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Dear Sirs

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FIA Europe netting and collateral opinions

We refer to our opinion dated 4 December 2013 in respect of the laws of Bermuda (**this jurisdiction**) related to the FOA Netting Provision, the Clearing Module Netting Provision and the Addendum Netting Provision contained in a FOA Netting Agreement or a Clearing Agreement (**Netting Opinion**) and to our opinion dated 19 April 2013 in respect of the laws of this jurisdiction related to the Security Interests given under the Agreements or under an Equivalent Agreement (**Collateral Opinion**). The Netting Opinion and the Collateral Opinion are further referred to as the **Opinions**.

You have asked us to confirm in this letter (**this letter**) that our Opinions remain valid as at the date of this letter and to give an opinion in respect of the laws of this jurisdiction, to supplement our Netting Opinion, in respect of the Two-Way Margining Provisions (as defined in paragraph 3.1.1 below).

1. **Definitions**

1.1 Terms used in this letter and not otherwise defined herein shall have the meanings ascribed to them in the Opinions.

2. **Confirmation**

2.1 On the terms of reference and subject to the assumptions and qualifications set forth in the Opinions, we confirm the following.

2.1.1 Since the date of the Opinions there have not been any material changes in relevant legislation or rules or guidance of relevant regulatory bodies or similar authorities, or otherwise, in this jurisdiction, which would have

the result that the Opinions would require material amendment if the Opinions were issued as at the date of this letter.

2.1.2 The changes made in the FOA Clearing Module (other than by inclusion of the Two-Way Margining Provisions) since the date of the Netting Opinion, as shown in the blackline in Appendix 1 to this letter, are not material changes which would have the result that the Netting Opinion would require material amendment if the Netting Opinion were to apply to a version of the FOA Clearing Module including such changes.

2.1.3 The changes made by inclusion of the Two-Way Margining Provisions in the FOA Clearing Module are not material changes which would have the result that the Netting Opinion would require material amendment if the Netting Opinion were to apply to an FOA Clearing Module including the Two-Way Margining Provisions.

2.1.4 As at the date of this letter we are not aware of any pending developments in relevant legislation, or rules or guidance of relevant regulatory bodies, or otherwise, in this jurisdiction, which would have the result that the wording of the Opinions would require material amendment.

2.2 For the purpose of the confirmations given in this paragraph 2, "**material amendment**" means an amendment that has the effect of requiring us to change our opinions or related assumptions or qualifications in the Opinions.

3. **Restated Opinion**

3.1 On the basis of the confirmations given in paragraph 2, we hereby restate the opinions given in paragraph 3 of the Netting Opinion on the terms of reference, and subject to the assumptions and qualifications, set forth in the Netting Opinion, *except that* for the purpose of such opinions, terms of reference, assumptions and qualifications:

3.1.1 a new definition of "Two-Way Margining Provisions" shall be included as follows:

(a) "Two-Way Margining Provisions" shall mean:

(i) the provisions set out in Part 1 (*Self-Contained Margining Provisions*) of Appendix 2 to this letter, to be included as an

additional Annex or Schedule to the FOA Clearing Module, providing for two-way margining; or

(ii) the provisions set out in Part 2 (*Modify and Override Margining Provisions*) of Appendix 2 to this letter, to be included as an additional Annex or Schedule to the FOA Clearing Module, providing for two-way margining; or

(iii) any modified version of the provisions referred to in paragraph (i) or (ii) above provided that (i) it includes at least those parts of Part 1 (*Self-Contained Margining Provisions*) or Part 2 (*Modify and Override Margining Provisions*) of Appendix 2 to this letter, as applicable, which are highlighted in yellow and (ii) any amendments to such highlighted parts are Non-material Amendments;

3.1.2 the definitions of "Core Provisions", "FOA Clearing Module", "FOA Netting Provision", "Margin Cash Set-Off Clause", "Title Transfer Netting Provisions" and "Title Transfer Provisions" in the Netting Opinion shall be extended as follows:

(a) "**Core Provisions**" shall also mean, in relation to paragraphs 3.2, 3.3, 3.7.2, 3.10.1, the second paragraph of 3.10.2 and 3.10.3 of the Netting Opinion, those parts of the Two-Way Margining Provisions which are highlighted in yellow in Part 1 (*Self-Contained Margining Provisions*) or Part 2 (*Modify and Override Margining Provisions*) of Appendix 2 to this letter, as applicable, incorporated into a Clearing Agreement together with any defined term required properly to construe such provisions, in such a way as to preserve the essential sense and effect of the highlighted parts;

(b) "**FOA Clearing Module**" shall also mean an FOA Clearing Module (as defined in the Netting Agreement) including the Two-Way Margining Provisions;

(c) "**FOA Netting Provision**" shall also mean the FOA Netting Provision (as defined in the Netting Agreement) as amended by the Two-Way Margining Provisions;

(d) "**Margin Cash Set-Off Clause**" shall also mean the Margin Cash Set-Off Clause (as defined in the Netting Agreement) as amended by the Two-Way Margining Provisions;

(e) **"Title Transfer Netting Provisions"** shall also mean (in each case subject to any selections or amendments required to be made on the face of the document in the relevant form referred to in Annex 1 of the Netting Opinion):

(i) clause 5 of the Two-Way Margining Provisions set out in Part 1 (*Self-Contained Margining Provisions*) of Appendix 2 to this letter (or any modified version of such clause provided that it includes at least those parts of the clause which are highlighted in yellow); or

(ii) the Title Transfer Netting Provisions (as defined in the Netting Opinion) as amended by the Two-Way Margining Provisions set out in Part 2 (*Modify and Override Margining Provisions*) of Appendix 2 to this letter (or any modified version of such provisions provided that it includes at least those parts of Part 2 (*Modify and Override Margining Provisions*) of Appendix 2 to this letter which are highlighted in yellow);

(f) **"Title Transfer Provisions"** shall also mean (in each case subject to any selections or amendments required to be made on the face of the document in the relevant form referred to in Annex 1 of the Netting Opinion):

(i) clauses 5 and 7.2 of the Two-Way Margining Provisions set out in Part 1 (*Self-Contained Margining Provisions*) of Appendix 2 to this letter (or any modified version of such clauses provided that it includes at least those parts of the clauses which are highlighted in yellow); or

(ii) the Title Transfer Provisions (as defined in the Netting Opinion) as amended by the Two-Way Margining Provisions set out in Part 2 (*Modify and Override Margining Provisions*) of Appendix 2 to this letter (or any modified version of such provisions provided that it includes at least those parts of Part 2 (*Modify and Override Margining Provisions*) of Appendix 2 to this letter which are highlighted in yellow).

3.2 The provisions of paragraph 3.1 above supplement and extend, rather than replace, the definitions contained in the Netting Opinion.

4. **Minor Amendments**

4.1 Without prejudice to the confirmations in paragraph 2.1 and the opinion in paragraph 3 above, we have set out in Schedule 1 some minor amendments to our Opinions.

5. **Reliance**

5.1 We hereby consent to members of FIA Europe (other than associate members) and their affiliates which have subscribed to FIA Europe's opinions library and whose terms of subscription give them access to this letter (as evidenced by the records maintained by FIA Europe and each a "**subscribing member**") relying on this letter. This letter may not, without our prior written consent, be relied upon by or be disclosed to any other person save that it may be disclosed without such consent to:

5.1.1 the officers, employees, auditors and professional advisers of any addressee or any subscribing member;

5.1.2 any person to whom disclosure is required to be made by applicable law or court order or pursuant to the rules or regulations of any supervisory or regulatory body or in connection with any judicial proceedings; and

5.1.3 any competent authority supervising a subscribing member or its affiliates

on the basis that (i) such disclosure is made solely to enable any such person to be informed that a letter has been issued and to be made aware of its terms but not for the purposes of reliance, and (ii) we do not assume any duty or liability to any person to whom such disclosure is made and in preparing this letter we have not had regard to the interests of any such person.

5.2 This letter was prepared by us on the basis of instructions from FIA Europe in the context of the netting and collateral requirements of the Basel III capital rules in the EU and US and we have not taken instructions from, and this letter does not take account of the specific circumstances of, any subscribing member. In preparing this letter, we had no regard to any other purpose to which this letter may be put by any subscribing member.

5.3 By permitting subscribing members to rely on this letter as stated above, we accept responsibility to such subscribing members for the matters specifically referred to in this letter in the context stated in the preceding paragraph, but we do not have or assume any client relationship in connection therewith or assume any wider duty to

any subscribing member or their affiliates. This letter has not been prepared in connection with, and is not intended for use in, any specific transaction.

5.4 Furthermore this letter is given on the basis that any limitation on the liability of any other adviser to FIA Europe or any subscribing member, whether or not we are aware of that limitation, will not adversely affect our position in any circumstances.

Yours faithfully

Appleby (Bermuda) Limited

Appleby (Bermuda) Limited

SCHEDULE 1

MINOR AMENDMENTS TO OPINION

1. With respect to the information contained in Schedule 4 of both the Netting Opinion and the Security Agreement under the subheading "Introduction", line one currently states "There are three types of Bermuda Insurance Companies from a netting perspective...". This is no longer correct as there are currently four types of Bermuda Insurance Companies from a netting perspective. Accordingly, **SCHEDULE 4** should be replaced with the attached **SCHEDULE 4** marked Schedule 1 Annex 1.

   Also, I would note that there is a typographical error in paragraph 5.15.2(a) which should read

   "(a) Party A's legal capacity to enter into and perform its obligations under the Agreement will not be affected by the fact that it is regulated under the Insurance Act, assuming that its insurance licence does not exclude or restrict activities of the description contemplated by the Agreement. Absence of such exclusions and restrictions may be readily confirmed from an examination of the Memorandum of Association and Bye-Laws and the insurance licence of Party A."

SCHEDULE 1

ANNEX 1

SCHEDULE 4

Bermuda Insurance Companies

Subject to the modifications and additions set out in this Schedule 4, the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are Bermuda Insurance Companies. For the purposes of this Schedule, "Bermuda Insurance Company" means a Bermuda Company that is licensed to carry on insurance business, as that term is understood under the Bermuda Insurance Act 1978 (as amended) and the regulations promulgated thereunder (the "Insurance Act").

Bermuda Insurance Companies operate in a complex legal and regulatory environment, and the precise netting analysis that applies to a given Bermuda Insurance Company can only be determined in light of the specific circumstances of that Bermuda counterparty. Accordingly, in order for non-Bermuda Counterparties to effectively structure their Transactions, it is advisable to seek transactional advice rather than relying on generic advice concerning netting.

Introduction

There are four types of Bermuda Insurance Companies from a netting perspective, which is determined by the nature of the insurance business the Bermuda Insurance Company is licensed to carry, or otherwise carries, on:

(a) Bermuda Insurance Companies that carry on general business only (a "General Business Insurance Company");

(b) Bermuda Insurance Companies that carry on long-term business only (a "Long-term Business Insurance Company");

(c) Bermuda Insurance Companies that carry on both general and long-term business (a "Composite Insurance Company"); and

(d) Bermuda Insurance Companies that carry on special purpose business only (a "Special Purpose Insurance Company").

Accordingly, it is vital for the non-Bermuda counterparty to identify the type of business its Bermuda Insurance Company counterparty is licensed to carry on and, in addition, whether the Transaction(s) entered into pursuant to an Agreement is attributable to a particular line of insurance business, be it general business, long-term business, or both general and

long-term business. To this end, the non-Bermuda counterparty should obtain a copy of any conditions attached to the Bermuda Insurance Company's licence, which is issued by the Bermuda Monetary Authority.

General Business Insurance Companies

Our opinion as to the enforceability of the Agreement relating to General Business Insurance Companies is as set out above in the body of this opinion, i.e. we are of the opinion that the provisions of the Agreement providing for the netting claims (even upon the insolvency of a General Business Insurance Company) are enforceable under the law of Bermuda.

A General Business Insurance company may be wound up under the Companies Act and, pursuant to the Insurance Act, is deemed for the purposes of section 161 of the Companies Act (winding up of company by the court) to be unable to pay its debts if at any time the value of its assets does not exceed the amount of its liabilities. In computing the amount of liabilities of a General Business Insurer, all contingent and prospective liabilities must be taken into account (but not liabilities in respect of share capital).

Long-term Business Insurance Companies

Section 24 of the Insurance Act requires that a Long-term Business Insurance Company must maintain its accounts in respect of that long-term business separate from any accounts it has in respect of any other business. All receipts of a Long-term Business Insurance Company are required to be carried to, and form part of, a special fund with an appropriate name, referred to in the Insurance Act as the 'long-term business fund'. A Long-term Business Insurance Company is required to maintain books of account and other records such that the assets of its long-term business fund and the liabilities of its long-term business can be readily identified at any time. No payment from a Long-term Business Insurance Company's long-term business fund may be made directly or indirectly, other than for a purpose of the Long-term Business Insurance Company's long-term business; notwithstanding any arrangement for its subsequent repayment out of receipts of business, other than the long-term business, except insofar as such payment can be made out of any surplus certified by the Long-term Business Insurance Company's approved actuary to be available for distribution otherwise than to policyholders.

In addition, Section 36 of the Insurance Act applies in any winding up of a Bermuda Insurance Company which immediately before the winding up was carrying on or entitled to carry on long-term business, i.e. Section 36 applies in any winding up of a Long-term Business Insurance Company. Section 36 provides that on any such winding up:-

(a) the assets in the insurer's long-term business fund shall be available only for meeting the liabilities of the insurer attributable to its long-term business; and

(b) other assets of the insurer shall be available only for meeting the liabilities of the insurer attributable to its other business.

Where the value of the assets in (a) or (b) exceeds the amount of the liabilities mentioned in that paragraph, the restriction imposed does not apply to such of those assets as represents the excess.

Accordingly, subject to the possibility of there being a surplus, the assets in the insurer's long-term business fund shall only be available for meeting the liabilities of the insurer attributable to its long-term business . Thus, for the purposes of netting, in order to preserve the contractual effect of the provisions of the Agreement, particularly in the insolvency of the Long-term Business Insurance Company, all Transactions must either be attributable to the long-term business fund or all transactions must be attributable to the Long-term Business Insurance Company's other business. In other words, Transactions entered into under an Agreement may only be netted and paid out of the fund to which those Transactions are attributed, be it the long-term business fund or the other assets (the general account) of the insurer.

Accordingly, where all Transactions entered into pursuant to an Agreement are attributable to the long-term business fund, then, and save as aforesaid, our opinion as to the enforceability of the Agreement relating to Long-term Business Insurance Companies is as set out above in the body of this opinion, i.e. we are of the opinion that the provisions of the Agreements providing for the netting of termination values in determining a single lump-sum termination amount upon the insolvency of a Long-term Business Insurance Company are enforceable under the law of Bermuda.

Where, however, certain Transactions are not attributable to the long-term business fund, then recourse will lie only as against the general account of the Long-term Business Insurer and as against such assets (if any) as may be credited to its general account at the relevant time. As regards all claims by and against the general account in respect of Transactions not attributable to the long-term business fund, netting will apply.

Composite Insurance Companies

In relation to Composite Insurance Companies, we repeat the statements made above in relation to General Business Insurance Companies and Long-term Business Insurance Companies and, for emphasis, we draw attention to the point that Transactions entered into under an Agreement may only be netted and paid out of the fund to which those

Transactions are attributed, be it the long-term business fund or the other assets (the general account) of the Composite Insurance Company.

Composite Insurance Companies may also be wound up under the Companies Act. As stated above, for the purposes of section 161 of the Companies Act (winding up of company by the court), a Composite Insurance Company shall be deemed to be unable to pay its debts if at any time the value of its assets does not exceed the amount of its liabilities. In order to compute: (i) the amount of liabilities attributable to its general business, all contingent and prospective liabilities must be taken into account (but not liabilities in respect of share capital); and (ii) the amount of liabilities attributable to its long-term business, the amount equal to the total amount at that time standing to the credit of the Composite Insurance Company's long-term business fund or the amount of those liabilities at any time as determined in accordance with any applicable regulations will apply, whichever is the greater.

Section 36 of the Insurance Act, as outlined above, applies in the winding up of a Composite Insurance Company. Accordingly, the assets in the long-term business fund shall only be available to meet the long-term business liabilities of the Composite Insurance Company, and the general assets of the Composite Insurance Company shall be available only for meeting the liabilities of the insurer attributable to its general business. Any excess in either the long-term or general business accounts of the Composite Insurance Company may be used to meet other liabilities.

In addition, a liquidator must, unless the Supreme Court of Bermuda orders otherwise, carry on the long-term business of the insurer with a view to its being transferred as a going concern to another insurer.

Special Purpose Insurance Company

A Special Purpose Insurer is an insurer that carries on special purpose business, which is defined as insurance business under which an insurer fully funds its liability to the insured through the proceeds of a debt issuance (where the right to repayment of lenders is subordinated to the rights of the insured) or of another financing method approved by the Bermuda Monetary Authority, cash or time deposits. Special Purpose Insurers are subject to the same regulation under Part III of the Insurance Act as General Business Insurance Companies and the enforceability of netting provisions would be the same as for the latter, subject to any effect of arrangements for the subordination of debt referred to above.

General

In the case of all Bermuda Insurance Companies:

The Bermuda Insurance Company's legal capacity to enter into and perform its obligations under the Agreement will not be affected by the fact that it is regulated under the Insurance Act, assuming that its insurance licence does not exclude or restrict activities of the description contemplated by the Agreement. Absence of such exclusions and restrictions may be readily confirmed from an examination of the Memorandum of Association and Bye-Laws and the insurance licence of the Bermuda Insurance Company.

However, pursuant to its registration under the Insurance Act, it may not engage in non-insurance business. Non-insurance business is defined in the Insurance Act to include (a) carrying on investment business as defined under the IBA, managing an investment fund as an operator as defined under the Investment Funds Act 2006, carrying on business as a fund administrator as defined under the Investment Funds Act 2006, carrying on banking business as defined under the Banks and Deposit Companies Act 1999; (b) underwriting debt or securities or otherwise engaging in investment banking; (c) engaging in commercial or industrial activities; and (d) carrying on the business of management, sales or leasing of real property. While engaging in derivative transactions is not specifically identified as non-insurance business guidance papers issued by the Bermuda Monetary Authority have confirmed that derivative transactions may be entered into by Bermuda Insurance Companies. It is, therefore, possible for a Bermuda Insurance Company to be engaging in derivative transactions which do not form part of its insurance business. It should also be noted that in a given case, the insurance licence issued to a Bermuda Insurance Company may exclude it from engaging in derivative transactions, or may impose specific conditions upon its ability to enter into derivative transactions. We accordingly assume, for the purposes of this Supplementary Opinion, that the relevant Bermuda Insurance Company is not prevented from entering into or engaging in derivative transactions and is otherwise in compliance with the terms of its insurance licence.

The Bermuda Insurance Company's board of directors and managers will be responsible to ensure that its exposure from trading activities under the Agreement does not come into conflict with its Insurance Act obligations for reasons relating to the Bermuda Insurance Company's financial position. In particular, the Bermuda Insurance Company's obligations to meet and maintain the solvency margin and liquidity ratio requirements corresponding to its relevant liabilities under the Insurance Act must be balanced with the contingent obligations under the Agreement to deliver additional Collateral. This balance will be dynamic, given likely fluctuations in the Bermuda Insurance Company's exposure under the Agreement and its insurance business, and will require active monitoring. Concern as to maintaining a proper balance will be reduced, to the extent the value of the Bermuda Insurance Company's assets significantly exceed the amount of its Insurance Act requirements.

To the extent the Bermuda Insurance Company cannot meet a demand requiring it to deliver additional Collateral, because such delivery would impair the Bermuda Insurance Company's statutory solvency, then the Bermuda Insurance Company may become insolvent for the purposes of definitions under the Companies Act and/or the Insurance Act. Insolvency could then precipitate insolvent liquidation proceedings against the Bermuda Insurance Company under the Companies Act. Section 161 of the Companies Act provides that a company may be wound up by the Court where (inter alia) it is unable to pay its debts, taking into account contingent and prospective obligations. The Insurance Act also contains an additional test of insolvency for an insurer, which (by virtue of section 33) is deemed to be unable to pay its debts if the value of its assets does not exceed its total liabilities, taking into account contingent and prospective liabilities.