that the Group has insufficient capacity to fund increases in its assets, or that it is unable to meet its payment obligations as they fall due, including in periods of stress, without incurring unacceptable losses. This includes repaying depositors and repayments of wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events. Liquidity risk can be further broken down into:

- Funding liquidity, which relates to the risk that the Group will be unable to meet current and/or future cash flow or collateral requirements in the normal course of its business and periods of stress, without adversely affecting its financial position or reputation; and
- Market liquidity, which relates to the risk that the Group may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

Sources of liquidity risk include:

- unforeseen withdrawals of deposits;

- restricted access to new funding with appropriate maturity and interest rate characteristics;
- inability to liquidate a marketable asset in a timely manner with minimal risk of capital loss;
- increased demand for loans in the absence of corresponding funding inflows of appropriate maturity; and
- contingent obligations.

The Group utilises deposits from its private clients to provide a stable source of funding. Growth in lending activities will therefore depend in part on the availability of customer deposits on acceptable terms, for which there may be increased competition driven by a variety of factors outside the Group's control. These factors include general macro-economic conditions, market volatility and confidence of retail depositors in the economy. Increases in the cost of customer deposit funding will adversely affect the Group's net interest margin and a lack of availability of customer deposit funding could have a material adverse effect on the Group's growth.

While the Group does not currently rely heavily on wholesale funding (i.e. borrowing from other banks and financial institutions), it may need to access wholesale markets where there is a residual funding requirement over and above funds held from customer deposits. If the wholesale funding markets were to be fully or partially closed, it is likely that wholesale funding would prove more difficult to obtain on commercial terms, which could have a material adverse effect on the Group's growth. Significant curtailments of central bank liquidity to the financial markets in connection with other market stresses might also have a material adverse effect on the Group's financial position depending on its liquidity position at that time.

The CRD IV Directive (as defined in the Conditions) (as implemented in the UK through applicable regulatory rules which will be set out in the PRA Rulebook and other PRA publications) and the CRD IV Regulation (as defined in the Conditions) (together "**CRD IV**") requires the Issuer Group to meet targets set for the Basel III liquidity related ratios. These include the liquidity coverage ratio ("**LCR**"), which requires banks to have sufficient high quality liquid assets to withstand a 30-day stressed environment, and the net stable funding ratio ("**NSFR**"), which is a long-term structural ratio designed to address liquidity mismatches. The PRA is responsible for the implementation and supervision of the CRD IV requirements in the UK and for imposing Pillar 2 add-ons over and above the LCR Pillar 1 requirement. The PRA's approach to Pillar 2 is under consultation and may require the Group to hold additional liquid assets.

As at 31 March 2017, the Issuer Group's LCR was in excess of the PRA regulatory requirements. The NSFR proposals are under consultation and therefore subject to change. In the meantime, the Group follows the latest Basel Committee on Banking Supervision guidance as well as its own interpretations of the NSFR requirements, and is currently in excess of 100 per cent. of such requirements using this approach.

Any failure to manage its liquidity position or to meet the LCR and NSFR requirements could have a material adverse effect on the Issuer Group's reputation and could impact the PRA's approach to supervision and the Issuer Group's financial condition and prospects.

The Issuer Group may have insufficient capital in the future and may be unable to secure additional financing when it is required

The prudential regulatory capital and liquidity requirements applicable to banks have increased significantly over the last decade, largely in response to the financial crisis that commenced in 2008 but

also as a result of continuing work undertaken by regulatory bodies in the financial sector subject to certain global and national mandates.

The prudential regulatory capital and liquidity requirements to which the Issuer Group is subject are primarily set out in CRD IV. The manner in which CRD IV requirements are implemented may change, including as a result of binding regulatory or implementing technical standards or guidance developed by the European Banking Authority (the “EBA”) being adopted by the European Commission (the “EC”). In November 2016 the EC proposed a number of revisions to CRD IV, in line with developments in the global standards of the Basel Committee on Banking Supervision. The proposals include changes to the regulatory definition of trading activity, a new standardised calculation methodology for market risk and new standardised approach for calculating counterparty credit risk. In addition, the proposal also includes a binding leverage ratio requirement, a new methodology for calculating the capital requirement for equity investments in funds and phase-in arrangements for the regulatory capital impact of IFRS9. Further standards are expected during the course of 2017 on risk weighted assets for credit risk and operational risk. The implementation timeframe for these changes is not yet certain, however, any new rules are expected to apply to the Issuer Group two years after the date of their entry in the Official Journal of the European Union. Additional prudential requirements may also arise from other regulatory reforms, including current proposals for Minimum Requirement for own funds and Eligible Liabilities (“MREL”) under BRRD (as defined below). Included with these reforms are the Bank of England’s consultation papers, latest responses to consultation and statement of policy on MREL requirements for UK banks which were published in November 2016 and July 2017 and which remain subject to further changes. While the Issuer and Investec Bank plc do not currently expect to have an MREL requirement over and above the Pillar 1 and Pillar 2A capital requirements of Investec Bank plc, the Issuer Group continues to be subject to substantial and changing prudential regulations, including requirements to maintain adequate capital resources and to satisfy specified capital ratios which may increase over time.

The Issuer Group sets its internal target amount of capital and liquidity based on an assessment of its risk profile, market expectations and regulatory requirements in relation to both capital and liquidity. The Issuer Group may experience a depletion of its capital resources through increased costs or liabilities incurred as a result of the crystallisation of any of the other risks described in this document. If, for example, market expectations as to capital levels increase, driven by, for example, the capital levels or targets among peer banks, or if new regulatory requirements are introduced, the Issuer Group may experience pressure to increase its capital ratios.

As at 31 March 2017, the Issuer’s common equity tier 1 (“CET1”) capital ratio was 10.9 per cent. and its total capital adequacy ratio was 14.6 per cent. These ratios incorporate the deduction of foreseeable dividends as required by the CRR and EBA technical standards. Excluding this deduction, the CET1 capital ratio would be 0.45 per cent. higher. The Issuer Group intends to continue to hold capital in excess of regulatory requirements to ensure that it remains well capitalised in a vastly changing banking environment. If the Issuer Group fails to meet its minimum regulatory capital or liquidity requirements, it may be subject to regulatory actions or sanctions. In addition, a shortage of capital or liquidity could affect the Issuer Group’s ability to pay liabilities as they fall due, pay future dividends and distributions, and could affect the implementation of its business strategy, impacting future growth potential. If, in response to any capital shortage, the Issuer Group raises additional capital through the issuance of share capital or capital instruments, shareholders may experience a dilution of their holdings or reduced profitability and returns. Any inability of the Issuer Group to maintain its regulatory capital or liquidity requirements, or any legislative changes, administrative actions or sanctions that limit its ability to manage its capital effectively may have a material adverse effect on the Issuer Group’s business, results of operations, financial condition and prospects. See also the Risk Factor entitled “CRD IV includes

restrictions on distributions that will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will cancel such interest payments. In addition, the PRA has the power under section 192C of the Financial Services and Markets Act 2000 (implementing Article 104 of the CRD IV Directive) to restrict or prohibit payments of interest by the Issuer to Holders”.

The Group’s business performance could be affected if its capital resources and liquidity are not managed effectively

The Group’s capital and liquidity is critical to its ability to operate its businesses, to grow organically and to take advantage of strategic opportunities. The Group mitigates capital and liquidity risk by careful management of its balance sheet through, for example, capital and other fund-raising activities, disciplined capital allocation, maintaining surplus liquidity buffers and diversifying its funding sources. The Group is required by regulators in jurisdictions in which it undertakes regulated activities, to maintain adequate capital and liquidity. The maintenance of adequate capital and liquidity is also necessary for the Group’s financial flexibility in the face of any turbulence and uncertainty in the global economy.

Extreme and unanticipated market circumstances may cause exceptional changes in the Group’s markets, products and other businesses. Any exceptional changes, including, for example, substantial reductions in profits and retained earnings as a result of write-downs or otherwise, delays in the disposal of certain assets or the ability to access sources of liability, including customer deposits and wholesale funding, as a result of these circumstances, or otherwise, that limit the Group’s ability effectively to manage its capital resources could have a material adverse impact on the Group’s profitability and results. If such exceptional changes persist, the Group may not have sufficient financing available to it on a timely basis or on terms that are favourable to it to develop or enhance its businesses or services, take advantage of business opportunities or respond to competitive pressures.

The Issuer is a holding company, which means that its right to participate in the assets of any of its subsidiaries upon the liquidation of such subsidiaries may be subject to prior claims of some of such subsidiary’s creditors and preference shareholders

The Issuer is a holding company that currently has no significant assets other than its investment in its principal subsidiaries, namely Investec Bank plc and Investec Asset Management Limited. As a holder of ordinary shares in such subsidiaries, the Issuer’s right to participate in the assets of any of them if such subsidiary is liquidated will be subject to the prior claims of such subsidiary’s creditors and preference shareholders (if any), except in the limited circumstance where the Issuer is a creditor with claims that are recognised to be ranked ahead of or *pari passu* with such claims of other of the subsidiary’s creditors and/or preference shareholders against such subsidiary. Accordingly, if any of the Issuer’s subsidiaries were to be wound up, liquidated or dissolved, (i) the holders of the Securities would have no right to proceed against the assets of such subsidiary, and (ii) the liquidator of such subsidiary would first apply the assets of such subsidiary to settle the claims of its senior and subordinated creditors, including holders (which may include the Issuer) of preference shares and any other Tier 1 capital instruments, before the Issuer, to the extent it is as an ordinary shareholder such subsidiary would be entitled to receive any distributions from such subsidiary.

The Group’s borrowing costs and access to the debt capital markets depend significantly on its credit ratings

Rating agencies, which determine the Group’s own credit ratings and thereby influence the Group’s cost of funds, take into consideration management effectiveness and the success of the Group’s risk management processes. Rating agencies have, in the past, altered their ratings of all or a majority of the participants in a given industry as a result of the risks affecting that industry or have altered the credit

ratings of the Group or instruments issued by the Group specifically. A reduction in the Group's long- or short-term credit ratings could increase its borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. Any further changes in the credit ratings of the Group could negatively impact the volume and pricing of the Group's funding, which could in turn have a material adverse effect on its business, results of operations, financial condition and prospects.

Certain financial instruments are recorded at fair value under relevant accounting rules. To determine fair value, the Group uses financial models which require it to make certain assumptions and judgements and estimates which may change over time

Under IFRS, the Group is required to carry certain financial instruments on its balance sheet at fair value, including, among others, trading assets (which include certain retained interests in loans that have been securitised), available-for-sale securities and derivatives. Generally, in order to establish the fair value of these instruments, the Group relies on quoted market prices or internal valuation models that utilise observable market data. In certain circumstances and over the last year in particular, however, the ability of the Group and other financial institutions to establish fair values has been influenced by the lack of readily available observable market prices and data and the fact that the availability or reliability of such information has diminished due to market conditions. Furthermore, in common with other financial institutions, the processes and procedures governing internal valuation models are complex and require the Group to make assumptions, judgements and estimates in relation to matters that are inherently uncertain, such as expected cash flows from a particular asset class, the ability of borrowers to service debt, house price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgements and estimates may need to be updated to reflect changing trends in relation to such matters. To the extent the Group's assumptions, judgements or estimates change over time in response to market conditions or otherwise, the resulting change in the fair value of the financial instruments reported on the Group's balance sheet could have a material adverse effect on the Group's earnings.

Financial instruments are valued differently under relevant applicable accounting rules depending upon how they are classified. For example, assets classified as loans and receivables are carried at amortised cost (less provisions for permanent impairment) while trading assets are carried at fair value. Similar financial instruments can be classified differently by a financial institution depending upon the purpose for which they are held and different financial institutions may classify the same instrument differently. In addition, financial institutions may use different valuation methodologies which may result in different fair values for the same instruments.

Accordingly, the Group's carrying value for an instrument may be materially different from another financial institution's valuation of that instrument or class of similar instruments.

Furthermore, a fair value determination does not necessarily reflect the value that can be realised for a financial instrument on a given date. As a result, assets and liabilities carried at fair value may not actually be able to be sold or settled for that value. If such assets are ultimately sold or settled for a lower or greater value, the difference would be reflected in a write-down or gain. The difference between the fair value determined at a particular point in time and the ultimate sale or settlement value can be more pronounced in volatile market conditions or during periods when there is only limited trading of a particular asset class from which to establish fair value. This can result in a significant negative impact on the Group's financial condition and results of operations due to an obligation arising to revalue assets at a fair value significantly below the value at which the Group believes it could ultimately be realised.

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

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

The secure transmission of confidential information is a critical element of the Group's operations. The Group's networks and systems may be vulnerable to unauthorised access and other security problems. In particular, as a financial institution, the Group is subject to a heightened risk that it will be the target of criminal activity, including fraud, theft or cybercrime. For example, the Group is exposed to potential losses due to breaches of its terms of business by its customers (e.g., through the use of a false identity to open an account) or by customers engaging in fraudulent activities, including the improper use of legitimate customer accounts. There also can be no assurance that the Group's systems will not be subject to attack by cybercriminals, including through denial of service attacks, which could significantly disrupt its operations. The Group cannot be certain that its existing security measures will prevent security breaches, including break-ins, viruses or disruptions. Persons that circumvent the security measures could use the Group or its clients' confidential information wrongfully which could expose it to a risk of loss, adverse regulatory consequences or litigation.

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

The Group may be adversely affected if its reputation is harmed

The Group is subject to the risk of loss due to customer or staff misconduct. The Group's ability to attract and retain customers and employees and raise appropriate financing or capital may be adversely affected to the extent its reputation is damaged. If it fails to deal with various issues that may give rise to reputational risk, its reputation and in turn its business prospects may be harmed. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, customer management and communication, discrimination issues, money-laundering, privacy, record-keeping, sales and trading practices, and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in its business. Failure to address these issues appropriately could give rise to litigation and regulatory risk to the Group.

There have been a number of highly publicised cases involving fraud or other misconduct by employees of financial services firms in recent years. The Group's reputation could be damaged by an allegation or finding, even where the associated fine or penalty is not material. Misconduct could include hiding unauthorised activities from the Group, improper or unauthorised activities on behalf of customers, improper use of confidential information or use of improper marketing materials. The Group has systems and controls in place to prevent and detect misconduct; however, the risks posed by misconduct may not be entirely eliminated through controls.

The Group's risk management policies and procedures may leave it exposed to risks which have not been identified by such policies or procedures

The Group has devoted significant resources to developing its risk management policies and procedures, particularly in connection with credit, liquidity, market and other banking 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. Some of the Group'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 significantly greater than historical measures indicate. Other risk management methods depend upon evaluation of information regarding the markets in which the Group operates, its clients or other matters that are publicly available or otherwise accessible by the Group. This information may not be accurate in all cases, complete, up-to-date or properly evaluated. Any failure of the Group's risk management techniques may have a material adverse effect on its results of operations and financial condition.

Operational risk may disrupt the Group's business or result in regulatory action

Operational losses can result, for example, from fraud, errors by employees, failure to document transactions properly or to obtain proper authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of systems and controls, including those of the Group's suppliers or counterparties. Although the Group has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures, reporting systems and to staff training, it is not possible to be certain that such actions have been or will be effective in controlling each of the operational risks faced by the Group. Notwithstanding anything contained in this risk factor, it should not be taken as implying that the Group will be unable to comply with its regulatory obligations. Any operational failure may cause serious reputational or financial harm and could have a material adverse effect on the Group's results of operations, reputation and financial condition.

The financial services industry in which the Group operates is intensely competitive

The financial services industry is intensely competitive and the Group faces substantial competition in all aspects of its Specialist Banking business. Given that its activities are focused on niche areas within the banking industry, the Specialist Banking business does not have any peers that have a directly comparable business model. However, it faces competition within these areas from large high street banks such as HSBC, Barclays, NatWest, Santander, RBS and Lloyds, as well as providers of private banking for the ultra-high net worth market, including Goldman Sachs, Macquarie, Coutts, JPMorgan, Cater Allen, Credit Suisse and UBS. These banks may have greater resources, broader product offerings and more extensive distribution networks than the Group. The Group also faces competition in the UK from new entrants to the market, including from banking businesses developed by large non-financial companies, such as Tesco and Virgin Money, or from new entrants such as Aldermore and MetroBank. Increasing pressure faced by the Group from these banks, as well as mainstream banks returning to the market, has adversely affected its margins. If the Group is unable to manage this competition, its ability to retain its clients and continue to attract deposits may be compromised, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

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

The Group's performance is largely dependent on the talents and efforts of key personnel, many of whom have been employed by the Group for a substantial period of time and have developed with the business. In addition, while the Group is covered by a general director's and officer's insurance policy, it does not maintain any "key man" insurance in respect of any management employees. Competition in the

financial services industry for qualified employees is intense. Further, the Group's ability to implement its strategy depends on the ability and experience of its senior management and other key employees. The loss of the services of certain key employees, particularly to competitors, could have a negative impact on the Group's business. The Group's continued ability to compete effectively and further develop its businesses depends on its ability to retain, remunerate and motivate its existing employees and to attract new employees and qualified personnel competitively with its peers.

The Group may be exposed to pension risk

Pension risk arises from obligations arising from defined benefit pension schemes, where the Group is required to fund any deficit in the schemes. There are two defined benefit pension schemes within the Group and both are closed to new business. Pension risk arises if the net present value of future cash outflows is greater than the current value of the asset pool set aside to cover those payments. The primary sources of pension risk include:

- a mismatch in the duration of the assets relative to the liabilities of the pension schemes;
- market-driven asset price volatility; and
- increased life expectancy of individuals leading to increased liabilities.

As a result of these factors, the Group faces the risk that the funding position of the schemes will deteriorate to such an extent that it would may be required to make additional contributions above what is already planned to cover its pension obligations. Any failure by the Group to manage its pension deficit could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group is subject to conduct risk, including the risk that it treats its customers unfairly and delivers inappropriate outcomes and the risk of conducting itself negatively in the market.

The Group is exposed to conduct risk, including retail conduct risk and wholesale conduct risk. Retail conduct risk is the risk that the Group treats its customers unfairly and delivers inappropriate outcomes. Wholesale conduct risk is the risk of conducting itself negatively in the market. Certain aspects of the Group's business may be determined by regulators in various jurisdictions or by courts not to have been conducted in accordance with applicable local or, potentially, overseas laws and regulations, or in a fair and reasonable manner. If the Group fails to comply with any relevant laws or regulations, it may suffer reputational damage and may become subject to challenges by customers or competitors, or sanctions, fines or other actions imposed by regulatory authorities.

Changes in laws or regulations may also vastly change the requirements applicable to the Group in a short period of time and/or without transitional arrangements. In particular, in the UK, the FCA released on 10 June 2014 a new policy statement (PS14/9) entitled "*Review of the client assets regime for investment business*", which makes changes to the rules in the Client Assets Sourcebook ("**CASS**") which came into effect in three stages over the 18 months following the release. The changes to the CASS regime included revisions to client money rules for investment firms and substantial amendments to the custody rules. These changes have resulted in additional costs for the Group in order to achieve compliance with the new regime. The introduction of the Foreign Account Tax Compliance Act ("**FATCA**") by the U.S. Internal Revenue Service in 2010 has also resulted in additional costs for the Group. If the Group is unable to manage any of the foregoing risks, its business, results of operations, financial condition and prospects could be materially adversely affected.

(c) **Risks relating to the Group’s fiscal, legal and regulatory compliance**

Legal and regulatory risks are substantial in the Group’s businesses

Substantial legal liability or a significant regulatory action against the Group could have a material adverse effect or cause significant reputational harm to the Group, which, in turn, could seriously harm the Group’s business prospects and have an adverse effect on its results of operations and financial condition.

The Group faces significant legal risks

The Group faces significant legal risks, and the volume and amount of damages claimed in litigation against financial intermediaries generally is increasing. These risks include potential liability under securities or other laws for materially false or misleading statements made in connection with the sale of securities and other transactions, potential liability for advice the Group provides to participants in corporate transactions and disputes over the terms and conditions of complex trading arrangements. The Group also faces the possibility that counterparties in complex or risky trading transactions will claim that the Group improperly failed to inform them of the risks or that they were not authorised or permitted to enter into these transactions with the Group and that their obligations to the Group are not enforceable.

In those parts of the Group’s business that are focused on the provision of portfolio management and stockbroking services, the Group is exposed to claims that it has recommended investments that are inconsistent with a client’s investment objectives or that it has engaged in unauthorised or excessive trading, including in connection with split capital investment trusts. The Group is also exposed to claims from dissatisfied customers as part of the increased trend of performance-related litigation, for example, in association with its operations relating to the provision of wealth management advice. The Group may also be subject to claims arising from disputes with employees for, among other things, alleged discrimination or harassment. These risks may often be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Liability resulting from any of the foregoing or other claims could have a material adverse effect on the Group’s results of operations and financial condition.

These issues require the Group to deal appropriately with, *inter alia*, potential conflicts of interest; legal and regulatory requirements; ethical issues; anti-money laundering laws or regulations; privacy laws; information security policies; sales and trading practices; and conduct by companies with which it is associated. Failure to address these issues appropriately may give rise to additional legal and compliance risk to the Group, with an increase in the number of litigation claims and the amount of damages asserted against the Group, or subject the Group to regulatory enforcement actions, fines, penalties or reputational damage.

Future changes in the legal and regulatory environment may mean that the DLC structure will no longer be viable

The Investec Group’s DLC structure (as more fully described under “*Description of Issuer*”) has been developed on the basis of existing law and policies of regulatory authorities in the UK and South Africa. Changes to the laws or policies (including changes in tax law or policy) related to the DLC structure may result in the DLC structure no longer being viable, which may affect the ability of the Group’s operations to continue in their current form and may affect the Group’s results in the future.

Bank Resolution Powers apply to the Group

The Issuer, as the parent company of a UK bank (Investec Bank plc), is subject to the Banking Act 2009 (the “**Banking Act**”) which gives wide powers in respect of UK banks and their parent and other group

companies to HM Treasury, the Bank of England, PRA and the FCA (each a “**Relevant Authority**”) in circumstances where a UK bank has encountered or is likely to encounter financial difficulties. The Banking Act implements the provisions of Directive 2014/59/EU (the “**Bank Recovery and Resolution Directive**” or “**BRRD**”). These powers include powers to: (a) transfer all or some of the securities issued by a UK bank or its parent, or all or some of the property, rights and liabilities of a UK bank or its parent (which would include the Securities), to a commercial purchaser or, in the case of securities, to HM Treasury or an HM Treasury nominee, or, in the case of property, rights or liabilities, to an entity owned by the Bank of England; (b) override any default provisions, contracts, or other agreements, including provisions that would otherwise allow a party to terminate a contract or accelerate the payment of an obligation; (c) commence certain insolvency procedures in relation to a UK bank; and (d) override, vary or impose contractual obligations, for reasonable consideration, between a UK bank or its parent and its group undertakings (including undertakings which have ceased to be members of the group), in order to enable any transferee or successor bank of the UK bank to operate effectively. The Banking Act also gives power to HM Treasury to make further amendments to the law for the purpose of enabling it to use the special resolution regime powers effectively, potentially with retrospective effect.

The powers granted to the Relevant Authority include (but are not limited to) a “write-down and conversion of capital instruments” power and a “bail-in” power both of which are applicable to the Securities.

The write-down and conversion of capital instruments power may be used where the Relevant Authority has determined that the institution concerned has reached the point of non-viability or where the conditions to resolution are met. Any write-down effected using this power must reflect the insolvency priority of the written-down claims – thus common equity must be written off in full before subordinated debt is affected. Where the write-down and conversion of capital instruments power is used, the write-down is permanent and investors receive no compensation (save that CET1 instruments may be required to be issued to holders of written-down instruments). The write-down and conversion of capital instruments power is not subject to the “no creditor worse off” safeguard (unless the mandatory write-down tool were to be used alongside a bail-in).

The bail-in power gives the Relevant Authority the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Securities) of a failing financial institution or its holding company, and/or to convert certain debt claims (which could be amounts payable under the Securities) into another security, including ordinary shares of the surviving entity, if any. The Banking Act requires the Relevant Authority to apply the “bail-in” power in accordance with a specified preference order which differs from the ordinary insolvency order. In particular, the Relevant Authority must write-down or convert debts in the following order: (i) additional tier 1 (which would include the Securities), (ii) tier 2, (iii) other subordinated claims and (iv) eligible senior claims.

Although the exercise of bail-in power under the Banking Act is subject to certain pre-conditions, there remains uncertainty regarding the specific factors (including, but not limited to, factors outside the control of the Issuer or not directly related to the Issuer) which the Relevant Authority would consider in deciding whether to exercise such power with respect to the Issuer and its securities (including the Securities). Moreover, as the Relevant Authority may have considerable discretion in relation to how and when it may exercise such power, holders of the Issuer's securities may not be able to refer to publicly available criteria in order to anticipate a potential exercise of such power and consequently its potential effect on the Issuer and its securities.

As well as a “write-down and conversion of capital instruments” power and a “bail-in” power, the powers of the Relevant Authority under the Banking Act include the power to (i) direct the sale of the relevant

financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a “bridge institution” (an entity created for such purpose that is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only). In addition, the Banking Act gives the Relevant Authority power to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments and/or discontinue the listing and admission to trading of debt instruments.

The EC has published a proposal for two Directives amending the BRRD, including amendments to ensure that certain additional instruments could be written down or converted into equity where the resolution group entity (which itself is not a resolution entity) that issues them reaches the point of non-viability, as well as amendments to give the Relevant Authority the power to suspend payments including when this is needed for the effective application of one or more resolution tools. The proposed Directives have not yet been adopted so the final text of the Directives may still change.

The exercise by the Relevant Authority of any of the above powers under the Banking Act (including especially the bail-in power) could lead to the holders of the Securities losing some or all of their investment. Moreover, trading behaviour in relation to the securities of the Issuer (including the Securities), including market prices and volatility, may be affected by the use or any suggestion of the use of these powers and accordingly, in such circumstances, the Securities are not necessarily expected to follow the trading behaviour associated with other types of securities. The taking of any actions under the Banking Act by the Relevant Authority or the manner in which its powers under the Banking Act are exercised could materially adversely affect the rights of holders of the Securities, the market value of an investment in the Securities and/or the Issuer's ability to satisfy its obligations under the Securities.

Although the BRRD also makes provisions for public financial support to be provided to an institution in resolution subject to certain conditions, it provides that the financial public support should only be used as a last resort after the Relevant Authority has assessed and exploited, to the maximum extent practicable, all the resolution tools, including the bail-in power. Accordingly, it is unlikely that investors in the Securities will benefit from such support even if it were provided.

Investec Bank plc is a participating member of the Financial Services Compensation Scheme

The UK Financial Services Compensation Scheme (“FSCS”), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members to meet its management expenses and compensation costs. Individual participating members make payments based on their level of participation (in the case of deposits, the proportion that their protected deposits represent of total protected deposits) at 31 December of the year preceding the scheme year.

Following the default of a number of deposit takers in 2008, the FSCS borrowed from HM Treasury to fund the compensation costs for customers of those firms. Although the majority of this loan is expected to be repaid from funds the FSCS receives from asset sales, surplus cash flow or other recoveries in relation to the assets of the firms that defaulted, any shortfall will be funded by deposit-taking participants of the FSCS.

Investec Bank plc is a participating member of the FSCS and the bank accrues for its share of levies that will be raised by the FSCS. The accrual is based on the annual invoice from the FSCS which currently includes the capital repayments for the loan based on the level of the bank's market participation in the relevant periods. Interest will continue to accrue to the FSCS on the HM Treasury loan and will form part of future FSCS levies.

At the date of this Prospectus, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of the Group's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

Other regulatory risks could materially affect the Group

The Group is subject to extensive regulation by governmental and other regulatory organisations in the jurisdictions in which it operates around the world, including, in particular, the FCA in the UK.

In addition, the Group is subject to extensive and increasing legislation, regulation, accounting standards and changing interpretations thereof in the various countries in which it operates. The requirements imposed by the Group's regulators, including capital adequacy, are designed to ensure the integrity of financial markets and to protect customers and other third parties who deal with the Group.

In addition, new laws are introduced and existing laws are amended from time to time, including tax, consumer protection, privacy and other legislation, which affect the environment in which the Group operates. Governmental policies and regulatory changes in the other areas which could affect the Group, include:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy or changes in regulatory regimes that may significantly influence investor decisions in particular markets in which the Group operates or may increase the costs of doing business in those markets;
- other general changes in the regulatory requirements, such as prudential rules relating to the capital adequacy and liquidity framework;
- changes in competition and pricing environments;
- further developments in the financial reporting environment;
- further developments in the corporate governance, conduct of business and employee compensation environments;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political or diplomatic developments or legal uncertainty which, in turn, may affect demand for the Group's products and services.

Consequently, changes in these governmental policies and regulation may limit the Group's activities, which could have an adverse effect on the Group's results. It is widely expected that as a result of recent interventions by governments in response to global economic conditions, there will be a substantial increase in government regulation and supervision of the financial services industry, including the imposition of higher capital requirements, heightened disclosure standards and restrictions on certain types of transaction structures. If enacted, such new regulations could significantly impact the profitability and results of firms operating within the financial services industry, including the Group, or

could require those affected to enter into business transactions that are not otherwise part of their preferred strategies, prevent the continuation of current lines of operations, restrict the type or volume of transactions which may be entered into or set limits on, or require the modification of, rates or fees that may be charged on certain loan or other products. Such new regulations may also result in increased compliance costs and limitations on the ability of the Group or others within the financial services industry to pursue business opportunities.

The EU General Data Protection Regulation (the “**GDPR**”) will have direct effect in all EU Member States from 25 May 2018 and will replace current EU data privacy laws. Among other matters, the GDPR will introduce new fines and penalties for a breach of data privacy requirements, including fines for serious breaches of up to the higher of 4 per cent. of annual worldwide turnover or €20m and fines of up to the higher of 2 per cent. of annual worldwide turnover or €10m (whichever is highest) for other specified infringements. The GDPR identifies a list of points to consider when imposing fines (including the nature, gravity and duration of the infringement). The imposition of any fines could cause reputational damage to the Group.

Further changes to the regulatory requirements applicable to the Group, in particular in the UK, whether resulting from recent events in the credit markets or otherwise, could materially affect its business, the products and services it offers and the value of its assets.

(d) Tax related risks

The Group is subject to the substance and interpretation of tax laws in all countries in which it operates. A number of double taxation agreements entered into between countries also affect the taxation of the Group.

Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of consequences arising from failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to increased tax charges, including financial or operating penalties, for not complying as required with tax laws. Action by governments to increase tax rates or to impose additional taxes would reduce the profitability of the Group. Revisions to tax legislation or to its interpretation might also affect the Group’s results in the future.

2 Risks Related to the Securities

The obligations of the Issuer in respect of the Securities are unsecured and deeply subordinated

The Securities constitute unsecured and subordinated obligations of the Issuer.

If the Issuer’s financial condition deteriorates such that there is an increased risk that the Issuer may be wound up or enter into administration, such circumstances can be expected to have a material adverse effect on the market price of the Securities. Investors in the Securities may find it difficult to sell their Securities in such circumstances, or may only be able to sell their Securities at a price which may be significantly lower than the price at which they purchased their Securities. In such a sale, investors may lose some or substantially all of their investment in the Securities, whether or not the Issuer is wound up or enters into administration. Further, trading behaviour in relation to the securities of the Issuer (including the Securities), including market prices and volatility, is likely to be affected by the use or any suggestion of the use of these powers and accordingly, in such circumstances, the Securities may not follow the trading behaviour associated with other types of securities.

On a Winding-Up (as defined in the Conditions) of the Issuer at any time prior to the Write Down Date, all claims in respect of the Securities will rank junior to the claims of all Senior Creditors (as defined in the Conditions) of the Issuer. If, on a Winding-Up of the Issuer, the assets of the Issuer are insufficient to enable the Issuer to repay the claims of more senior-ranking creditors in full, the Holders will lose their entire investment in the Securities. If there are sufficient assets to enable the Issuer to pay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Securities and all other claims that rank *pari passu* with the Securities, Holders will lose some (which may be substantially all) of their investment in the Securities. See also the risk factor entitled “*The entire principal amount of the Securities will be automatically written off on a permanent basis and all accrued and unpaid interest will be cancelled if a Trigger Event occurs*”.

For the avoidance of doubt, the holders of the Securities shall, in a Winding-Up of the Issuer, have no claim to share with the ordinary shareholders in respect of the surplus assets (if any) of the Issuer remaining in any Winding-Up following payment of all amounts due in respect of the liabilities of the Issuer including the Securities.

Although the Securities may pay a higher rate of interest than Securities which are not subordinated, there is a substantial risk that investors in the Securities will lose all or some of the value of their investment should the Issuer become insolvent.

No limitation on issuing senior or pari passu securities

There is no restriction on the amount of securities which the Issuer may issue, nor on the amount of any other obligations it may assume, which rank senior to, or *pari passu* with, the Securities. The issue of any such securities and/or the assumption of any such other obligations may reduce the amount recoverable by Holders on a Winding-Up of the Issuer and/or may increase the likelihood of a cancellation of interest amounts under the Securities.

There are no events of default under the Securities and rights of enforcement are limited

The Conditions will not provide for events of default allowing acceleration of the Securities. Accordingly, if the Issuer fails to make a payment that has become due under the Securities, investors will not have the right to accelerate the principal amount of the Securities. Upon a payment default by the Issuer, the sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Holder will be to institute proceedings for the winding-up of the Issuer. The Trustee may claim in any Winding-Up of the Issuer (whether or not such Winding-Up is instituted by the Trustee) and claim in such Winding-Up for the amounts provided in Condition 3(c), and may take no other or further action to enforce, prove or claim for such payment. The Issuer (other than in a Winding-Up) will not be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

The Issuer may at any time elect, and in certain circumstances shall be required, not to make interest payments on the Securities. Cancelled interest payments will not be due and will not accumulate or be payable at any time thereafter and investors shall have no rights to receive such interest payments or any amount in lieu thereof

The Issuer may at any time elect, at its discretion, to cancel any interest payment (in whole or in part) on the Securities which would otherwise be due on any Interest Payment Date. Additionally, the Competent Authority has the power under Article 104 of the CRD IV Directive or section 192C of the FSMA to restrict or prohibit payments by an issuer of interest to holders of Additional Tier 1 instruments (such as the Securities).

In addition, if a Trigger Event occurs, the Issuer will cancel all interest accrued up to (and including) the Write Down Date.

With respect to cancellation of interest due to insufficient Distributable Items, see also “*The level of the Issuer’s Distributable Items is affected by a number of factors and insufficient Distributable Items will restrict the ability of the Issuer to make interest payments on the Securities*” below.

The current intention of the Issuer is to consider the relative ranking of ordinary shares, preference shares and Additional Tier 1 securities in the capital structure whenever exercising its discretion whether or not to declare dividends or pay interest. The board of directors of the Issuer may depart from this approach at its sole discretion.

Any interest not so paid on any such Interest Payment Date shall be cancelled and shall no longer be due and payable by the Issuer. A cancellation of interest in accordance with the Conditions will not constitute a default of the Issuer under the Securities for any purpose, nor shall it impose any contractual restrictions (such as dividend stoppers) or any other obligation on the Issuer. Any actual or anticipated cancellation of interest on the Securities will likely have an adverse effect on the market price of the Securities. In addition, as a result of the interest cancellation provisions of the Securities, the market price (if any) of the Securities may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer’s financial condition.

The level of the Issuer’s Distributable Items is affected by a number of factors and insufficient Distributable Items will restrict the ability of the Issuer to make interest payments on the Securities

The Issuer will be required to cancel any interest amount (in whole or in part) which would otherwise fall due on an Interest Payment Date if and to the extent that payment of such interest amount would, when aggregated with other stipulated payments or distributions, exceed the Distributable Items of the Issuer.

Distributable Items are defined under Article 4(1)(128) of the CRR as follows: “the amount of the profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments less any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the institution’s bye-laws and sums placed to non-distributable reserves in accordance with applicable national law or the statutes of the institution, those losses and reserves being determined on the basis of the individual accounts of the institution and not on the basis of the consolidated accounts”.

As at 31 March 2017, the Issuer had Distributable Items in the form of retained earnings of £187.1 million. The level of the Issuer’s Distributable Items is affected by a number of factors. The Issuer’s future Distributable Items, and therefore the ability of the Issuer to make interest payments under the Securities, are a function of the Issuer’s existing Distributable Items and its future profitability. As a holding company, the level of the Issuer’s Distributable Items is principally affected by its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates Distributable Items for the Issuer. The Issuer is also reliant on the receipt of distributions from its subsidiaries for funding the Issuer’s payment obligations.

The level of the Issuer’s Distributable Items may also be affected by the payment of dividends or capital distributions on, or redemptions and/or purchases of, ordinary or preference shares in the Issuer or by changes to regulation or the requirements and expectations of applicable regulatory authorities. Any such potential changes could adversely affect the Issuer’s Distributable Items in the future. In addition, the Issuer’s Distributable Items may also be adversely affected by the servicing of more senior instruments or parity ranking instruments, including other Additional Tier 1 Capital.

Further, the Issuer’s Distributable Items, and therefore the Issuer’s ability to make interest payments under the Securities, may be adversely affected by the performance of the business of the Group in general, factors affecting its financial position (including capital and leverage), the economic environment in which the Group operates and other factors outside of the Issuer’s control. In addition, adjustments to earnings, as determined by

the board of directors of the Issuer, may fluctuate significantly and may materially adversely affect Distributable Items.

The Securities may be traded with accrued interest, but under certain circumstances described above, such interest may be cancelled and not paid on the relevant Interest Payment Date

The Securities may trade, and/or the prices for the Securities may appear, on any stock exchange and in other trading systems with accrued interest. If this occurs, purchasers of Securities in the secondary market will pay a price that reflects such accrued interest upon purchase of the Securities. However, if a payment of interest on any Interest Payment Date is cancelled (in whole or in part) as described herein and thus is not due and payable, purchasers of such Securities will not be entitled to that interest payment (or, if the Issuer elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the relevant Interest Payment Date.

CRD IV includes restrictions on distributions that will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will cancel such interest payments. In addition, the PRA has the power under section 192C of the Financial Services and Markets Act 2000 (implementing Article 104 of the CRD IV Directive) to restrict or prohibit payments of interest by the Issuer to Holders

In addition to the requirements described under “*The Group is subject to liquidity risk, which may impair its ability to fund its operations*” above, CRD IV also introduces capital buffer requirements that are in addition to the Pillar 1 requirements and any extra capital requirements added by supervisors to cover risks they believe are not covered or insufficiently covered by the Pillar 1 requirements (the “**Pillar 2A requirements**”) and are required to be met with CET1 capital. The Issuer’s current Pillar 2A requirement of 1.51 per cent of risk weighted assets (which includes applicable transitional arrangements) derives from the Issuer’s individual capital guidance, which is a point in time and confidential assessment that, in respect of UK firms, is made by the PRA. Under current PRA rules, the Pillar 2A requirement must itself be met with at least 56 per cent. CET1 capital and no more than 25 per cent. Tier 2 capital. CRD IV introduces five new capital buffers: (i) the capital conservation buffer, (ii) the institution-specific countercyclical buffer, (iii) the global systemically important institutions buffer, (iv) the other systemically important institutions buffer and (v) the systemic risk buffer. Some or all of these buffers may be applicable to the Issuer Group as determined by the PRA. The “combined buffer requirement” is, broadly, the combination of the capital conservation buffer, the institution-specific countercyclical buffer and the higher of (depending on the institution) the systemic risk buffer, the global systemically important institutions buffer and the other systemically important institution buffer, in each case as applicable to the institution. The CET1 capital used to satisfy the combined buffer requirement cannot also be used to satisfy the Issuer’s Pillar 1 or Pillar 2A requirement or its MREL requirement, each of which must be met in full before CET1 capital can be applied to meeting the combined buffer requirement. Accordingly, to the extent that any increases in the Issuer’s Pillar 2A or MREL requirements are, or are required to be, met with CET1 capital, the amount of CET1 capital available to meet the combined buffer requirement may be reduced. From 1 January 2016, the Issuer began phasing in the capital conservation buffer at 0.625 per cent. of risk-weighted assets. An additional 0.625 per cent. of risk-weighted assets will be phased-in each year until fully implemented by 1 January 2019. This buffer (1.25 per cent. from 1 January 2017) will be met from CET1 capital. The Issuer is also subject to the countercyclical capital buffer (“**CCyB**”) requirement, which is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. In the UK, on 21 June 2017, the Financial Policy Committee (“**FPC**”) increased the CCyB rate from 0 per cent. to 0.5 per cent. effective June 2018. Absent a material change in outlook, the FPC stated at that time that it expected to increase the rate further to 1 per cent. in November 2017, effective November 2018. As at 31 March 2017, five jurisdictions had implemented CCyB rates including Norway (1.5 per cent.), Hong Kong (1.25 per cent.), Sweden (2 per cent.), Czech Republic (0.5 per cent.) and Iceland (1 per cent.). Effective 1 August 2017, Slovakia has implemented a

CCyB rate of 0.5 per cent. The Issuer's institution specific CCyB rate at 31 March 2017 was 0.02 per cent. The Issuer's weighting for the CCyB exposure in each of such jurisdictions in which they have a presence is Hong Kong, 0.37 per cent.; Norway, 0.98 per cent.; Sweden, 0.00 per cent. and the UK, 51.71 per cent.).

Separately, given that the Bank of England's preferred resolution strategy for Investec Bank plc is currently a modified insolvency process, the Issuer and Investec Bank plc do not have, or expect to have, an MREL requirement over and above Investec Bank plc's Pillar 1 and Pillar 2A capital requirements.

Under Article 141 (Restrictions on distributions) of the CRD IV Directive, member states of the EU must require that institutions that fail to meet the "combined buffer requirement" will be subject to restricted "discretionary payments" (which are defined broadly by CRD IV as payments relating to CET1 capital, variable remuneration and payments on additional tier 1 instruments such as the Securities). In addition, in a policy statement published in November 2016, the Bank of England indicated that firms failing to meet the "combined buffer requirement" and the PRA buffer will be expected to notify the PRA of this as soon as practicable and that such firms can expect enhanced supervisory action and should prepare a capital resolution plan.

The maximum amount of discretionary payments that are permitted under CRD IV when an institution fails to meet the combined buffer (the "**Maximum Distributable Amount**") is calculated by multiplying the profits of the institution made since the most recent decision on the distribution of profits or other discretionary payment by a scaling factor. In the bottom quartile of the combined buffer requirement the scaling factor is 0, and all discretionary payments are prohibited. In the second quartile the scaling factor is 0.2, in the third it is 0.4 and in the top quartile it is 0.6. In the event of breach of the combined buffer requirement the Issuer will be required to calculate its Maximum Distributable Amount, and as a consequence it may be necessary for the Issuer to reduce discretionary payments, including potentially exercising its discretion to cancel (in whole or in part) interest payments in respect of the Securities.

The Issuer Group's capital requirements, including Pillar 2A requirements, are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by investors. Moreover, the PRA has introduced a new "PRA buffer" (replacing the current PRA Capital Planning Buffer), which will form part of the Pillar 2B capital buffers and will supplement the CRD IV combined buffer requirement. The PRA buffer is being phased in over the period from 1 January 2016 to 1 January 2019, by which time it will need to be met fully with CET1 capital. A failure to satisfy the PRA buffer, if one were to be imposed on the Issuer Group, could result in the Issuer Group being required to prepare a capital restoration plan. This may, but would not automatically, provide for or result in restrictions on discretionary payments being made by the Issuer. The Pillar 2B requirement is not publicly disclosed and is set for each bank individually. Like Pillar 2A it is a point in time assessment that, in respect of UK firms, is made by the PRA and is expected to vary over time.

In addition, the PRA has the power under section 192C of FSMA (implementing Article 104 of CRD IV Directive as regards bank holding companies) to impose requirements on the Issuer to maintain specified levels of capital on a consolidated basis. These requirements could make it impossible for the Issuer to make interest payments on the Securities or to redeem the Securities without placing the Issuer in breach of its regulatory obligations concerning the consolidated capital position of the Issuer. The risk of any such intervention by the PRA is most likely to materialise if at any time the Issuer is failing, or is expected to fail, to meet its capital requirements.

Any interest cancelled as a result of an applicable Maximum Distributable Amount or as a result of regulatory discretion under Section 192C of the FSMA shall not become due and shall not accumulate or be payable at any time thereafter.

All payments in respect of or arising from the Securities are conditional upon the Issuer being solvent at the time of payment by the Issuer and immediately thereafter

Condition 3(b) provides that (except in a Winding-Up) all payments in respect of or arising from the Securities are conditional upon the Issuer being solvent (as defined in the Conditions) at the time of payment by the Issuer and that no payment shall be due and payable in respect of or arising from the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. Non-payment of any interest or principal as a result of the solvency condition in Condition 3(b) not being satisfied shall not constitute a default on the part of the Issuer for any purpose under the terms of the Securities, and holders of the Securities will not be entitled to accelerate the principal of the Securities or take any other enforcement as a result of any such non-payment.

The entire principal amount of the Securities will be automatically written off on a permanent basis and all accrued and unpaid interest will be cancelled if a Trigger Event occurs

Under the terms of the Securities, if at any time a Trigger Event occurs, all accrued and unpaid interest will be cancelled irrevocably and the entire principal amount of the Securities will be written down to zero on a permanent basis and cancelled. In such circumstances, the Holders will have no rights against the Issuer with respect to repayment of the principal amount of the Securities or any part thereof, the payment of any interest for any period or any other amounts arising under or in connection with the Securities and/or the Trust Deed, whether in a Winding-Up of the Issuer or otherwise, and there will be no reinstatement (in whole or in part) of the principal amount of the Securities at any time. Accordingly, if a Trigger Event occurs, holders of the Securities will lose their entire investment in the Securities.

The Automatic Write Down to zero may occur even if ordinary shares of the Issuer remain outstanding, and irrespective of whether the Issuer has sufficient assets available to settle the claims of the Holders of the Securities or other securities subordinated to the same or greater extent as the Securities, in Winding-Up proceedings or otherwise. As a result, Holders of Securities may have no claim for principal in the event of a Winding-Up of the Issuer, even though other securities that rank equally in priority may continue to have such a claim and the Issuer may have sufficient assets to satisfy the claims of holders of other subordinated debt of the Issuer.

A Trigger Event will occur if at any time the CET1 Ratio of the Issuer Group is less than 7.00 per cent. Whether a Trigger Event has occurred at any time shall be determined by the Issuer and such determination shall be binding on the Trustee and the Holders. The CET1 Ratio will be calculated on a consolidated basis and without applying the transitional provisions set out in Part Ten of the Capital Requirements Regulation and otherwise in accordance with the applicable prudential rules as at such date. The following two risk factors include discussion of certain risks associated with the determination of the Issuer Group's CET1 Ratio.

In addition, the market price of the Securities is expected to be affected by fluctuations in the Issuer Group's CET1 Ratio. Any reduction in the Issuer Group's CET1 Ratio may have an adverse effect on the market price of the Securities, and such adverse effect may be particularly significant if there is any indication or expectation that the Issuer Group's CET1 Ratio is or is near to 7.00 per cent. This could also result in reduced liquidity and/or increased volatility of the market price of the Securities.

The circumstances surrounding or triggering an Automatic Write Down are inherently unpredictable and may be caused by factors outside of the Issuer's control. The Issuer has no obligation to operate its businesses in such a way, or take any mitigating actions, to maintain or restore the Issuer Group's CET1 Ratio to avoid a Trigger Event and actions the Issuer Group takes could result in the Issuer Group's CET1 Ratio falling

The occurrence of a Trigger Event and, therefore, an Automatic Write Down, is inherently unpredictable and depends on a number of factors, some of which may be outside of the Issuer's control. A Trigger Event will

occur if at any time the CET1 Ratio of the Issuer Group is less than 7.00 per cent. Whether a Trigger Event has occurred at any time shall be determined by the Issuer and the Competent Authority (or an agent on its behalf) and such determination shall be binding on the Trustee and the Holders. As such, an Automatic Write Down could occur at any time.

The calculation of the CET1 Ratio of the Issuer Group could be affected by, among other things, the growth of the Issuer Group's business and the Issuer Group's future earnings, dividend payments, regulatory changes (including changes to definitions and calculations of regulatory capital, including CET1 capital and risk weighted assets (each of which shall be calculated by the Issuer on an end-point, consolidated basis)), actions that the Issuer or its regulated subsidiaries are required to take at the direction of the Competent Authority and the Issuer Group's ability to manage Risk Weighted Assets (as defined in the Conditions) in both its on-going businesses and those which it may seek to exit. In addition, the Issuer Group has capital resources and risk weighted assets denominated in foreign currencies, and changes in relevant foreign exchange rates will result in changes in the sterling equivalent value of capital resources and risk weighted assets in the relevant foreign currency. Actions that the Issuer Group takes could also affect the Issuer Group's CET1 Ratio, including causing it to decline. The Issuer has no contractual obligation to increase the Issuer Group's CET1 Capital, reduce its Risk Weighted Assets or otherwise operate its business in such a way, take mitigating actions in order to prevent the Issuer Group's CET1 Ratio from falling below 7.00 per cent., to maintain or increase the Issuer Group's CET1 Ratio or otherwise to consider the interests of the Holders in connection with any of its business decisions that might affect the Issuer Group's CET1 Ratio.

The calculation of the Issuer Group's CET1 Ratio may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as of the relevant calculation date, the Competent Authority could require the Issuer to reflect such changes in any particular calculation of the Issuer Group's CET1 Ratio.

Because of the inherent uncertainty regarding whether a Trigger Event will occur and there being no obligation on the Issuer's part to prevent its occurrence, it will be difficult to predict when, if at all, an Automatic Write Down could occur. Accordingly, the trading behaviour of any Securities may not necessarily follow the trading behaviour of other types of subordinated securities, including any other subordinated debt securities which may be issued by the Issuer in the future. Fluctuations in the CET1 Ratio of the Issuer Group may be caused by changes in the amount of CET1 Capital of the Issuer Group and its Risk Weighted Assets as well as changes to their respective definitions or method of calculation (including as to the application of adjustments and deductions) under the capital rules applicable to the Issuer.

The Issuer currently only publicly reports the Issuer Group's fully loaded CET1 Ratio semi-annually as of the period end, and therefore during the quarterly period ordinarily there will be no published update to the Issuer Group's fully loaded CET1 Ratio. Consequently, there may be no prior warning of adverse changes in the Issuer Group's fully loaded CET1 Ratio.

Any indication or expectation that the Issuer Group's CET1 Ratio is moving towards the level which would cause the occurrence of a Trigger Event can be expected to have a material adverse effect on the market price and liquidity of the Securities. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to other types of subordinated securities, including the Issuer's other subordinated debt securities.

A Trigger Event may be triggered even where the Issuer Group's CET1 Ratio has been significantly above 7.00 per cent., which could cause investors to lose all or part of the value of their investment in the Securities

CRD IV requirements adopted in the UK may change, whether as a result of further changes to CRD IV agreed by EU legislators, binding regulatory technical standards to be developed by EBA or changes to the way in

which the PRA interprets and applies these requirements to UK banks. In addition, the Basel Committee is proposing a number of changes to the current regulatory framework such as the Fundamental Review of the Trading Book, revisions to the standardised approach to credit risk and for measuring operational risk capital. These proposals have yet to be finalised and the timing has yet to be determined. Any such proposals and resulting changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Issuer Group's CRD IV capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated. See *"The entire principal amount of the Securities will be automatically written off on a permanent basis and all accrued and unpaid interest will be cancelled if a Trigger Event occurs"*.

Investors should be aware that the CRD IV rules and their implementation in the UK subsequent to the date hereof may individually and/or in the aggregate further negatively affect the Issuer Group's CET1 Ratio and thus increase the risk of a Trigger Event, which will lead to an Automatic Write Down.

The CET1 Ratio of the Issuer Group will be affected by the Issuer Group's business decisions and, in making such decisions, the Issuer Group's interests may not be aligned with those of the holders of the Securities

As discussed in *"The circumstances surrounding or triggering an Automatic Write Down are inherently unpredictable and may be caused by factors outside of the Issuer's control. The Issuer has no obligation to operate its businesses in such a way, or take any mitigating actions, to maintain or restore the Issuer Group's CET1 Ratio to avoid a Trigger Event and actions the Issuer Group takes could result in the Issuer Group's CET1 Ratio falling"* above, the Issuer Group's CET1 Ratio could be affected by a number of factors. The Issuer Group's CET1 Ratio will also depend on the decisions made by members of the Issuer Group relating to their businesses and operations, as well as the management of their capital positions. Neither the Issuer nor any other member of the Issuer Group will have any obligation to consider the interests of the holders of the Securities in connection with its strategic decisions, including in respect of its capital management. Holders of the Securities will not have any claim against the Issuer or any other member of the Issuer Group relating to decisions that affect the business and operations of the Issuer or the Issuer Group, including the Issuer's or the Issuer Group's capital position, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause holders of the Securities to lose all or part of the value of their investment in the Securities.

The Securities may be subject to statutory bail-in or write down powers under the Banking Act and the BRRD

As described in the risk factor entitled *"Bank Resolution Powers apply to the Group"* above, the BRRD bail-in power has been implemented in the UK. The UK bail-in power is an additional power available to the UK resolution authorities under the special resolution regime provided for in the Banking Act to enable them to recapitalise a failed institution by allocating losses to such institution's shareholders and unsecured creditors subject to the rights of such shareholders and unsecured creditors to be compensated under a bail-in compensation order, which is based on the principle that such creditors should receive no less favourable treatment than they would have received had the bank entered into insolvency immediately before the coming into effect of the bail-in power. The bail-in power includes the power to cancel or write down (in whole or in part) certain liabilities or to modify the terms of certain contracts (including changes to the maturity of instruments, call dates of instruments, or the interest rate under such instruments) for the purposes of reducing or deferring the liabilities (including suspension of payments for a certain period) of a relevant institution under resolution and the power to convert certain liabilities into shares (or other instruments of ownership) of the relevant institution.

The Securities are a liability which could be cancelled, written down (in whole or in part) or converted pursuant to the exercise of the bail-in power. The Securities would be amongst the first of the Issuer's obligations to bear losses through write-down or conversion to equity pursuant to the exercise of the bail-in power because in the event of the insolvency of the Issuer, the claims in respect of the Securities would rank behind all other claims other than claims in respect of share capital of the Issuer.

The BRRD also contains a mandatory write down power which requires Member States to grant powers to resolution authorities to recapitalise institutions and/or their EEA parent holding companies that are in severe financial difficulty or at the point of non-viability by permanently writing down, *inter alia*, capital instruments such as the Securities, or converting those capital instruments into shares. The mandatory write down provision has been implemented in the UK through the Banking Act, and would apply to the Securities. Before taking any form of resolution action or applying any resolution power set out in BRRD, the UK resolution authorities have the power (and are obliged when specified conditions are determined to have been met) to write down, or convert capital instruments such as the Securities into CET1 capital instruments before, or simultaneously with, the entry into resolution of the relevant entity. These measures could be applied to the Securities.

In contrast to the creditor protections afforded in the event of the bail-in powers being exercised, holders of the Securities would not be entitled to the ‘no creditor worse off’ protections under the Banking Act in the event that the Securities are written down or converted to equity under the mandatory write-down tool (unless the mandatory write-down tool were to be used alongside a bail-in).

Furthermore, if the Securities were to be converted into equity securities by application of the mandatory write-down tool, those equity securities may be subjected to the bail-in powers in resolution, resulting in their cancellation, significant dilution or transfer away from the investors therein.

The Securities are not ‘protected liabilities’ for the purposes of any government compensation scheme

The FSCS established under the Financial Services and Markets Act 2000 (“FSMA”) is the statutory fund of last resort for customers of authorised financial services firms paying compensation to customers if the firm is unable, or likely to be unable, to pay certain claims (including in respect of deposits and insurance policies) made against it (together, “**Protected Liabilities**”).

The Securities are not, however, Protected Liabilities under the FSCS and, moreover, are not guaranteed or insured by any government, government agency or compensation scheme of the UK or any other jurisdiction.

There is no scheduled redemption date for the Securities and Holders have no right to require redemption

The Securities are undated securities in respect of which there is no fixed redemption or maturity date. The Issuer is under no obligation to redeem the Securities at any time and the Holders have no right to require the Issuer or any member of the Group to redeem or purchase any Securities at any time. Any redemption of the Securities and any purchase of any Securities by the Issuer or any of its subsidiaries will be subject always to the prior approval of the Competent Authority and to compliance with prevailing prudential requirements, and the Holders may not be able to sell their Securities in the secondary market (if at all) at a price equal to or higher than the price at which they purchased their Securities. Accordingly, investors in the Securities should be prepared to hold their Securities for a significant period of time.

The Securities are subject to early redemption at their principal amount upon the occurrence of certain events

Subject to the prior approval of the Competent Authority and to compliance with prevailing prudential requirements, the Issuer may, at its option, redeem all (but not some only) of the Securities at any time at their principal amount plus interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the redemption date, upon the occurrence of a Tax Event or a Capital Disqualification Event, as further described in the Conditions. The Issuer may also redeem the Securities on the First Reset Date or any Interest Payment Date thereafter.

An optional redemption feature is likely to limit the market value of the Securities. During any period when the Issuer may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed.

If the Issuer redeems the Securities in any of the circumstances mentioned above, there is a risk that the Securities may be redeemed at times when the redemption proceeds are less than the current market value of the Securities or when prevailing interest rates may be relatively low, in which latter case Holders may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

The interest rate on the Securities will be reset on each Reset Date, which may affect the market value of the Securities

The Securities will initially earn interest at a fixed rate of interest to, but excluding, the First Reset Date. From, and including, the First Reset Date, however, and every Reset Date thereafter, the interest rate will be reset to the Reset Rate of Interest (as described in Condition 4(d)). This reset rate could be less than the Initial Fixed Interest Rate and/or the interest rate that applies immediately prior to such Reset Date, which could affect the amount of any interest payments under the Securities and consequently the market value of an investment in the Securities.

Because the Securities are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on the clearing system procedures for transfer, payment and communication with the Issuer

The Securities will, upon issue, be represented by a Global Certificate that will be deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the Securities are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg, as the case may be.

While the Securities are in global form, the payment obligations of the Issuer under the Securities will be discharged upon such payments being made by or on behalf of the Issuer to or to the order of the nominee for the Common Depository. A holder of a beneficial interest in a Security must rely on the procedures of Euroclear and/or Clearstream, Luxembourg, as the case may be, to receive payments under the Securities. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Meetings of Holders and modification

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

In addition, the Trustee may agree, without the consent of the Holders, to (i) any modification of the Conditions or of any other provisions of the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders.

In addition, the Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held.

Further, if a Tax Event or a Capital Disqualification Event has occurred, then the Issuer may, subject to certain conditions but without any requirement for the consent or approval of the Holders, at any time (whether before or following the First Reset Date) either substitute all (but not some only) of the Securities for, or vary the terms of the Securities so that they remain or, as appropriate, become Compliant Securities.

Change of law

The Conditions will be governed by the laws of England. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England or applicable administrative practice after the date of this Prospectus. Such changes in law may include, but are not limited to, the introduction of a variety of statutory resolution and loss absorption tools which may affect the rights of Holders. Such tools may include the ability to write off sums otherwise payable on the Securities.

Legality of purchase

Neither the Issuer nor any of its affiliates has or assumes responsibility for the lawfulness of the acquisition of the Securities by a prospective investor in the Securities, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

Potential investors are further referred to the section headed “*Restrictions on marketing and sales to retail investors*” on pages ii to iii of this Prospectus for further information.

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) Securities are legal investments for it, (ii) Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

Investors who hold less than the minimum specified denomination may be unable to sell their Securities and may be adversely affected if definitive Securities are subsequently required to be issued

The Securities are in denominations of £200,000 and integral multiples of £1,000 in excess thereof. Accordingly, it is possible that they may be traded in amounts that are not integral multiples of £200,000. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than £200,000 in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Securities at or in excess of £200,000 such that its holding amounts to at least equal to £200,000. Further, a holder who, as a result of trading such amounts, holds an amount which is less than £200,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Security in respect of such holding (should such Securities be printed) and would need to purchase a principal amount of Securities at or in excess of £200,000 such that its holding amounts to at least equal to £200,000.

A Holder's actual yield on the Securities may be reduced from the stated yield by transaction costs

When Securities are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Securities. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional domestic or foreign parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Holders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), Holders must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any

additional costs incurred in connection with the purchase, custody or sale of the Securities before investing in the Securities.

Please refer also to “*The Issuer may at any time elect, and in certain circumstances shall be required, not to make interest payments on the Securities*” above.

3 Risks Related to the Market Generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Securities represent a new security for which no secondary trading market currently exists and there can be no assurance that one will develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Securities.

If a market for the Securities does develop, the trading price of the Securities may be subject to wide fluctuations in response to many factors, including those referred to in this risk factor, as well as stock market fluctuations and general economic conditions that may adversely affect the market price of the Securities. Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them, and such volatility may be increased in an illiquid market. If any market in the Securities does develop, it may become severely restricted, or may disappear, if the financial condition and/or the CET1 Ratio of the Issuer Group deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable, or where the Competent Authority elects to direct the Issuer not, to pay interest on the Securities in full, or of the Securities being written down or otherwise subject to loss absorption under the Conditions or an applicable statutory loss absorption regime. In addition, the market price of the Securities may fluctuate significantly in response to a number of factors, some of which are beyond the Issuer’s control, including:

- actual or expected variations in the Issuer Group’s operating performance;
- any shortfall in revenue or net profit or any increase in losses from levels expected by market commentators;
- increases in capital expenditure compared with expectations;
- any perception that the Issuer Group’s strategy is or may be less effective than previously assumed or that the Issuer Group is not effectively implementing any significant projects;
- changes in financial estimates by securities analysts;
- changes in market valuations of similar entities;
- announcements by the Issuer Group of significant acquisitions, strategic alliances, joint ventures, new initiatives, new services or new service ranges;
- regulatory matters, including changes in regulatory regulations or central bank requirements;
- additions or departures of key personnel; and
- future issues or sales of Securities or other securities.

Any or all of these events could result in material fluctuations in the price of Securities which could lead to investors losing some or all of their investment.

The issue price of the Securities might not be indicative of prices that will prevail in the trading market, and there can be no assurance that an investor would be able to sell its Securities at or near the price which it paid for them, or at a price that would provide it with a yield comparable to more conventional investments that have a developed secondary market.

Moreover, although the Issuer and any subsidiary of the Issuer can (subject to regulatory approval and compliance with prevailing prudential requirements) purchase Securities at any time, they have no obligation to do so. Purchases made by the Issuer or any member of the Group could affect the liquidity of the secondary market of the Securities and thus the price and the conditions under which investors can negotiate these Securities on the secondary market.

In addition, Holders should be aware that there may be a lack of liquidity in the secondary market which could result in investors suffering losses on the Securities in secondary resales even if there were no decline in the performance of the Securities or the assets of the Issuer. The Issuer cannot predict whether these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Securities and instruments similar to the Securities at that time.

Although applications have been made for the Securities to be listed and admitted to trading on the Market, there is no assurance that such application will be accepted or that an active trading market will develop.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Securities in pounds sterling. 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 pounds sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of pounds sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency or pounds sterling may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to pounds sterling would decrease (i) the Investor's Currency-equivalent yield on the Securities, (ii) the Investor's Currency-equivalent value of the principal payable on the Securities and (iii) the Investor's Currency-equivalent market value of the Securities.

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 as measured in the Investor's Currency.

Interest rate risks

An investment in the Securities, which bear interest at a fixed rate (reset every five years), involves the risk that subsequent changes in market interest rates may adversely affect their value. The rate of interest will be reset every five years, and as such reset rates are not pre-defined at the date of issue of the Securities, they may be different from the initial rate of interest and may adversely affect the yield of the Securities.

Credit ratings may not reflect all risks relating to the Securities, and a reduction in credit ratings may adversely affect the market price of Securities

The Securities are expected, on issue, to be rated Ba2 (hyb) by Moody's. 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 Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the assigning rating agency at any time.

If a credit rating assigned to the Securities is lower than otherwise expected, or any such credit rating is lowered (whether as a result of a change in the financial condition of the Issuer or as a change in the ratings methodology applied by the relevant rating agency), the market price of the Securities may be adversely affected.

The Securities are not investment grade and are subject to the risks associated with non-investment grade securities

The Securities, upon issuance, will not be considered to be investment grade securities, and as such will be subject to a higher risk of price volatility than higher-rated securities. Furthermore, increases in leverage or deteriorating outlooks for the Issuer or volatile markets could lead to a significant deterioration in market prices of below-investment grade rated securities such as the Securities.

TERMS AND CONDITIONS OF THE SECURITIES

The following, subject to alteration and completion and save for the wording in italics, are the terms and conditions of the Securities which will be endorsed on each Certificate in definitive form (if issued).

The issue of the £250,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (the “**Securities**”) of Investec plc (the “**Issuer**”) was authorised by resolutions of the Board of Directors of the Issuer passed on 12 September 2017. The Securities are constituted by a trust deed (the “**Trust Deed**”) dated 5 October 2017 between the Issuer and Deutsche Trustee Company Limited (the person or persons for the time being the trustee or trustees under the Trust Deed, the “**Trustee**”) as trustee for the Holders (as defined below) of the Securities. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Securities. Copies of the Trust Deed and of the agency agreement (the “**Agency Agreement**”) dated 5 October 2017 relating to the Securities between the Issuer, Deutsche Bank AG, London Branch as the initial principal paying agent (the person for the time being the principal paying agent under the Agency Agreement, the “**Principal Paying Agent**”), Deutsche Bank AG, London Branch as the initial agent bank (the person for the time being the agent bank under the Agency Agreement, the “**Agent Bank**”), Deutsche Bank Luxembourg S.A. as the initial registrar (the person for the time being the registrar under the Agency Agreement, the “**Registrar**”), and the initial transfer agents named therein (the person(s) for the time being the transfer agent(s) under the Agency Agreement, the “**Transfer Agent(s)**”), and the Trustee, are available for inspection during usual business hours at the principal office of the Trustee (presently at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom) and at the specified offices of the Principal Paying Agent, the Registrar and each of the Transfer Agents. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1 Form, Denomination and Title

(a) *Form and Denomination*

The Securities are serially numbered in the principal amount of £200,000 and integral multiples of £1,000 in excess thereof.

The Securities are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Securities by the same Holder.

(b) *Title*

Title to the Securities shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Security shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the Holder.

In these Conditions, “**Holder**” means the person in whose name a Security is registered.

2 Transfers of Securities

(a) *Transfer*

A holding of Securities may, subject to Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Securities to be transferred, together with the form of transfer endorsed on such Certificate(s), duly

completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Securities represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Securities to a person who is already a Holder, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Securities and entries in the Register will be made in accordance with the detailed regulations concerning transfers of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Holder upon request.

(b) *Delivery of New Certificates*

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of a duly completed and executed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate(s) shall have been made or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), “**business day**” means a day (other than a Saturday or Sunday) on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) *Transfer Free of Charge*

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(d) *Closed Periods*

No Holder may require the transfer of a Security to be registered (i) during the period of 15 days prior to (and including) any date on which Securities may be called for redemption by the Issuer at its option pursuant to Condition 7(c), (ii) after the Securities have been called for redemption pursuant to Condition 7, or (iii) during the period of seven days ending on (and including) any Record Date.

3 Status and Subordination

(a) *Status*

The Securities constitute direct and unsecured obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of Holders in respect of, or arising under, their Securities (including any damages awarded for breach of obligations in respect thereof) are subordinated as described in this Condition 3.

(b) *Conditions to Payment*

Except in a Winding-Up of the Issuer, all payments in respect of, or arising from (including any damages awarded for breach of any obligations under), the Securities (other than payments to the Trustee for its

own account under the Trust Deed) are, in addition to the right or obligation of the Issuer to cancel payments of interest under Condition 5 or Condition 6, conditional upon the Issuer being solvent at the time of payment by the Issuer and no principal, interest or any other amount shall be due and payable in respect of, or arising from, the Securities or the Trust Deed except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the “**Solvency Condition**”).

In these Conditions, the Issuer shall be considered to be solvent if (x) it is able to pay its debts owed to its Senior Creditors as they fall due and (y) its Assets exceed its Liabilities.

A certificate as to whether the Issuer satisfies the Solvency Condition by two Authorised Signatories (or if there is a winding-up or administration of the Issuer, two authorised signatories of the liquidator or, as the case may be, the administrator of the Issuer) shall be treated and accepted by the Issuer, the Trustee, the Holders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further enquiry and without liability to any person.

Any payment of interest not due by reason of this Condition 3(b) shall be mandatorily cancelled.

(c) ***Winding-Up***

The rights and claims of the Holders (and the Trustee on their behalf) are subordinated to the claims of Senior Creditors in that if at any time prior to the Write Down Date a Winding-Up occurs, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security if, throughout such Winding-Up, such Holder were the holder of one of a class of preference shares in the capital of the Issuer (“**Notional Preference Shares**”) having an equal right to a return of assets in the Winding-Up to, and so ranking *pari passu* with, the holders of the most senior class or classes of issued preference shares (if any) in the capital of the Issuer from time to time and which have a preferential right to a return of assets in the Winding-Up over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer but ranking junior to the claims of Senior Creditors, on the assumption that the amount that such Holder was entitled to receive in respect of each Notional Preference Share on a return of assets in such Winding-Up were an amount equal to the principal amount of the relevant Security and any accrued but unpaid interest thereon (other than any interest which has been cancelled pursuant to these Conditions) together with any damages awarded for breach of any obligations in respect of such Security, whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable.

(d) ***Set-off***

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities or the Trust Deed and each Holder shall, by virtue of his holding of any Security, be deemed, to the fullest extent permitted under applicable law, to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

4 Interest Payments

(a) *Interest Rate*

Subject to Conditions 3(b), 5 and 6, the Securities bear interest on their principal amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 4.

Subject to Conditions 3(b), 5 and 6, interest shall be payable on the Securities quarterly in arrear on each Interest Payment Date in equal instalments (in respect of each Interest Period ending prior to the First Reset Date, of £16.88 per Calculation Amount), in each case as provided in this Condition 4, save that the interest payable on the first Interest Payment Date shall be in respect of the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date as provided below.

Where it is necessary to compute an amount of interest in respect of any Security for any period, the relevant day-count fraction shall be determined on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the product of four times the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

For the avoidance of doubt, the first Interest Period shall be a short first Interest Period for the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and the amount of interest payable in respect of each Calculation Amount on the first Interest Payment Date shall, subject to Conditions 3(b), 5 and 6, be £11.31.

(b) *Interest Accrual*

Subject to Conditions 3(b), 5 and 6, the Securities will accrue interest in respect of each Interest Period and cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 7(c), (d) or (e) or the date of substitution thereof pursuant to Condition 7(f), as the case may be, unless, upon surrender of the Certificate representing any Security, payment of all amounts due in respect of such Security is not properly and duly made, in which event interest shall continue to accrue on the principal amount of such Security, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date. Interest in respect of any Security shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall, save as provided in Condition 4(a) in relation to equal instalments and subject to Conditions 3(b), 5 and 6, be equal to the product of the Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 4(a) for the relevant period, rounding the resultant figure to the nearest penny (half a penny being rounded upwards). Where the denomination of a Security is more than the Calculation Amount, the amount of interest payable in respect of each such Security, is the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the Security.

(c) *Initial Fixed Interest Rate*

For the Initial Fixed Rate Interest Period, the Securities bear interest, subject to Conditions 3(b), 5 and 6, at the rate of 6.75 per cent. per annum (the “**Initial Fixed Interest Rate**”).

(d) *Reset Rate of Interest*

The Interest Rate will be reset (the “**Reset Rate of Interest**”) in accordance with this Condition 4 on each Reset Date. The Reset Rate of Interest in respect of each Reset Period will be determined by the Agent Bank on the relevant Reset Determination Date as the sum of the relevant Reset Reference Rate and the Margin, with such sum converted to a quarterly rate in a commercially reasonable manner.

(e) ***Determination of Reset Rate of Interest***

The Agent Bank will, as soon as practicable after 11.00 a.m. (London time) on each Reset Determination Date, subject to receipt from the Issuer of the bid and offered price of the Benchmark Gilt as provided by the Reference Banks and/or as determined by or on behalf of the Issuer, determine the Reset Rate of Interest in respect of the relevant Reset Period. The determination of the Reset Rate of Interest by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(f) ***Publication of Reset Rate of Interest***

The Agent Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 4 in respect of each Reset Period to be given to the Trustee, the Principal Paying Agent, the Registrar, each of the Transfer Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 15, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

If the Securities become due and payable pursuant to Condition 9(a), the accrued interest per Calculation Amount and the Reset Rate of Interest payable in respect of the Securities shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 4 but no publication of the Reset Rate of Interest need be made unless the Trustee otherwise requires.

(g) ***Agent Bank***

The Issuer will maintain an Agent Bank. The name of the initial Agent Bank and its initial specified office is set out at the end of these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading investment, merchant or commercial bank or financial institution of international repute. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Reset Rate of Interest in respect of any Reset Period as provided in Condition 4(d), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution of international repute approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) ***Determinations of Agent Bank Binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4, by the Agent Bank, shall (in the absence of manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Principal Paying Agent, the Registrar, the Transfer Agents and all Holders and (in the absence of wilful default or negligence) no liability to the Holders or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

(i) ***Determination by the Trustee***

The Trustee (or an agent appointed by the Trustee at the expense of the Issuer) shall be entitled, but shall not be obliged, if the Agent Bank fails at any time to perform its obligations to determine a Reset Rate of Interest in accordance with the above provisions, to determine such Reset Rate of Interest and such determination shall be deemed to be a determination by the Agent Bank.

5 Cancellation of Interest

(a) *Optional cancellation of Interest*

The Issuer may at its discretion (but subject to the requirement for mandatory cancellation of interest pursuant to Conditions 3(b), 5(b) and 6) at any time elect to cancel any interest payment, in whole or in part, which is scheduled to be paid on an Interest Payment Date.

(b) *Mandatory Cancellation of Interest – Insufficient Distributable Items*

Interest otherwise due on an Interest Payment Date will not be due (in whole or, as the case may be, in part), and the relevant payment will be cancelled and not made, if and to the extent that the amount of such interest payment otherwise due, together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current Financial Year on all other own funds instruments of the Issuer (excluding any such interest payments or distributions which (i) are not required to be made out of Distributable Items or (ii) have already been provided for, by way of deduction, in the calculation of Distributable Items) in aggregate would exceed the amount of Distributable Items of the Issuer as at such Interest Payment Date.

(c) *Notice of Cancellation of Interest*

Upon the Issuer electing to cancel any interest payment (or part thereof) pursuant to Condition 5(a), or being prohibited from making any interest payment (or part thereof) pursuant to Conditions 3(b) or 5(b), the Issuer shall, as soon as reasonably practicable on or prior to the relevant Interest Payment Date, give notice of such non-payment and the reason therefor to the Holders in accordance with Condition 15, the Trustee and the Principal Paying Agent, provided that any failure to give such notice shall not affect the cancellation of any interest payment (in whole or, as the case may be, in part) by the Issuer and shall not constitute a default under the Securities for any purpose. Such notice shall specify the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant interest payment that will be paid on the relevant Interest Payment Date.

(d) *Interest non-cumulative; no default*

Any interest payment (or, as the case may be, part thereof) not paid on any relevant Interest Payment Date by reason of Condition 3(b), 5(a), 5(b) or 6, shall be cancelled and shall not accumulate or be payable at any time thereafter.

If the Issuer does not pay any interest payment (in whole or, as the case may be, in part) on the relevant Interest Payment Date, such non-payment (whether the notice referred to in Condition 5(c) or, as appropriate, Condition 6 has been given or not) shall evidence either the non-payment and cancellation of such interest payment (in whole or, as the case may be, in part) by reason of it not being due in accordance with Condition 3(b), the cancellation of such interest payment (in whole or, as the case may be, in part) in accordance with Conditions 5(b) or 6 or, as appropriate, the Issuer's exercise of its discretion to cancel such interest payment (in whole or, as the case may be, in part) in accordance with Condition 5(a). Accordingly, non-payment of any interest (in whole or, as the case may be, in part) in accordance with any of Condition 3(b), 5(a), 5(b) or 6, will not constitute a default by the Issuer for any purpose and the Holders shall have no right thereto whether in a Winding-Up of the Issuer or otherwise.

The Trustee shall have no responsibility for, or liability or obligations in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment or cancellation of any interest payment or other amounts or any claims in respect thereof by reason of the application of this Condition 5.

6 Automatic Write Down

If a Trigger Event has occurred, the Issuer shall:

- (i) immediately inform the Competent Authority of the occurrence of the Trigger Event; and
- (ii) without delay, give the Trigger Event Notice which notice shall be irrevocable.

On the Business Day following the determination that a Trigger Event has occurred (the “**Write Down Date**”), an Automatic Write Down shall occur.

As a result of such Automatic Write Down:

- (i) the full principal amount of each Security shall be reduced to zero and the Securities shall be cancelled; and
- (ii) any interest which is accrued and unpaid will be cancelled irrevocably.

Effective upon, and following, the Automatic Write Down, Holders shall not have any rights against the Issuer with respect to:

- (i) repayment of the principal amount of the Securities or any part thereof;
- (ii) the payment of any interest for any period; or
- (iii) any other amounts arising under or in connection with the Securities and/or the Trust Deed.

Such Automatic Write Down shall take place without the need for the consent of Holders.

For the purposes of determining whether a Trigger Event has occurred, the CET1 Ratio may be calculated at any time based on information (whether or not published) available to management of the Issuer, including information internally reported within the Issuer pursuant to its procedures for monitoring the CET1 Ratio.

The Issuer intends to publish the CET1 Ratio on at least a semi-annual basis.

The determination as to whether a Trigger Event has occurred shall be made by the Issuer, the Competent Authority or any agent appointed for such purpose by the Competent Authority. Any such determination shall be binding on the Issuer and the Holders.

Any Trigger Event Notice delivered to the Trustee shall be accompanied by a certificate signed by two Authorised Signatories certifying the accuracy of the contents of the Trigger Event Notice upon which the Trustee shall rely (without further enquiry and without liability to any person).

Any failure by the Issuer to give a Trigger Event Notice or the aforementioned certificate will not affect the effectiveness of, or otherwise invalidate, any Automatic Write Down, or give Holders any rights as a result of such failure.

The reduction to zero of the principal amount of a Security pursuant to this Condition 6 shall not constitute a default by the Issuer for any purpose.

7 Redemption, Substitution, Variation and Purchase

(a) *No Fixed Redemption Date*

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall, without prejudice to any Automatic Write Down in accordance with Condition 6, only have the right to redeem or purchase them in accordance with the following provisions of this Condition 7.

(b) *Conditions to Redemption, Substitution, Variation and Purchase*

Any redemption, substitution, variation or purchase of the Securities in accordance with Condition 7(c), (d), (e), (f) or (g) is subject to:

- (i) the Issuer obtaining prior Supervisory Permission therefor and complying with any prevailing Regulatory Capital Requirements relating to the event then required;
- (ii) in the case of any redemption or purchase, if and to the extent then required under prevailing Regulatory Capital Requirements, either: (A) the Issuer having replaced the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the Issuer having demonstrated to the satisfaction of the Competent Authority that the own funds of the Issuer would, following such redemption or purchase, exceed its minimum capital requirements (including any capital buffer requirements) by a margin that the Competent Authority considers necessary at such time; and
- (iii) in the case of any redemption (A) prior to the First Reset Date in the case of a Tax Event; (B) prior to the fifth anniversary of the Issue Date in the case of a Capital Disqualification Event; or (C), in either case, if such date is later and only if a further tranche of Securities has been issued pursuant to Condition 16, prior to the fifth anniversary of the date of issue of the last tranche of Securities to be so issued (X) in the case of redemption upon a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the Issue Date or (if applicable) the date of issue of the last tranche of Securities to be issued pursuant to Condition 16, or (Y) in the case of redemption upon the occurrence of a Capital Disqualification Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Securities was not reasonably foreseeable as at the Issue Date or (if applicable) the date of issue of the last tranche of Securities to be issued pursuant to Condition 16, provided that sub-paragraphs (B) and (C) shall only apply if and to the extent then required under prevailing Regulatory Capital Requirements.

Any refusal by the Competent Authority to give its Supervisory Permission as contemplated above shall not constitute a default for any purpose.

Notwithstanding the above conditions, if, at the time of any redemption, substitution, variation or purchase, the prevailing Regulatory Capital Requirements permit the repayment, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 7(b), the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

In addition, if the Issuer has elected to redeem the Securities and:

- (i) the Solvency Condition is not satisfied in respect of the relevant payment on the date scheduled for redemption; or
- (ii) prior to the redemption a Trigger Event occurs,

the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and the Issuer shall give notice thereof to the Holders in accordance with Condition 15, the Trustee, the Registrar and the Principal Paying Agent, as soon as practicable. Further, no notice of redemption shall be given in the period following the giving of a Trigger Event Notice.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 7 (other than redemption pursuant to Condition 7(c)), the Issuer shall deliver to the Trustee (i) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied and, in the case of a substitution or variation, that the terms of the relevant Compliant Securities comply with the definition thereof in Condition 20 and (ii) in the case of a redemption pursuant to Condition 7(d) only, an opinion from a nationally recognised law firm or other tax adviser in the UK experienced in such matters to the effect that the relevant requirement or circumstance referred to in any of paragraphs (i) to (v) (inclusive) of the definition of “Tax Event” applies (but, for the avoidance of doubt, such opinion shall not be required to comment on the ability of the Issuer to avoid such circumstance by taking measures reasonably available to it) and the Trustee shall accept (and if so treated and accepted by the Trustee, shall be so treated and accepted by the Holders) such certificate (without further enquiry and without liability to any person) and, where applicable, opinion as sufficient evidence of the satisfaction of the relevant conditions precedent, in which event it shall be conclusive and binding on the Trustee and the Holders.

(c) *Issuer’s Call Option*

Subject to Condition 7(b), the Issuer may, by giving not less than 30 nor more than 60 days’ notice to the Holders in accordance with Condition 15, the Trustee, the Registrar and the Principal Paying Agent (which notice shall, save as provided in Condition 7(b), be irrevocable), elect to redeem all, but not some only, of the Securities on the First Reset Date or any Interest Payment Date thereafter at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall, subject to Condition 7(b), redeem the Securities.

(d) *Redemption Due to Tax Event*

If, prior to the giving of the notice referred to below in this Condition 7(d), a Tax Event has occurred, then the Issuer may, subject to Condition 7(b) and having given not less than 30 nor more than 60 days’ notice to the Holders in accordance with Condition 15, the Trustee, the Registrar and the Principal Paying Agent (which notice shall, save as provided in Condition 7(b), be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Securities at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall, subject to Condition 7(b), redeem the Securities.

(e) *Redemption Due to Capital Disqualification Event*

If, prior to the giving of the notice referred to below in this Condition 7(e), a Capital Disqualification Event has occurred, then the Issuer may, subject to Condition 7(b) and having given not less than 30 nor more than 60 days’ notice to the Holders in accordance with Condition 15, the Trustee, the Registrar and the Principal Paying Agent (which notice shall, save as provided in Condition 7(b), be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Securities at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall, subject to Condition 7(b), redeem the Securities.

(f) *Substitution or Variation*

If a Tax Event or a Capital Disqualification Event has occurred, then the Issuer may, subject to Condition 7(b) and having given not less than 30 nor more than 60 days’ notice to the Holders in accordance with

Condition 15, the Trustee, the Registrar and the Principal Paying Agent (which notice shall be irrevocable and shall specify the date fixed for substitution or, as the case may be, variation of the Securities) but without any requirement for the consent or approval of the Holders, at any time (whether before or following the First Reset Date) either substitute all (but not some only) of the Securities for, or vary the terms of the Securities so that they remain or, as appropriate, become, Compliant Securities, and the Trustee shall (subject to the following provisions of this Condition 7(f) and subject to the receipt by it of the certificates of the Authorised Signatories and any applicable opinion referred to in Condition 7(b) above and in the definition of Compliant Securities) agree to such substitution or variation. Upon the expiry of such notice, the Issuer shall either vary the terms of or substitute the Securities in accordance with this Condition 7(f), as the case may be. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution of the Securities for, or the variation of the terms of the Securities so that they remain, or as appropriate, become, Compliant Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed alternative Compliant Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon it or expose it to additional liabilities. If, notwithstanding the above, the Trustee does not participate or assist as provided above, the Issuer may, subject as provided above, redeem the Securities prior to the First Reset Date as provided in, as appropriate, Condition 7(d) or (e) or thereafter as provided in Condition 7(c).

In connection with any substitution or variation in accordance with this Condition 7(f), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

(g) Purchases

The Issuer may, subject to Condition 7(b), in those circumstances permitted by Regulatory Capital Requirements, purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for its account, Securities in any manner and at any price. The Securities so purchased (or acquired), while held by or on behalf of the Issuer, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for the purposes of Condition 9(c).

(h) Cancellation

All Securities redeemed or substituted by the Issuer pursuant to this Condition 7 will forthwith be cancelled. All Securities purchased by or on behalf of the Issuer may, subject to obtaining any Supervisory Permission therefor, be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation to the Registrar. Securities so surrendered shall be cancelled forthwith. Any Securities so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Securities shall be discharged.

(i) Trustee Not Obligated to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 7 and will not be responsible to Holders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual written notice of the occurrence of any event or circumstance within this Condition 7, it shall be entitled to assume that no such event or circumstance exists.

8 Payments

(a) *Method of Payment*

- (i) Payments of principal shall be made (subject to surrender of the relevant Certificate at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Securities represented by such Certificate) in like manner as is provided for payments of interest in paragraph (ii) below.
- (ii) Interest on each Security shall be paid to the person shown in the Register at the close of business on the business day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Security shall be made in pounds sterling by transfer to an account in the relevant currency maintained by the payee with a bank in London.

(b) *Payments Subject to Laws*

Without prejudice to Condition 10, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commissions or expenses shall be charged to the Holders in respect of such payments.

(c) *Payment Initiation*

Payment instructions (for value the due date, or if that date is not a Business Day, for value the first following day which is a Business Day) will be initiated on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business following the date on which the relevant Certificate is surrendered.

(d) *Delay in Payment*

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Security if the due date is not a Business Day or if the Holder is late in surrendering or cannot surrender its Certificate (if required to do so).

(e) *Non-Business Days*

If any date for payment in respect of any Security is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 8, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and where payment is to be made by transfer to an account maintained with a bank in pounds sterling, on which foreign exchange transactions may be carried on in pounds sterling in London.

9 Non-Payment When Due and Winding-Up

(a) *Non-Payment*

If the Issuer shall not make payment in respect of the Securities for a period of seven days or more after the date on which such payment is due, the Issuer shall be deemed to be in default (a “**Default**”) under the Trust Deed and the Securities and the Trustee, in its discretion, may, or (subject to Condition 9(c)) if so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-

quarter in principal amount of the Securities then outstanding shall, notwithstanding the provisions of Condition 9(b), institute proceedings for the winding-up of the Issuer.

In the event of a Winding-Up of the Issuer (whether or not instituted by the Trustee pursuant to the foregoing), the Trustee in its discretion may, or (subject to Condition 9(c)) if so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Securities then outstanding shall, prove and/or claim in such Winding-Up of the Issuer, such claim being as contemplated in Condition 3(c).

(b) Enforcement

Without prejudice to Condition 9(a), the Trustee may, at its discretion and without notice, institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions and the Trust Deed. Nothing in this Condition 9(b) shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer, and/or proving and/or claiming in any Winding-Up of the Issuer in respect of any payment obligations of the Issuer arising from the Securities or the Trust Deed (including any damages awarded for breach of any obligations) in the circumstances provided in, as appropriate, Condition 3(a) and 9(a).

(c) Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 9(a) or (b) above against the Issuer to enforce the terms of the Trust Deed or the Securities or any other action under or pursuant to the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-quarter in principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(d) Right of Holders

No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer or prove or claim in any Winding-Up of the Issuer unless the Trustee, having become so bound to proceed or being able to prove or claim in such Winding-Up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall, with respect to the Securities held by it, have only such rights against the Issuer as those which the Trustee is entitled to exercise in respect of such Securities as set out in this Condition 9.

(e) Extent of Holders' Remedy

No remedy against the Issuer, other than as referred to in this Condition 9, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities or under the Trust Deed.

10 Taxation

All payments of principal, interest and any other amount by or on behalf of the Issuer in respect of the Securities shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by

the Relevant Jurisdiction or any political subdivision thereof or by any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, in respect of payments of interest (but not principal or any other amount), the Issuer will (to the extent such payment can be made out of Distributable Items which are available *mutatis mutandis* in accordance with Condition 5(b)) pay such additional amounts (“**Additional Amounts**”) as will result in receipt by the Holders of such amounts as would have been receivable by them in respect of payments of interest had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Security:

- (a) held by or on behalf of a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of his having some connection with the Relevant Jurisdiction other than a mere holding of such Security;
- (b) to, or to a third party on behalf of, a Holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the Certificate representing the Security is presented for payment; or
- (c) in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days.

References in these Conditions to interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Notwithstanding any other provision of the Trust Deed, all payments of principal, interest and any other amount by or on behalf of the Issuer in respect of the Securities shall be made net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

11 Prescription

Claims against the Issuer for payment in respect of the Securities shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

12 Meetings of Holders, Modification, Waiver and Substitution

(a) Meetings of Holders

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. in principal amount of the Securities for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the principal amount of the Securities so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Condition 3, the terms concerning currency and due dates for payment of principal or interest payments in respect of the Securities and reducing or cancelling the principal amount of, or interest on, any Securities, or the Interest Rate or varying the method of calculating the Interest Rate or the CET1 Ratio below which a Trigger Event occurs) and certain other provisions of the Trust Deed the quorum will be one or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in principal amount of the Securities for the time being outstanding. The agreement or approval of the Holders shall not be required in the case of cancellation of interest in accordance with Condition 5 or 6, reduction in the principal amount of the Securities to zero in accordance with Condition 6 or any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 7(f) in connection with the variation of the terms of the Securities so that they become, Compliant Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 7(f).

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(b) *Modification of the Trust Deed and Conditions*

The Trustee may agree, without the consent of the Holders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Agency Agreement which in its opinion is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of, any of these Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders. The Trustee may, without the consent of the Holders, determine that any Default should not be treated as such, provided that, in the opinion of the Trustee, the interests of Holders are not materially prejudiced thereby.

Any such modification, authorisation or waiver shall be binding on the Holders and, if the Trustee so requires, such modification shall be notified to the Holders as soon as practicable. No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless (if and to the extent required at the relevant time by the Competent Authority) the Issuer shall have given at least 30 days' prior written notice thereof to, and received Supervisory Permission therefor from, the Competent Authority (or such other period of notice as the Competent Authority may from time to time require or accept and, in any event, provided that there is a requirement to give such notice and obtain such Supervisory Permission).

(c) *Substitution*

The Trust Deed contains provisions permitting the Trustee, subject to the Issuer giving at least 30 days' prior written notice thereof to, and receiving Supervisory Permission therefor from, the Competent

Authority (or such other period of notice as the Competent Authority may from time to time require or accept and, in any event, provided that there is a requirement to give such notice and obtain such Supervisory Permission) to agree, subject to the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution and to such amendments to the Trust Deed and such other conditions as the Trustee may require but without the consent of the Holders, to the substitution on a subordinated basis equivalent to that referred to in Condition 3 of certain other entities (any such entity, a “**Substitute Obligor**”) in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed and the Securities.

(d) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Holders as a class and shall not have regard to the consequences of such exercise for individual Holders and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders.

(e) Notices

Any such modification, waiver, authorisation or substitution shall be binding on all Holders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Holders in accordance with Condition 15 as soon as practicable thereafter.

13 Replacement of the Securities

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Holders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 Rights of the Trustee

The Trust Deed contains provisions for the indemnification of, and/or the provision of security for, the Trustee and for its relief from responsibility.

The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Holders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise.

Condition 3 applies only to amounts payable in respect of the Securities and nothing in Conditions 3, 6 or 9 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

The Trustee shall have no responsibility for, or liability or obligations in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest, principal or other amounts by reason of Conditions 3, 5 or 6. Furthermore, the Trustee shall not be responsible for any calculation or the verification of any calculation in connection with any of the foregoing.

15 Notices

Notices to the Holders shall be mailed to them at their respective addresses in the Register and deemed to have been given on the second weekday (being a day other than a Saturday or Sunday) after the date of mailing. The Issuer shall also ensure that all notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed and/or admitted to trading.

16 Further Issues

The Issuer may from time to time without the consent of the Holders, but subject to any Supervisory Permission required, create and issue further securities either having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Securities or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Securities. Any further securities forming a single series with the Securities shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.

17 Agents

The initial Principal Paying Agent, the Registrar, the Agent Bank and the Transfer Agents and their initial specified offices are listed below. They act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Holder. The Issuer reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar, the Agent Bank and the Transfer Agents and to appoint replacement agents as additional or other Transfer Agents, provided that it will:

- (a) at all times maintain a Principal Paying Agent, a Registrar and a Transfer Agent; and
- (b) whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank.

Notice of any such termination or appointment and of any change in the specified offices of the Agents will be given to the Holders in accordance with Condition 15. If any of the Agent Bank, Registrar or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank, Registrar or the Principal Paying Agent in relation to the Securities shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Agent Bank, the Registrar, the Principal Paying Agent and the Holders.

18 Governing Law and Jurisdiction

(a) *Governing Law*

The Trust Deed, the Securities and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

(b) *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Securities and accordingly any legal action or proceedings arising out of or

in connection with the Trust Deed or any Securities (including any legal action or proceedings relating to non-contractual obligations arising out of or in connection with them) (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings.

Nothing in this Condition 18 prevents any Holder from taking Proceedings in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.

19 **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Securities by virtue of the Contracts (Rights of Third Parties) Act 1999.

20 **Definitions**

In these Conditions:

“**Additional Amounts**” has the meaning given to it in Condition 10;

“**Additional Tier 1 Capital**” has the meaning given to it from time to time by the Competent Authority;

“**Agency Agreement**” has the meaning given to it in the preamble to these Conditions;

“**Agent Bank**” has the meaning given to it in the preamble to these Conditions;

“**Agents**” means the Registrar, the Transfer Agent(s), the Agent Bank and the Principal Paying Agent or any of them and includes any successor appointed from time to time;

“**Assets**” means the unconsolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events in such manner as the directors of the Issuer may determine;

“**Authorised Signatories**” means any two of the Directors or Company Secretary of the Issuer;

“**Automatic Write Down**” means the irrevocable and automatic (without the need for the consent of Holders or the Trustee) reduction of the full principal amount of each Security to zero, the cancellation of all accrued and unpaid interest and any other amounts (if any) arising under or in connection with the Securities and/or the Trust Deed and the cancellation of the Securities on the Write Down Date.

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London;

“**Calculation Amount**” means £1,000 in principal amount;

“**Capital Disqualification Event**” is deemed to have occurred if there is a change (which has occurred or which the Competent Authority considers to be sufficiently certain) in the regulatory classification of the Securities which becomes effective after the Issue Date and that results, or would be likely to result, in some of or the entire principal amount of the Securities being excluded from the Additional Tier 1 Capital of the Issuer Group (other than by reason of any applicable limit on the amount of Additional Tier 1 Capital);

“**Certificate**” has the meaning given to it in Condition 1(a);

“**CET1 Capital**”, at any time, means the sum, expressed in pounds sterling, of all amounts that constitute Common Equity Tier 1 Capital at such time of the Issuer Group less any deductions therefrom required to be made at such time, as calculated on a consolidated basis, in accordance with the Regulatory Capital

Requirements but without applying any transitional provisions set out in Part 10 of the CRD IV Regulation which are applicable at such time;

“**CET1 Ratio**” means, at any time, the ratio of the aggregate amount of the CET1 Capital of the Issuer Group at such time to the Risk Weighted Assets of the Issuer Group at such time, in each case calculated on a consolidated basis and expressed as a percentage;

“**Common Equity Tier 1 Capital**” means common equity tier 1 capital as contemplated by the CRD IV Regulation as interpreted and applied in accordance with the Regulatory Capital Requirements then applicable, or an equivalent or successor term;

“**Competent Authority**” means the Prudential Regulation Authority or such other or successor authority having primary supervisory authority with respect to prudential matters concerning the Issuer Group;

“**Compliant Securities**” means securities issued directly or indirectly by the Issuer that:

- (a) have terms not materially less favourable to an investor than the terms of the Securities (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer), and provided that a certification to such effect (including as to such consultation) of two Authorised Signatories shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without further enquiry and without liability to any person) prior to the issue or, as appropriate, variation of the relevant securities), and, subject to the foregoing, which (1) contain terms which comply with the then current requirements of the Competent Authority in relation to Additional Tier 1 Capital; (2) provide for the same Interest Rate and Interest Payment Dates from time to time applying to the Securities; (3) rank *pari passu* with the ranking of the Securities; (4) preserve any existing rights under these Conditions to any accrued interest or other amounts which have not been either paid or cancelled; and (5) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption;
- (b) are (i) listed on the Official List and admitted to trading on the Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee, such approval not to be unreasonably withheld or delayed; and
- (c) where the Securities which have been substituted or varied had a published rating from the Rating Agency immediately prior to their substitution or variation, the Rating Agency has ascribed, or announced its intention to ascribe, an equal or higher published rating to the relevant Compliant Securities;

“**Conditions**” has the meaning given to it in the preamble to these Conditions;

“**CRD IV Directive**” means the Directive (2013/36/EU) of the European Parliament and of the Council on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time and, as the context permits, any provision of United Kingdom law transposing or implementing such Directive;

“**CRD IV Regulation**” means the Regulation (EU No. 575/2013) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time;

“**Directors**” means the directors of the Issuer;

“**Distributable Items**” means, subject as otherwise defined from time to time in the Regulatory Capital Requirements, in relation to interest otherwise scheduled to be paid on an Interest Payment Date, the amount

of the profits of the Issuer at the end of the last Financial Year immediately preceding such Interest Payment Date plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments of the Issuer less any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the Issuer's articles of association and sums placed to non-distributable reserves in accordance with the Companies Act 2006 or the articles of association of the Issuer, those profits, losses and reserves being determined on the basis of the individual non-consolidated accounts of the Issuer;

“**Extraordinary Resolution**” has the meaning given to it in the Trust Deed;

“**Financial Year**” means the financial year of the Issuer (being the one-year period in respect of which it prepares annual audited financial statements) from time to time, which as at the Issue Date runs from (and including) 1 April in one calendar year to (but excluding) the same date in the immediately following calendar year;

“**First Reset Date**” means 5 December 2024;

“**Initial Fixed Interest Rate**” has the meaning given to it in Condition 4(c);

“**Initial Fixed Rate Interest Period**” means the period from (and including) the Issue Date to (but excluding) the First Reset Date;

“**Holder**” has the meaning given to it in Condition 1(b);

“**Interest Payment Date**” means 5 March, 5 June, 5 September and 5 December in each year, starting on (and including) 5 December 2017;

“**Interest Period**” means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“**Interest Rate**” means the Initial Fixed Interest Rate and/or the Reset Rate of Interest, as the case may be;

“**Issue Date**” means 5 October 2017, being the date of the initial issue of the Securities;

“**Issuer**” has the meaning given to it in the preamble to these Conditions;

“**Issuer Group**” means the Issuer and each entity which is part of the UK prudential consolidation group (as that term, or its successor, is used in the Regulatory Capital Requirements) of which the Issuer is part from time to time;

“**Liabilities**” means the unconsolidated gross liabilities of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingent and prospective liabilities and for subsequent events in such manner as the directors of the Issuer may determine;

“**London Stock Exchange**” means the London Stock Exchange plc;

“**Margin**” means 5.749 per cent.;

“**Market**” means the London Stock Exchange's EEA Regulated Market as defined by Article 4.1 (14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments;

“**Official List**” means the official list of the UK Listing Authority;

“**own funds instruments**” has the meaning given to it in the CRD IV Regulation;

“**pounds sterling**” means the lawful currency of the United Kingdom;

“**Principal Paying Agent**” has the meaning given to it in the preamble to these Conditions;

“**Rating Agency**” means Moody’s Investors Service Ltd. or its successor;

“**Recognised Stock Exchange**” means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

“**Record Date**” has the meaning given to it in Condition 8(a);

“**Register**” has the meaning given to it in Condition 1(b);

“**Registrar**” has the meaning given to it in the preamble to these Conditions;

“**Regulatory Capital Requirements**” means, at any time, any requirement contained in the laws, regulations, requirements, guidelines and policies of the Competent Authority, the United Kingdom or of the European Parliament and Council then in effect in the United Kingdom relating to capital adequacy and applicable to the Issuer Group;

“**Relevant Date**” means (i) in respect of any payment other than a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Holders that, upon further surrender of the Certificate representing such Security being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender, and (ii) in respect of a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up (or, in the case of an administration, one day prior to the date on which any dividend is distributed);

“**Relevant Jurisdiction**” means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments of principal and/or interest on the Securities become generally subject to tax;

“**Reset Date**” means the First Reset Date and each fifth anniversary of the First Reset Date thereafter;

“**Reset Determination Date**” means, in respect of a Reset Period, the second Business Day prior to the first day of such Reset Period unless such day is not a Business Day, in which case it shall mean the immediately preceding Business Day;

“**Reset Period**” means the period from and including the First Reset Date to but excluding the next Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date;

“**Reset Rate of Interest**” has the meaning given to it in Condition 4(d);

“**Reset Reference Banks**” means five leading gilt dealers in the principal interbank market relating to pounds sterling selected by the Issuer;

“**Reset Reference Rate**” means in respect of a Reset Period, the gross redemption yield (as calculated by the Agent Bank in accordance with generally accepted market practice at such time) on a semi-annual compounding basis (rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for the purpose of determining the gross redemption yield being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reset Reference Banks at 11.00 a.m. (London time) on the Reset Determination Date in respect of such Reset Period on a dealing basis for settlement on the next following dealing day in London. Such quotations shall be obtained by or on behalf of

the Issuer and provided to the Agent Bank. If at least four quotations are provided, the Reset Reference Rate will be determined by reference to the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Rate will be determined by reference to the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Rate will be determined by reference to the rounded quotation provided. If no quotations are provided, the Reset Reference Rate will be determined by the Agent Bank, based on a bid and offered price of the Benchmark Gilt determined by or on behalf of the Issuer, in its sole discretion, where:

“**Benchmark Gilt**” means, in respect of a Reset Period, such United Kingdom government security customarily used in the pricing of new issues with a similar tenor having a maturity date on or about the last day of such Reset Period as the Agent Bank, with the advice of the Reference Banks, may determine to be appropriate following any guidance published by the International Capital Market Association at the relevant time; and

“**dealing day**” means a day on which the London Stock Exchange (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities;

“**Risk Weighted Assets**” means, at any time, the aggregate amount, expressed in pounds sterling, of the total risk exposure amount of the Issuer Group, as calculated on a consolidated basis in each case in accordance with the Regulatory Capital Requirements at such time and without applying any transitional arrangements under the Regulatory Capital Requirements which are applicable at such time;

“**Securities**” has the meaning given to it in the preamble to these Conditions;

“**Senior Creditors**” means creditors of the Issuer: (a) who are unsubordinated creditors of the Issuer; (b) whose claims are, or are expressed to be, subordinated to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or (c) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders in a winding-up in respect of the Securities (and, for the avoidance of doubt, Senior Creditors shall include holders of Tier 2 Capital instruments);

“**Solvency Condition**” has the meaning given to it in Condition 3(b);

“**Substitute Obligor**” has the meaning given to it in Condition 12(c);

“**Supervisory Permission**” means, in relation to any action, such supervisory permission (or, as appropriate, waiver) as is required therefor under prevailing Regulatory Capital Requirements (if any);

“**Tax Event**” is deemed to have occurred if as a result of a Tax Law Change:

- (i) in making any payments on the Securities, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts; or
- (ii) the Issuer is no longer entitled to claim a deduction in respect of any payments in respect of the Securities in computing its taxation liabilities or the amount of such deduction is reduced; or
- (iii) the Securities are prevented from being treated as loan relationships for United Kingdom tax purposes; or
- (iv) the Issuer would not, as a result of the Securities being in issue, be able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be so grouped for applicable United Kingdom

tax purposes (whether under the group relief system current as at the date of issue of the Securities or any similar system or systems having like effect as may from time to time exist); or

- (v) the Securities or any part thereof are treated as a derivative or an embedded derivative for United Kingdom tax purposes,

and, in any such case the Issuer could not avoid the foregoing by taking measures reasonably available to it;

“**Tax Law Change**” means a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant Jurisdiction is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions, which change or amendment (x) (subject to (y)) becomes, or would become, effective on or after the Issue Date, or (y) in the case of a change in law, is enacted on or after the Issue Date;

“**Tier 2 Capital**” has the meaning given to it from time to time by the Competent Authority;

“**Transfer Agent**” has the meaning given to it in the preamble to these Conditions;

“**Trigger Event**” means that the CET1 Ratio of the Issuer Group has fallen below 7.00 per cent.;

“**Trigger Event Notice**” means the notice referred to as such in Condition 6 which shall be given by the Issuer to the Holders, in accordance with Condition 15, the Trustee, the Registrar, the Principal Paying Agent and the Competent Authority, and which shall state with reasonable detail the nature of the relevant Trigger Event, the basis of its calculation and the relevant Write Down Date (which may be a date prior to or following the date of the Trigger Event Notice);

“**Trust Deed**” has the meaning given to it in the preamble to these Conditions;

“**Trustee**” has the meaning given to it in the preamble to these Conditions;

“**UK Listing Authority**” means the Financial Conduct Authority acting under Part VI of the Financial Services and Markets Act 2000;

“**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland;

“**Winding-Up**” means:

- (i) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation, the terms of which reorganisation, reconstruction or amalgamation have previously been approved in writing by the Trustee or an Extraordinary Resolution and do not provide that the Securities thereby become redeemable or repayable in accordance with these Conditions);
- (ii) following the appointment of an administrator of the Issuer, an administrator gives notice that it intends to declare and distribute a dividend; or
- (iii) liquidation or dissolution of the Issuer or any procedure similar to that described in paragraph (i) or (ii) of this definition is commenced in respect of the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009; and

“**Write Down Date**” has the meaning given to it in Condition 6.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE REPRESENTED BY THE GLOBAL CERTIFICATE

The following is a summary of the provisions to be contained in the Trust Deed and in the Global Certificate which will apply to, and in some cases modify the effect of, the Conditions while the Securities are represented by the Global Certificate.

Words and expressions defined in the “Terms and Conditions of the Securities” above or elsewhere in this Prospectus have the same meanings in this section. The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System.

Initial Issue of Certificates

The Global Certificate will be registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”) and may be delivered on or prior to the original Issue Date of the Securities.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of Securities equal to the principal amount thereof for which it has subscribed and paid.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) as the holder of a Security represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Security for so long as the Securities are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

Exchange of the Global Certificate

The following will apply in respect of transfers of Securities held in Euroclear or Clearstream, Luxembourg or any Alternative Clearing System. These provisions will not prevent the trading of interests in the Securities within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Securities may be withdrawn from the relevant clearing system.

Transfers of the holding of Securities represented by the Global Certificate pursuant to Condition 2(a) may only be made in part:

- (i) if the Securities represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and each such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

- (ii) upon or following any failure to pay principal in respect of any Securities when it is due and payable; or
- (iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to the above, the holder of the Securities represented by the Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer.

Calculation of Interest

For so long as all of the Securities are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, interest shall be calculated on the basis of the aggregate principal amount of the Securities represented by the Global Certificate, and not per Calculation Amount as provided in Condition 4.

Automatic Write Down

In the event of an Automatic Write Down pursuant to Condition 6, the principal amount of the Global Certificate will be written down to zero and cancelled in full accordance with the procedures of Euroclear or Clearstream, Luxembourg as applicable and will not be restored in any circumstances thereafter.

Payments

All payments in respect of Securities represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the register of holders of the Securities maintained by the Registrar at the close of business on the record date which (notwithstanding Condition 7) shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Notices

For so long as the Securities are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, notices may be given to the Holders by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to their respective accountholders in substitution for publication as required by the Conditions provided that, for so long as the Securities are listed on the regulated market of the London Stock Exchange or on any other stock exchange, notices will also be given in accordance with any applicable requirements of such stock exchange. Any such notice shall be deemed to be given on the date that it is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be).

Prescription

Claims against the Issuer in respect of any amounts payable in respect of the Securities represented by the Global Certificate will be prescribed and become void unless made within 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 20) relating thereto.

Meetings

For the purposes of any meeting of the Holders, the holder of the Securities represented by the Global Certificate shall be treated as being entitled to one vote in respect of each £1.00 in principal amount of the Securities.

Written Resolution and Electronic Consent

For so long as the Securities are in the form of a Global Certificate registered in the name of any nominee for one or more of Euroclear and Clearstream, Luxembourg or another clearing system, then, in respect of any resolution proposed by the Issuer or the Trustee:

- (i) where the terms of the proposed resolution have been notified to the Holders through the relevant clearing system(s), each of the Issuer and the Trustee shall be entitled to rely upon approval of such resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Securities outstanding (“**Electronic Consent**”). None of the Issuer or the Trustee shall be liable or responsible to anyone for such reliance; and
- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a written resolution has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system(s) with entitlements to such Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant Alternative Clearing System (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Holders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Securities is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Euroclear and Clearstream, Luxembourg

References in the Global Certificate and this summary to Euroclear and Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved for the purposes of the Securities by the Trustee and the Registrar.

DESCRIPTION OF ISSUER

Introduction

Investec plc and Investec Limited (together, the “**Investec Group**”) is an international, specialist banking group and asset manager that provides a diverse range of financial products and services to a select client base in three principal markets, the UK and Europe, South Africa and Asia/Australia, as well as certain other countries.

The Investec Group was founded as a leasing company in Johannesburg, South Africa, in 1974. It acquired a banking licence in 1980 and was listed on the JSE Limited South Africa (“**JSE**”) in 1986.

In 1992 the Investec Group made its first international acquisition, in the UK, when it acquired Allied Trust Bank, which has since been renamed Investec Bank plc.

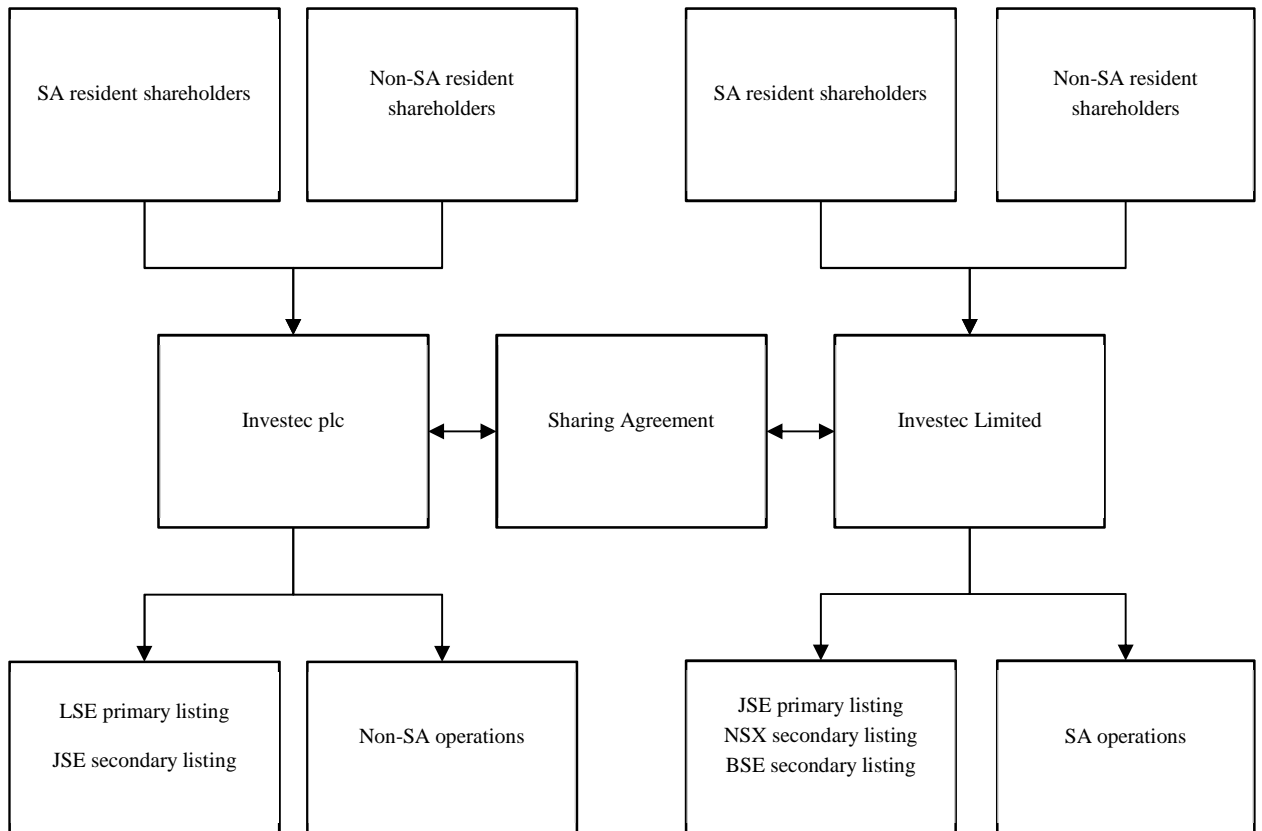
Group Structure

On 22 July 2002, the Investec Group implemented a dual listed companies (“**DLC**”) structure pursuant to which the majority of the group's non-Southern African subsidiaries were placed into Investec plc, which was previously a wholly owned subsidiary of Investec Group Limited (now Investec Limited). Investec plc was unbundled from Investec Group Limited and listed on the London Stock Exchange, with a secondary listing on the JSE. As a result of the DLC structure, Investec plc and Investec Limited together formed a single economic enterprise (the Investec Group).

Creditors, however, are ring fenced to either Investec plc or Investec Limited as there are no cross guarantees between the companies. Holders should further note that the Securities are obligations solely of the Issuer and are not in any way guaranteed by Investec Limited or any other entity. Holders only have recourse to the Issuer for amounts that have become due and payable under the Securities – see, in particular, the risk factors in this Prospectus entitled “*The Issuer is a holding company, which means that its right to participate in the assets of any of its subsidiaries upon the liquidation of such subsidiaries may be subject to prior claims of some of such subsidiary's creditors and preference shareholders.*”, “*Bank Resolution Powers apply to the Group*” and “*Risks Related to the Securities*”.

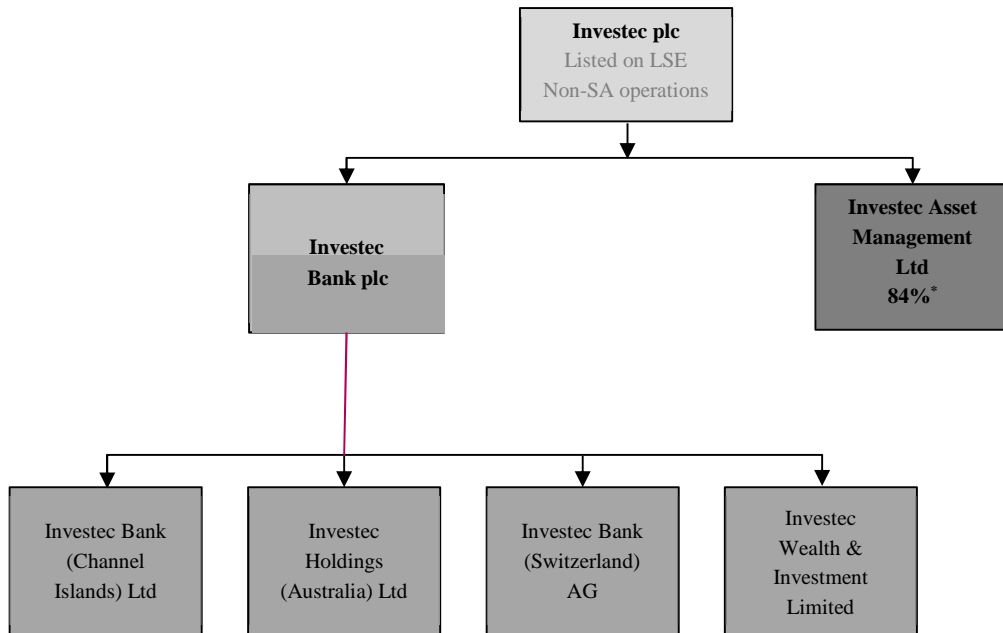
The Investec Group has since expanded through a combination of organic growth and a series of strategic acquisitions.

DLC Structure

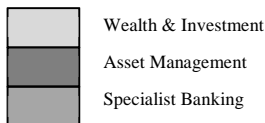


Investec plc is the holding company of the majority of the Investec Group's non-Southern African operations, including Investec Bank plc and Investec Asset Management. As Investec plc is the parent company of the Group of which it is a member, Investec plc is dependent upon receipt of funds from its principal subsidiaries for its income and it has no significant assets other than its investment in its principal subsidiaries. The following diagram is a simplified group structure for Investec plc.

Investec plc: organisational structure as at the date hereof



Operating activities key:



*remaining 16% is held by management of the company

Ratings

Investec plc has been assigned the following long-term credit rating:

- Baa1 (positive outlook) by Moody's. This means that Moody's is of the opinion that Investec plc is subject to moderate credit risk, is considered medium-grade and as such may possess certain speculative characteristics.

Investec plc has also been assigned the following short-term credit rating:

- P2 by Moody's. This means that Moody's is of the opinion that Investec plc has a strong ability to pay in the short-term.

The Securities are expected, on issue, to be assigned a credit rating of Ba2 (hyb) by Moody's.

Moody's is a credit rating agency established and operating in the European Community and registered in accordance with Regulation (EU) No 1060/2009, as amended (the "CRA Regulation").

Activities of Investec plc

The activities of Investec plc, conducted through its subsidiary undertakings, include Asset Management, Wealth & Investment and Specialist Banking. The Group also has centralised, group-wide integrating functions that include: Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development, Internal Audit, Compliance and Operations.

Asset Management

As of 31 August 2017, Investec Asset Management (“IAM”) manages £66.3 billion of assets on behalf of clients from around the world who are invested in its four core investment capabilities (£61.4 billion as of 31 March 2017). Employing over 195 investment professionals globally, IAM manages its investments principally from two investment centres (London and Cape Town) serving its client base from five distinct client groups. Established in 1991, the business has grown largely organically from domestic roots in Southern Africa and is still managed by its founding members, representing continuity and stability throughout its growth.

Wealth & Investment

Investec Wealth & Investment provides wealth management, portfolio management, private office and stockbroking services for individuals, families, trusts and charities. Over 1300 staff operate from offices across the UK and Europe, with funds under management of £37.4 billion as of 31 August 2017 (£35.6 billion as of 31 March 2017). The business generated net inflows of £1.3bn for the year to 31 March 2017, equating to 4.2 per cent. of opening funds under management.

The UK operation is conducted through Investec Wealth & Investment Limited. The other Wealth & Investment operations are conducted through Investec Bank Switzerland, Investec Wealth & Investment Ireland, Investec Wealth & Investment Channel Islands and in Hong Kong, through Investec Capital Asia Limited.

The services provided by Investec Wealth & Investment include:

Investments and savings

- Discretionary and advisory portfolio management services for private clients;
- Specialist investment management services for charities, pension schemes and trusts;
- Independent financial planning advice for private clients; and
- Specialist portfolio management services for international clients.

Pensions and retirement

- Discretionary investment management for company pension and Self Invested Personal Pensions; and
- Advice and guidance on pension schemes and life assurance.

Financial planning

- Succession planning;
- ISAs; and
- Retirement planning.

Specialist Banking

Specialist Banking focuses on three key areas of activity: Investment activities, Corporate and Institutional Banking activities and Private Banking activities. Each business provides specialised products and services to defined target markets.

| Corporates/government/institutional clients | | High-income and high net worth private clients |
|--|---|---|
| <p>Investment activities</p> <hr/> <p>Principal investments Property investment and fund management</p> <p>Australia Hong Kong UK and Europe</p> | <p>Corporate and Institutional Banking activities</p> <hr/> <p>Treasury and trading services Specialised lending, funds and debt capital markets Institutional research, sales and trading Advisory and equity capital markets</p> <p>Australia Hong Kong India UK and Europe USA</p> | <p>Private Banking activities</p> <hr/> <p>Transactional banking and foreign exchange Lending Deposits Investments</p> <p>UK and Europe</p> |

Private Banking activities

Private Banking offers high-tech and high touch day-to-day banking, savings, financing and foreign exchange services to its select clientele.

The target market includes high net worth individuals, wealthy entrepreneurs, high income professionals, owner managers in mid-market companies and sophisticated investors.

Corporate and Institutional Banking activities

Corporate and Institutional Banking is a client-focused business concentrating on traditional lending and debt origination activities, as well as the provision of advisory services and treasury and trading services that are customer flow-related.

The target market includes small, mid-sized and listed corporates, the private equity community and institutions.

The business also provides niche, specialist solutions in aircraft, project and resource finance.

Investment activities

The principal investments businesses focus on providing capital to entrepreneurs and management teams to allow them to further their growth ambitions. Investments are assessed on a case-by-case basis, with the aim to deliver returns on a risk-adjusted basis.

The property business focuses on property fund management and property investments.

Regulation and Risk Management

Regulation

The FCA and PRA (formerly the FSA) and the South African Reserve Bank (“SARB”) entered into a Memorandum of Understanding in 2002 which sets out the basis upon which the Investec Group as a whole will be regulated and how these main regulators will co-operate. The SARB undertakes consolidated supervision of Investec Limited and its subsidiaries as well as acting as lead regulator of the Investec Group as a whole. The FCA and PRA undertake consolidated supervision of the Issuer and its subsidiaries.

Accordingly, the Issuer is authorised by the PRA and regulated by the FCA and the PRA. The Issuer is therefore subject to PRA limits and capital adequacy requirements. In addition the Issuer through its operating subsidiaries, operates in a variety of other extensively regulated jurisdictions including Ireland, where it has obtained all necessary regulatory authorisations.

Risk Management

The Investec Group recognises that an effective risk management function is fundamental to its business. Taking international best practice into account, its comprehensive risk management process involves identifying, understanding and managing the risks associated with each of the businesses.

Risk Awareness, Control and Compliance

Group Risk Management monitors, manages and reports on risks to ensure it is within the stated risk appetite as mandated by the board of directors through the Board Risk Review Committee. Business units are ultimately responsible for managing risks that arise.

The Group monitors and controls risk exposure through credit, market, liquidity, operational and legal risk reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping to pursue growth across the business.

Group Risk Management operates within an integrated geographical and divisional structure, in line with management approach, ensuring that the appropriate processes are used to address all risks across the Group. There are specialist divisions in the UK and smaller risk divisions in other regions, to promote sound risk management practices.

Risk Management units are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within defined risk parameters and objectives, continually seeking new ways to enhance techniques.

In the ordinary course of business, the business is exposed to various risks, including credit, market, interest rate and liquidity, operational, legal and reputational risks.

Loan Administration and Loan Loss Provisioning

The majority of the Issuer's loan exposures arise through Investec Bank plc, one of its major subsidiary undertakings.

The Issuer's loan administration and loan loss provisioning addresses the risk that counterparties will be unable or unwilling to meet their obligations to the Issuer as they fall due or that the credit quality of third parties to whom the Issuer is exposed deteriorates. It arises when funds are extended, committed, invested, or otherwise exposed through contractual agreements, whether reflected on- or off-balance sheet. The Issuer's risk management policies include geographical, product, market and individual counterparty concentrations. All exposures are checked frequently against approved limits, independently of each business unit. Excesses are reported to the general management of the Issuer and escalated to the executive when necessary.

A tiered system of credit committees has been created in order to attempt to ensure that credit exposures are authorised at an appropriate level of seniority. The main UK Group Credit Committee includes executive directors and senior management independent of the line managerial function. All credit committees have to reach a unanimous consensus before authorising a credit exposure and each approval is signed by a valid quorum.

Credit limits on all lending, including treasury and interbank lines, are reviewed at least annually. The arrears policy is strictly controlled and regular reviews are held to evaluate the necessity and adequacy of specific provisions and whether the suspension of interest charged to the customer is required. An Arrears Committee

regularly reviews delinquent facilities. Its purpose is to ensure that agreed strategy for remedial action is implemented and that specific provisions are made where relevant.

The Issuer has a focused business strategy and considers itself to have considerable expertise in its chosen sectors. The majority of the Issuer's lending, excluding interbank placements, which are predominantly with systemic European and U.S. banks, is secured on assets and is amortising. On a geographical basis, over 91 per cent. of the credit exposure of the Issuer, including contingent liabilities and commitments, is to the UK domestic market, Continental Europe and the United States. Risk limits permit only modest exposure to South Africa and minimal exposure to other emerging markets.

Capital Adequacy and Liquidity

Information on the Issuer's capital, leverage and liquidity ratios and requirements is set out in the Issuer's annual report for the year ended 31 March 2017 (i.e. the Investec plc silo annual report and accounts) in the sub-section entitled "*Risk management*" of "*Risk management and corporate governance*". See, in particular, page 95 and 104 to 118 of that sub-section.

Dividend policy of Investec Group and the Issuer

The Investec Group's dividend policy relating to its ordinary shares is to maintain a dividend cover of between 1.7 and 3.5 times based on earnings per share of the combined Investec Group (incorporating the results of Investec plc and Investec Limited) before goodwill and non-operating items and after taking into consideration the accrual of dividends attributable to holders of the Issuer's and Investec Limited's preference shares. The current intention of the Issuer is to consider the relative ranking of ordinary shares, preference shares and Additional Tier 1 securities in the capital structure whenever exercising its discretion whether or not to declare dividends or pay interest. The board of directors of the Issuer may depart from this approach at its sole discretion. *See also the risk factor entitled "The Issuer may at any time elect, and in certain circumstances shall be required, not to make interest payments on the Securities"*.

In determining the level of dividend to be paid on its ordinary shares in respect of any financial period, the board of the Investec Group has regard to, among other factors, its capital position and requirements, the profits generated in respect of such period in relation to the general profits trend of the Investec Group, its strategy and certain regulatory and tax considerations.

The holders of ordinary shares in the Issuer and Investec Limited will share proportionately on a per share basis all dividends declared by the Investec Group. Where possible, each of the Issuer and Investec Limited will pay such dividends to their respective shareholders. However, the DLC structure makes provision through dividend access trusts for either company to pay a dividend directly to the shareholders of the other. As of 31 March 2017, the Issuer had issued 69 per cent. of the combined issued ordinary share capital of the Investec Group. The payment of interest on the Securities is not supported by, or restricted by, such arrangements.

The Issuer will, however, require sufficient dividends from its subsidiaries to establish sufficient distributable funds to pay its share of the DLC dividend, payments of dividends on its preference shares and payments of interest on the Securities.

Directors

The names of the directors of the Issuer, the business address of each of whom, in their capacity as directors of Investec plc, is 2 Gresham Street, London EC2V 7QP, and their respective principal outside activities are as follows:

| <i>Name</i> | <i>Role</i> | <i>Principal outside activities</i> |
|--------------------------|---|--|
| Stephen Koseff | Chief Executive Officer | Director of Investec Bank plc, Investec Limited, Investec Bank Limited, Investec Asset Management Limited and Bidvest Group Limited |
| Bernard Kantor | Managing Director | Managing Director of Investec Limited, director of Investec Bank Limited, Investec Bank plc, Investec Asset Management Limited, Phumelela Gaming and Leisure Limited |
| Glynn Burger | Executive director | Director of Investec Bank Limited and Investec Limited |
| Hendrik Du Toit | Executive director | Director of Investec Limited, Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Limited and their subsidiaries. Non Executive director of Naspers Ltd. |
| Fani Titi | Chairman, non-executive director | Chairman and non-executive director of Investec Bank plc, Investec Bank Limited and Investec Limited. Director of Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Limited, Kumba Iron Ore Limited (chairman) and MRC Media (Pty) Ltd |
| Ian Kantor | Non-executive director | Chairman of Blue Marlin Holdings SA (formerly, Insinger de Beaufort Holdings SA) (in which Investec Limited indirectly holds an 8.6 per cent. interest) and Chairman of the Supervisory Board of Bank Insinger de Beaufort NV Non Executive Director of Investec Limited, Investec Asset Management Holdings (Pty) Limited and Investec Asset Management Limited |
| Peregrine KO Crosthwaite | Senior Independent Non-executive director | Non-executive director of Investec Bank plc and director of Investec Holdings (Ireland) Limited (Chairman) and Investec Capital and Investments (Ireland) Limited. Senior Independent Non Executive Director of Investec Limited |
| David Friedland | Non-executive director | Non-executive director of Investec Bank Limited, Investec Limited, Investec Bank plc, Pres Les Proprietary Limited, The Foschini Group Limited and Pick 'n Pay Stores Limited |
| Cheryl Carolus | Non-executive director | Director of De Beers Consolidated Mines Limited, Gold Fields Limited (Chairperson), Mercedes-Benz South Africa (Pty) Ltd, WWF South Africa and International, The IQ Business (Pty) Ltd, Ponahalo Capital (Pty) Ltd, Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Limited, executive chairperson of Peotona Group Holdings (Pty) Ltd and a director of a number of Peotona group companies and the International Crises Group. Non Executive Director of Investec Limited |
| Charles Jacobs | Non-executive director | Partner of Linklaters LLP and director of Fresnillo plc. Non Executive Director of Investec Limited |
| Lord Malloch-Brown | Non-executive director | Chairman of SGO Corporation Ltd and Senior Advisor to the Eurasia Group, Director of Seplat Petroleum Development Company plc and Smartmatic Ltd. Non Executive Director of Investec Limited |

| | | |
|-------------------|------------------------|--|
| Khumo Shuenyane | Non-executive director | Director of Investec Bank Limited, Investec Property Fund Ltd, Investec Life Limited, Investec Specialist Investments (RF) Limited and Investec Employee Benefits Ltd. Non Executive Director of Investec Limited. Partner at Delta Partners, an advisory firm headquartered in Dubai |
| Zarina Bassa | Non-executive director | Director of Woolworths Holdings Ltd, Vodacom (Pty) Ltd, Sun International Limited and the Oceana Group Limited. Non Executive Director of Investec Limited. Independent Non Executive Director of Investec Bank plc |
| Laurel Bowden | Non-executive director | Partner of 83 North (a private equity business). Director of Bluevine Capital Inc, Ebury Partners Limited, iZettle AB, Celonis GMBH, Mirakl SAS, Wonga Group Limited, MotorK Ltd, Workable Technology Limited (the majority of these are companies which Laurel serves on as a representative of 83North) Non Executive Director of Investec Limited |
| Philip Hourquebie | Non-executive director | Non-executive director of Investec Limited, Investec Property Fund Limited and Aveng Limited |

No potential conflicts of interest exist between the duties that the directors of the Issuer owe to the Issuer and their private interests or other duties.

Additional Information

The Issuer was a private limited company with limited liability incorporated on 17 September 1998 under the Companies Act 1985 and registered in England and Wales under registered number 03633621 with the name Regatta Services Limited. Since then it has undergone a change of name to Investec Limited on 24 November 2000, and re-registered as a public limited company under the name of Investec plc on 7 December 2000. It is currently incorporated under the name Investec plc.

The objects of the Issuer are set out in paragraph 4 of its Memorandum of Association and, in summary, are to carry on the business of banking and to carry on the business of a holding and investment company. The Memorandum and Articles of Association of the Issuer have been filed with the Registrar of Companies in England and Wales and are available for inspection as provided in “*General Information*” below.

Recent Developments

The Issuer has published the following financial updates for its business for the five months ended 31 August 2017:

- total core loans of £9.0 billion as of 31 August 2017 (£8.6 billion as of 31 March 2017);
- total customer deposits of £11.1 billion as of 31 August 2017 (£11.0 billion as of 31 March 2017); and
- cash and near cash balances of £5.0 billion as of 31 August 2017 (£5.0 billion as of 31 March 2017).

USE OF PROCEEDS

The net proceeds of the issue of the Securities will be used for general corporate purposes of the Group and to strengthen further the regulatory capital base of the Issuer and/or the Issuer Group.

TAXATION

United Kingdom Taxation

The comments below, which are of a general nature and are based on the Issuer's understanding of current UK law and HM Revenue & Customs practice, describe the UK withholding tax treatment of payments of interest in respect of the Securities. They relate only to the position of persons who are the absolute beneficial owners of their Securities and may not apply to certain classes of persons such as dealers, to whom special rules may apply. They are not exhaustive. They do not deal with any other UK taxation implications of acquiring, holding or disposing of Securities. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution is permitted by the terms and conditions of the Securities). Prospective holders of Securities who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly advised to consult their own professional advisers.

The Taxation of Regulatory Capital Securities Regulations 2013 (as amended) (the “**Regulations**”) provide an exemption such that payments of interest by the Issuer on the Securities can be made without withholding or deduction for or on account of UK income tax so long as the Securities qualify, or have qualified, as (i) Additional Tier 1 instruments and form, or have formed, a component of Additional Tier 1 capital or (ii) Tier 2 instruments and form, or have formed, a component of Tier 2 capital (in either case for the purposes of the Commission Regulation (EU) No 575/2013) provided that there are no arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage for any person as a result of the application of the Regulations in respect of the Securities.

Irrespective of whether interest may be paid by the Issuer without withholding or deduction for or on account of UK tax pursuant to the Regulations, while the Securities are and continue to be listed on a recognised stock exchange, within the meaning of Section 1005 Income Tax Act 2007, payments of interest on the Securities may be made without withholding or deduction for or on account of UK income tax. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and admitted to trading on the London Stock Exchange. Whilst the Securities are and continue to be so listed, payments of interest by the Issuer on the Securities may be made without withholding or deduction for or on account of UK income tax.

In other cases, absent any other relief or exemption (such as a direction by HM Revenue & Customs that interest may be paid without withholding or deduction for or on account of tax to a specified Holder following an application by that Holder under an applicable double tax treaty), an amount must generally be withheld on account of UK income tax at the basic rate (currently 20 per cent.) from payments of interest on the Securities.

Foreign Account Tax Compliance Act

As a result of Sections 1471 through 1474 of the Code and related Treasury regulations (collectively, “**FATCA**”) and the intergovernmental agreement relating to FATCA between the United States and the UK (the “**U.S. – UK IGA**”), as well as applicable UK regulations implementing the U.S. – UK IGA, the Issuer may be required to comply with certain reporting requirements. It is also possible that payments on the Securities may be subject to a withholding tax of 30 per cent. beginning on 1 January 2019. However, assuming the Issuer complies with any applicable reporting requirements pursuant to the U.S. – UK IGA, the Issuer should not be subject to withholding tax under FATCA on payments it receives and would generally not be required to withhold tax under FATCA from payments in respect of the Securities. In addition, while the Securities are held within the Clearing Systems, it is expected that FATCA will not affect the amount of any payments made under or in

respect of the Securities by the Issuer or any paying agent, given that each of the entities in the payment chain between the Issuer and the participants in the Clearing Systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under the U.S.-UK IGA will be unlikely to affect the Securities.

The Issuer will not pay Additional Amounts on account of any withholding tax imposed by FATCA. FATCA is particularly complex. Each prospective holder of the Securities should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how this legislation might affect each holder in its particular circumstances.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited, Investec Bank plc, Lloyds Bank plc and Merrill Lynch International (together the “**Joint Lead Managers**” and each, a “**Joint Lead Manager**”) have, pursuant to a Subscription Agreement dated 3 October 2017, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Securities at an issue price of 100 per cent. of their principal amount. The Issuer has agreed to pay to the Joint Lead Managers a combined management and underwriting commission. The Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses and to indemnify the Joint Lead Managers against certain of their liabilities in connection with the issue of the Securities. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

Some of the Joint Lead Managers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

Certain of the Joint Lead Managers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer’s securities, including potentially the Securities. Any such short positions could adversely affect future trading prices of the Securities.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

General

Neither the Issuer nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer that would permit a public offering of the Securities, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Securities (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers the Securities or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer or any other Joint Lead Manager in any such jurisdiction as a result of any of the foregoing actions.

United States

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt

from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the UK.

South Africa

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, any Securities, or distribute any copy of this Prospectus (in preliminary, proof or final form) or any other document relating to the Securities, in South Africa, in contravention of the South African Companies Act, 2008 ("**Companies Act**"), the Exchange Control Regulations, 1961 promulgated pursuant to the South African Currency and Exchanges Act, 1933 ("**Exchange Control Regulations**"), the South African Banks Act, 1990 ("**Banks Act**") and/or any other applicable laws and regulations of South Africa in force from time to time.

In particular:

- this Prospectus does not, nor is it intended to, constitute a "*prospectus*" (as contemplated in the Companies Act) and each Joint Lead Manager has represented and agreed that it will not make an "*offer to the public*" (as such expression is defined in the Companies Act) of Securities (whether for subscription, purchase or sale) in South Africa;
- in terms of the Exchange Control Regulations (i) the issue of Securities which are to be subscribed for and/or purchased directly by South African resident investors on the primary market and (ii) the purchase of Securities by South African resident investors on the secondary market require the prior written approval of the Financial Surveillance Department of the South African Reserve Bank ("**Exchange Control Authorities**"). An approval under the Exchange Control Regulations may take the form of (i) a "specific" approval granted pursuant to a specific individually motivated application to the Exchange Control Authorities or (ii) a "general pre-approval" which, subject to the terms of the approval, applies generically to certain classes of transactions or all transactions of a particular kind; and

- the acceptance of the proceeds of the issue of Securities which are subscribed for and/or purchased directly by South African resident investors on the primary market may, under certain circumstances, comprise "*the business of a bank*" for purposes of the Banks Act.

Republic of Italy

The offering of the Securities has not been registered with the Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of this Prospectus (in preliminary, proof or final form) or of any other document relating to any Securities be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Securities or distribute any copy of this Prospectus or any other document relating to the Securities in Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the “**Financial Services Act**”) and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the “**Issuers Regulation**”), all as amended from time to time; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Securities or distribution of copies of this Prospectus or any other document relating to the Securities in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”) and CONSOB Regulation No. 16190 of 29 October 2007, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Securities described herein. The Securities may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus (in preliminary, proof or final form) nor any other offering or marketing material relating to the Securities constitutes a prospectus as such term is understood pursuant to article 1156 in connection with article 652a of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Prospectus nor any other offering or marketing material relating to the Securities may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, the Issuer or the Securities have been or will be filed with or approved by any Swiss regulatory authority. The Securities are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory

Authority FINMA, and investors in the Securities will not benefit from protection or supervision by such authority.

Canada

The Securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

GENERAL INFORMATION

1. It is expected that the applications for the Securities to be admitted to the Official List and to trading on the Market will be granted on or about 5 October 2017 and that such admission will become effective, and that dealings in the Securities on the London Stock Exchange will commence, on or about 6 October 2017. The Issuer estimates that the total expenses related to the admission to trading will be £4,200.
2. Subject to cancellation of interest as provided herein, and provided the Securities are not redeemed or cancelled earlier as provided herein, the yield of the Securities from 5 October 2017 to the First Reset Date is 6.751 per cent., on a quarterly basis. The yield is calculated as at the Issue Date on the basis of the issue price and the Initial Fixed Interest Rate of 6.75 per cent. per annum. It is not an indication of future yield.
3. The Issuer has obtained all necessary consents, approvals and authorisations in the UK in connection with the issue and performance of the Securities. The issue of the Securities was authorised by the board of directors of the Issuer at a meeting held on 12 September 2017.
4. There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 March 2017, being the end of the most recent financial period for which it has published financial statements and no material adverse change in the financial position or prospects of the Issuer since the financial year ended 31 March 2017, the most recent financial year for which it has published audited financial statements.
5. The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
6. The Global Certificate has been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 169204586 and an ISIN of XS1692045864.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.
7. There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Issuer's group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to the Holders in respect of the Securities being issued.
8. So long as any of the Securities are outstanding, copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer, the principal office of the Trustee, and at the specified offices of the Principal Paying Agent, the Registrar and each of the Transfer Agents:
 - (a) the Agency Agreement and the Trust Deed (which includes the form of the Global Certificate);
 - (b) the Memorandum and Articles of Association of the Issuer;
 - (c) a copy of this Prospectus; and
 - (d) all documents incorporated by reference into this Prospectus.

This Prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>

9. Ernst & Young LLP of 25 Churchill Place, London E14 5EY, have audited the accounts of the Issuer for the financial years ended 31 March 2016 and 31 March 2017. Ernst & Young LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.
10. Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, and/or its affiliates in the ordinary course of business.

REGISTERED OFFICE OF THE ISSUER

Investec plc
2 Gresham Street
London EC2V 7QP
United Kingdom

TRUSTEE

Deutsche Trustee Company Limited

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1 Great Winchester Street
London EC2N 2DB
United Kingdom

PRINCIPAL PAYING AGENT

Deutsche Bank AG, London Branch

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London EC2N 2DB
United Kingdom

REGISTRAR

Deutsche Bank Luxembourg S.A.

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JOINT LEAD MANAGERS

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United Kingdom

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United Kingdom

Lloyds Bank plc

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London EC2V 7AE
United Kingdom

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
United Kingdom

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To the Issuer as to English law

To the Joint Lead Managers and the Trustee as to English law

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