

## BASE PROSPECTUS SUPPLEMENT



**HSBC Bank plc**

*(A company incorporated with limited liability in England with registered number 14259)*

*as Issuer*

This Base Prospectus Supplement (the "**Base Prospectus Supplement**") is supplemental to and must be read in conjunction with the Base Prospectus dated 31 July 2008 relating to the Programme for the Issuance of Notes and Warrants (the "**Base Prospectus**") as supplemented by the Base Prospectus Supplements thereto dated 5 August 2008, 17 September 2008, 30 September 2008 and 14 October 2008 (and as further supplemented and amended from time to time), prepared by HSBC Bank plc (the "**Bank**" or the "**Issuer**") in connection with the application made for Notes or Warrants to be admitted to listing on the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSA**")), and to trading on the London Stock Exchange plc Regulated Market (the "**London Stock Exchange**"). The London Stock Exchange's Regulated Market is a "**Regulated Market**" for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive).

This Base Prospectus Supplement constitutes a supplement for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and a supplementary prospectus for the purposes of section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**"). Terms defined in the Base Prospectus shall have the same meaning when used in this Base Prospectus Supplement.

To the extent that there is any inconsistency between any statement in this Base Prospectus Supplement and any other statement in, or incorporated by reference in, the Base Prospectus or any prior supplementary prospectus, the statements in this Base Prospectus Supplement will prevail.

Notes issued pursuant to the Programme may include Participating Access-Linked Middle-Eastern Underlying Securities ("**PALMS**") linked to specific underlying securities ("the "**Underlying Securities**") issued by one or more underlying companies (each an "**Underlying Company**") incorporated under the laws of the Kingdom of Saudi Arabia (the "**KSA**") (such notes being, "**Saudi PALMS**" or "**Notes**"). The purpose of this Base Prospectus Supplement is to provide information in relation to Saudi PALMS and replace certain information in the Summary Note in the Base Prospectus.

Save as disclosed in this Base Prospectus Supplement and in any prior supplements to the Base Prospectus, no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen since the publication of the Base Prospectus Supplement dated 14 October 2008.

Investors should be aware of their rights under Section 87Q(4) of the FSMA.

Copies of this Base Prospectus Supplement will be available for inspection, free of charge, upon oral or written request, at the registered office of the Issuer and at the specified office of the Paying Agents.

The Bank accepts responsibility for the information contained in this Base Prospectus Supplement. To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that

such is the case) the information contained in this Base Prospectus Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Saudi PALMS issued pursuant to the Programme have not been and will not be registered under the United States Securities Act 1933, as amended (the "**Securities Act**") or under any U.S. state securities laws and, unless so registered, may not be offered and sold within the United States or to, or for the benefit of, a "U.S. person" (as defined in Regulation S ("**Regulation S**") under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. Saudi PALMS may include Saudi PALMS that are in bearer form that are subject to U.S. tax law requirements.

**Investing in Saudi PALMS involves substantial risks. See "Risk Factors Relating to Saudi PALMS" (beginning on page 5 of this Base Prospectus Supplement) in addition to those included in the Base Prospectus under the heading "Risk Factors" (beginning on page A-6 thereof). Investors should understand that a loss of their entire investment is possible. As a consequence, prospective purchasers or investors should be aware that Saudi PALMS are only suitable for highly sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in Saudi PALMS. In purchasing Saudi PALMS, each investor will be deemed to represent that it is such an investor and has such knowledge and experience.**

*Programme Arranger and Dealer*

**HSBC**

28 November 2008

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#### UPDATE OF SUMMARY NOTE IN BASE PROSPECTUS

In relation to Saudi PALMS, the "Summary Note" contained in the Base Prospectus is amended by the deletion of the following words in the eighth paragraph on page A-1:

"(4) Saudi Arabian PALMS Notes ("**Saudi PALMS**"), being Equity-Linked Notes in relation to which the interest rate and/or the redemption amount payable at maturity is linked to fund shares and/or fund units of a reference fund which invests in investments related to the Kingdom of Saudi Arabia;"

and the insertion of the following words in their place:

"(4) Saudi Arabian PALMS Notes ("**Saudi PALMS**"), being Equity-Linked Notes in relation to which the interest rate and/or the redemption amount payable at maturity is either linked to fund shares and/or fund units of a reference fund which invests in investments related to the Kingdom of Saudi Arabia or linked to specific underlying securities issued by one or more underlying companies incorporated under the laws of the Kingdom of Saudi Arabia;"

## RISK FACTORS RELATING TO EQUITY-LINKED SAUDI PALMS

The information in this section entitled "Risk Factors" relates to certain material risks in relation to Saudi PALMS. Before making an investment decision, prospective Noteholders should ensure that they understand the nature of the relevant Notes and the extent of their exposure to risks and that they consider carefully, in the light of their own financial circumstances, financial condition and investment objectives and having consulted with all their relevant legal, tax and financial advisers, all the information set forth in the Base Prospectus, this Base Prospectus Supplement and the relevant Final Terms and, in particular, the considerations set forth below, as well as their own individual circumstances.

The risk factors set out in this Base Prospectus Supplement are not exhaustive. There may be other risks that a prospective investor or purchaser of Notes should consider that are relevant to its own particular circumstances or generally. More than one investment risk may have simultaneous effects with regard to the value of Notes and the effect of any single investment risk may not be predictable. In addition, more than one investment risk may have a compounding effect and no assurance can be given as to the effect that any combination of investment risks may have on the value of Notes.

### General

PROSPECTIVE PURCHASERS OR INVESTORS IN NOTES SHOULD (AND BY PURCHASING ANY SUCH NOTES WILL BE DEEMED TO HAVE ACKNOWLEDGED AND REPRESENTED THE FOLLOWING):

- (a) BE SOPHISTICATED INVESTORS WHO ARE WILLING TO TAKE CERTAIN RISKS, CAN ABSORB A COMPLETE LOSS OF THEIR INVESTMENT IN ANY NOTES AND ARE EXPERIENCED WITH RESPECT TO TRANSACTIONS INVOLVING INSTRUMENTS SUCH AS NOTES, IN TERMS OF BOTH THE RISKS ASSOCIATED WITH THE ECONOMIC TERMS OF ANY NOTES AND THE RISKS ASSOCIATED WITH THE WAY IN WHICH AN ISSUE OF NOTES IS STRUCTURED;
- (b) UNDERSTAND THE CHARACTERISATION OF THE RELEVANT NOTES AND ANY RISKS AND POTENTIAL CONSEQUENCES ASSOCIATED WITH AN INVESTMENT IN SUCH NOTES;
- (c) UNDERSTAND THAT THE ISSUER IS AFFILIATED WITH THE CALCULATION AGENT AND THAT THE VALUE OF ANY NOTES MAY BE AFFECTED BY ACTIONS OF THE ISSUER AND ITS AFFILIATES BUT THAT NONE OF THE ISSUER OR ANY OF ITS AFFILIATES OWES ANY LEGAL DUTY TO ACT IN THE INTERESTS OF NOTEHOLDERS IN TAKING SUCH ACTIONS;
- (d) CONDUCT SUCH INDEPENDENT APPRAISAL OF THE ISSUER, THE RELEVANT NOTES, THE RELEVANT UNDERLYING SECURITIES OF THE UNDERLYING COMPANY AND ALL OTHER RELEVANT MARKET AND ECONOMIC FACTORS AS THEY THINK APPROPRIATE TO EVALUATE THE MERITS AND RISKS OF AN INVESTMENT IN THE RELEVANT NOTES;
- (e) ONLY REACH AN INVESTMENT DECISION AFTER CAREFUL CONSIDERATION WITH THEIR OWN LEGAL, INVESTMENT, ACCOUNTING AND TAX ADVISERS OF THE SUITABILITY OF AN INVESTMENT IN NOTES IN THE LIGHT OF THEIR OWN PARTICULAR FINANCIAL, FISCAL AND OTHER CIRCUMSTANCES AND THE

INFORMATION SET OUT IN THE BASE PROSPECTUS, THIS BASE PROSPECTUS SUPPLEMENT AND THE RELEVANT FINAL TERMS;

- (f) RECOGNISE THAT NOTES MAY DECLINE IN VALUE AND SHOULD BE PREPARED TO SUSTAIN A COMPLETE LOSS OF THEIR INVESTMENT IN THE RELEVANT NOTES;
- (g) RECOGNISE THAT NEITHER THE ISSUER NOR THE CALCULATION AGENT MAKES ANY REPRESENTATION OR WARRANTY WHATSOEVER IN RESPECT OF THE RELEVANT UNDERLYING SECURITIES OR THE RELEVANT UNDERLYING COMPANY AS OF ANY TIME ON ANY DAY; AND
- (h) RECOGNISE THAT THE AMOUNT PAYABLE TO NOTEHOLDERS MAY BE LESS THAN THEIR INITIAL INVESTMENT IN THE RELEVANT NOTES AND MAY, IN CERTAIN CIRCUMSTANCES, BE ZERO, SUBJECT ONLY TO A MINIMUM AMOUNT OF 0.03 PER CENT OF THE ISSUE PRICE PER NOTE.

An investment in Notes should only be made after assessing the direction, timing and magnitude of potential future changes in the value of the relevant Underlying Securities, as the return of any such investment will be dependent, *inter alia*, upon such changes.

#### **Suitability of Saudi PALMS for Investment**

Prospective purchasers or investors in Notes should not rely on any communication (written or oral) of the Issuer as investment advice or as a recommendation to invest in Notes, it being understood that information and explanations related to the terms and conditions of the relevant Notes shall not be considered to be investment advice or a recommendation to invest in such Notes. No communication (written or oral) received from the Issuer shall be deemed to be an assurance or guarantee as to the expected results of any investment in Notes.

An investment in Notes is only suitable for investors who:

- (a) have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in Notes;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of their financial situation; and
- (c) are capable of bearing the economic risk of an investment in Notes for the full term of such Notes.

#### **Independent Review and Advice**

Each prospective purchaser must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the relevant Notes and consequential exposure to the relevant Underlying Securities of the Underlying Company (i) is fully consistent with its (or, if it is acquiring Notes in a fiduciary capacity, its beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring Notes in a fiduciary capacity, for its beneficiary), notwithstanding the risks inherent in investing in or holding the relevant Notes.

The Issuer does not make any representation or warranty, express or implied, regarding the likely investment performance of the relevant Underlying Securities of the relevant Underlying Company or any Notes; the suitability of the relevant Notes for any investor or for the accuracy, completeness or adequacy of the information relating to the relevant Underlying Securities or the relevant Underlying Company and no liability to any party is accepted by the Issuer in connection with any of the above matters.

Each prospective purchaser of Notes should undertake an independent investigation of the relevant Underlying Securities and the relevant Underlying Company as in its judgement is appropriate to make an informed decision with respect to an investment based on the performance of such Underlying Securities and such Underlying Company.

The Issuer has not undertaken and will not undertake any investigation of the relevant Underlying Securities or the relevant Underlying Company relating to the relevant Notes. In addition, the Issuer has not independently verified or confirmed any prospectus or offering document relating to the relevant Underlying Securities or the relevant Underlying Company relating to the relevant Notes.

The Issuer has no ability to control or predict the actions of the relevant Underlying Company including any corporate actions of the type that would qualify as an event that requires adjustment to the Conditions of the relevant Notes, such as a Merger Event, Potential Adjustment Event or Extraordinary Event.

This Base Prospectus Supplement and the relevant Final Terms do not provide comprehensive information with respect to the relevant Underlying Securities or the relevant Underlying Company. No investigation has been made of the financial condition or creditworthiness of the relevant Underlying Company or the relevant Underlying Securities themselves in connection with the issuance of any Notes. An investor in Notes should obtain and evaluate the same information concerning the relevant Underlying Securities and Underlying Company as it would if it were investing directly in the relevant Underlying Securities or the Underlying Company. In addition, investors should understand that the historical performance of the relevant Underlying Securities of the Underlying Company should not be viewed as predictive of future results.

No representation or warranty, whether implied or otherwise, is given by the Issuer as to the past, present or future performance of the relevant Underlying Securities or the related Underlying Company. The Issuer is not a source of advice, information or credit analysis with respect to the relevant Underlying Company or the Underlying Securities of such Underlying Company. In particular, the Base Prospectus, this Base Prospectus Supplement and the relevant Final Terms do not constitute investment advice. The Issuer does not assume any obligation to or relationship of agency or trust with any investor, purchaser or prospective investor or purchaser of Notes.

### **Credit Risk**

Prospective purchasers or investors assume the credit risk of the Issuer. The rating of the Issuer reflects the independent opinion of the relevant rating agencies and is not a guarantee of the Issuer's credit quality.

### **Principal at Risk**

Saudi PALMS are not principal protected. Potential redemption at maturity may be less than the initial investment and may be zero, subject to a minimum redemption amount of 0.03% of the Issue Price per Note.

## **Certain Factors affecting value of Notes**

The value of Notes prior to maturity is expected to depend on a number of factors including the performance of the relevant Underlying Securities until that time, interest rates, FX rates, volatility, time remaining to maturity and changes in the credit rating of the Issuer. The price at which a holder will be able to sell Notes prior to maturity may be at a discount, which could be substantial, from the principal balance thereof, based upon one or more of the factors described below. The factors that will affect the trading value of Notes interrelate in complex ways (for example, one factor may offset an increase in the trading value of Notes caused by another factor). Factors that may be expected to impact the value of Notes, assuming other conditions remain constant, include:

### *Value of the Underlying Securities*

Prospective purchasers or investors should be aware that an investment in Notes involves valuation risk as regards the relevant Underlying Securities. Prospective purchasers or investors should be experienced with respect to transactions in securities with a value derived from Underlying Securities and/or other assets and/or indices. The value of Notes will depend substantially on the value of the relevant Underlying Securities as such value is taken into account in determining the final redemption amount of such Notes. Fluctuations in the value of the relevant Underlying Securities may affect the value of Notes as may expectations of fluctuation in value during the remaining period to the date for determination of the final redemption amount. The value of the relevant Underlying Securities may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro economic factors and speculation. The historical performance of the relevant Underlying Securities will not be an indication of their future performance.

### *FX Rates*

The value of the relevant Notes may be affected by changes in FX rates. For example, an appreciating USD relative to local currency may lower the value of the relevant Notes while a depreciating USD may increase the value of the relevant Notes.

## **Volatility of the Underlying Securities**

If the size and frequency of Market fluctuations in the value of the relevant Underlying Securities increase or decrease, the trading value of the Notes may be adversely affected.

## **No Ownership Rights**

Notes represent a "notional" investment in the relevant Underlying Securities. The Issuer shall be under no obligation to make or hold, directly or indirectly, investments in the relevant Underlying Securities. Noteholders will not hold any direct or indirect interest in the relevant Underlying Securities and prospective investors should be aware that an investment in Notes is not the same as an investment in the relevant Underlying Securities and does not confer any legal or beneficial interest in such Underlying Securities or any voting rights, rights to receive dividends or other rights that a holder of the Underlying Securities would have. Notes will be unsubordinated and unsecured obligations of the Issuer. There will not necessarily be a linear correlation between the value of the relevant Underlying Securities and the value of the relevant Notes. Therefore, investors in Notes will not receive the same return as they would if they invested directly in the relevant Underlying Securities.

This Base Prospectus Supplement and the relevant Final Terms are not an offer to sell or an offer to buy the relevant Underlying Securities. The relevant Underlying Company is not involved in the offering of any Notes and has no obligation with respect to any Notes, including any obligation to



consider the interest of any investor in any Notes for any reason. The relevant Underlying Company is not involved with the administration, marketing or trading of any Notes and has no obligation with respect to any amount to be paid to the investors of any Notes.

### **The Underlying Securities**

#### *General.*

Prospective purchasers should note that an investment in the relevant Notes is a speculative investment and that all risks inherent in investing in the relevant Underlying Securities or the relevant Underlying Company directly will be inherent in the relevant Notes. There will not necessarily be a linear correlation between the value of the relevant Underlying Securities and the value of the relevant Notes. Therefore, investors in Notes may not receive the same return as they would if they invested directly in the relevant Underlying Securities or the relevant Underlying Company.

#### *Saudi Arabia.*

The Notes reflect the risks of an indirect investment in Saudi Arabian equity by a UK incorporated company transacting with an Authorised Person (under the conditions and requirements of the CMA Resolution, as defined below). The effect of such risks on the relevant Notes, in terms of any consequential adjustment or early termination of such Notes, will always be calculated in the sole and absolute discretion of the Calculation Agent. Investors should conduct their own investigation of the risks involved in such an indirect investment in Saudi Arabian equity and investment in Saudi Arabian Riyal ("**SAR**") and form their own view based on such investigations. In certain circumstances, the Noteholders' entire investment may be at risk and they may receive nothing on redemption except the minimum amount of 0.03% of the Issue Price per Note.

The relevant Underlying Company and the relevant Underlying Securities issued by it are governed by the laws of the KSA, and in particular, the KSA Capital Market Law ("**CML**"), and the regulations enacted thereunder, and are regulated by the KSA Capital Markets Authority ("**CMA**"). The regulatory practices of the CMA may not necessarily be identical to the regulatory practices in other jurisdictions. In particular, given the lack of a formal system of official reporting and/or official interpretation, and the absence of a system of binding precedent in the KSA, prospective investors or investors should note that the Underlying Company may discharge its obligations, and the CMA may exercise its authority in respect of the Underlying Company in a manner that may impact the Realisable Sale Price (as defined in the relevant Final Terms) and, therefore, the value of the Notes.

The CMA Board of Commissioners resolution 2-28-2008 dated 18 August 2008 (the "**CMA Resolution**") allows Authorised Persons (as defined therein) to enter into derivative transactions with non-resident foreign investors whether institutions or individuals, to transfer the economic benefits of Saudi shares listed on the Saudi Stock Exchange (Tadawul), while the relevant Authorised Persons retain the legal ownership of such shares. Pursuant to the conditions specified in the CMA Resolution, the relevant Authorised Persons are required to provide certain information on beneficiaries who obtain the economic benefits of Saudi shares.

### **Disruption Event relating to the Underlying Securities**

Prospective investors should note that, if the relevant Final Terms so specify, the payment of the redemption amount on the Maturity Date or upon an early redemption may be postponed if a Disruption Event relating to the Underlying Securities occurs or is subsisting on the early redemption date or the Valuation Date, as applicable.

### **Early Redemption of Notes**

Prospective investors should understand that in certain circumstances Notes may be subject to early redemption upon the occurrence of an Increased Cost of Hedging Event, a Hedging Disruption Event or an Extraordinary Event.

#### *Extraordinary Events, Hedging Disruption Events and Merger Events.*

Prospective investors should note that an Increased Cost of Hedging Event or Extraordinary Events or Hedging Disruption Events may occur in relation to the relevant Notes in certain circumstances described in Condition 21 of the Base Prospectus. If any of an Increased Cost of Hedging Event, a Hedging Disruption Event or an Extraordinary Event occurs in relation to the relevant Notes, the Issuer may, at its sole and absolute discretion, declare one or more Valuation Dates and designate an Early Redemption Date and the Noteholders will receive an Early Redemption Amount based on the determinations made by the Calculation Agent.

Upon the occurrence of such an early redemption prior to the originally scheduled Maturity Date of the relevant Notes, Noteholders may suffer a loss of some or of all of their investment and will forego any future appreciation in the relevant Underlying Securities that may occur following such redemption.

#### *Potential Adjustment Events.*

Prospective investors should note that a Potential Adjustment Event in relation to the relevant Notes, may occur in certain circumstances described in Condition 21 of the Base Prospectus. If a Potential Adjustment Event occurs in relation to the relevant Notes, the Calculation Agent will make a corresponding adjustment, if any, to the relevant formula for the Final Redemption Amount, the notional number of relevant Underlying Securities to which each Note relates and/or any other adjustment to the settlement and payment terms of the relevant Notes as the Calculation Agent determines appropriate and determine the effective times thereof.

### **Redemption for Tax Reasons**

Unless the relevant Final Terms specify otherwise, the Issuer may redeem Notes in whole if the Issuer would be required to pay certain tax gross up payments in respect of such Notes or to make deductions in respect of certain taxes from payments in respect of such Notes. The amount payable by the Issuer on such redemption will be the Realisable Sale Price (as defined in the relevant Final Terms). The amount so payable by the Issuer may be less than amounts invested in the relevant Notes. Noteholders will not benefit from any appreciation in value of the relevant Underlying Securities that may occur following such redemption.

### **Hedging activities of the Issuer and affiliates**

The Issuer and/or its affiliates may carry out hedging activities related to any Notes, including purchasing securities of the relevant Underlying Company, but will not be obliged to do so. Certain of the Issuer's affiliates may also purchase and sell securities of the relevant Underlying Company on a regular basis as part of their ordinary businesses. Any of these activities could potentially affect the value of the Underlying Securities and, accordingly, the final redemption amount of the relevant Notes.

### **Illiquidity in the Secondary Market**

Notes issued under the Programme will be new securities for which currently there is no trading market. The Issuer need not apply for listing of any Notes on any securities exchange or quotation system. It is not possible to predict whether any trading market for Notes will develop or, if it does,

the price at which Notes will trade in the secondary market or whether such market will be liquid or illiquid. To the extent that there is no liquid market in the relevant Notes, an investor may have to wait until redemption to realise the value of its investment.

#### **Further and other issues**

Subject to obtaining all necessary internal approvals, the Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further notes so as to be consolidated with and form a single series with the outstanding Notes. In addition, the Issuer may issue other issues of notes and/or other instruments relating to the relevant Underlying Securities or the relevant Underlying Company. Such issues may have an adverse effect on the value of Notes.

#### **Legality of Purchase**

The Issuer has no responsibility and assumes no responsibility for the lawfulness of the acquisition of Notes by a prospective purchaser or investor, whether under the laws of the jurisdiction of the purchaser or investor's incorporation or the jurisdiction in which it operates (if different), or for compliance by that purchaser or investor with any law, regulation or regulatory policy applicable to it. In particular, prospective purchasers or investors are referred to the restrictions contained in the section "*Subscription and Sale*" in the Base Prospectus and any additional selling restrictions contained in this Base Prospectus Supplement and/or the relevant Final Terms.

#### **Provision of Information**

The Issuer does not make any representation as to the creditworthiness of the relevant Underlying Company or the relevant Securities themselves. The Issuer may have acquired, or during the term of the relevant Notes may acquire, non-public information with respect to the relevant Underlying Securities and/or the relevant Underlying Company. The Issuer is not under any obligation to make such information available to Noteholders.

#### **Potential Conflict of Interest**

Various potential and actual conflicts may arise between the interests of the Noteholders and the Issuer, as a result of the commercial and investment banking businesses and activities of the Issuer and its affiliates. The Issuer may recommend or effect a transaction in which it or any affiliate, or one of its other clients, may have an interest, relationship or arrangement that is material. In particular, the Issuer or any affiliate, may deal as principal for its own account, to hedge liabilities under the relevant Notes or for other purposes, and may match a transaction or order with that of another client. Neither the Issuer nor any affiliate is under any duty to account for any profits, commission, remuneration, rebates or other benefits made or received as a result of such transaction or service. Further, the Issuer is the Calculation Agent with regard to any Notes. The Calculation Agent is solely responsible for making certain determinations in the calculation of the final redemption amount and other determinations and calculations in connection with the relevant Notes, including determinations in connection with the occurrence of any Potential Adjustment Events, Extraordinary Events, Increased Cost of Hedging Events and Hedging Disruption Events in relation to the relevant Notes. Because the Calculation Agent is the Issuer, and is obligated to redeem the relevant Notes, the Calculation Agent may have economic interests adverse to those of the holders of such Notes, including with respect to certain determinations and judgements that the Calculation Agent must make as referred to above, any of which may affect payments in respect of such Notes. In its capacity as Calculation Agent, HSBC Bank plc does not act as fiduciary for or an adviser to any of the Noteholders in respect of any such determination or judgement or otherwise.

## **Calculation Agent**

### *Dependence upon the Calculation Agent*

Investors in Notes are highly dependent upon the Calculation Agent to calculate or determine the final redemption amount, the Early Redemption Amount and the date(s) on which the final redemption amount or Early Redemption Amount will be paid in relation to the relevant Notes.

### *Determination of Potential Adjustment Events, Extraordinary Events, Increased Cost of Hedging Events and Hedging Disruption Events*

The Calculation Agent may determine the occurrence of a Merger Event, Potential Adjustment Event, Extraordinary Event, Increased Cost of Hedging Events or Hedging Disruption Event and the consequences of any such event in relation to the relevant Notes.

### *Methodology*

The Calculation Agent will make all determinations and calculations required of it in accordance with the terms of the relevant Notes. Any determination or calculation made by the Calculation Agent in relation to the relevant Notes will be made in good faith in its sole and absolute discretion and will be conclusive and binding on all parties, except in the case of manifest error.

If market, regulatory, judicial or fiscal circumstances or, without limitation, any other circumstances arise that would, in the determination of the Calculation Agent, necessitate a modification or change to such methodology, then the Calculation Agent may make such changes as it considers appropriate to deal with the circumstances.

## **Fees**

In connection with the placement and distribution of Notes, the Issuer may pay to distributors of Notes (which may include affiliates of the Issuer) such commissions or fees as such parties may agree (including in the form of a discount to the purchase price of such Notes).

## **Other factors**

Transactions involving Notes may have tax consequences for potential purchasers which may depend, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. No representation is made by the Issuer or the Dealer as to the tax consequences for any person of acquiring, holding or disposing of any Notes or any other transaction involving any Notes. Potential purchasers who are in any doubt about such matters or any other tax issues relating to Notes should consult and rely on their own tax advisers.

THIS BASE PROSPECTUS SUPPLEMENT AND THE RELEVANT FINAL TERMS DO NOT DESCRIBE ALL THE RISKS OF AN INVESTMENT IN NOTES, AND THE ISSUER AND DEALER DISCLAIM ANY RESPONSIBILITY TO ADVISE PROSPECTIVE PURCHASERS OR INVESTORS OR PURCHASERS OF SUCH RISKS AS THEY EXIST AT THE DATE OF THE RELEVANT FINAL TERMS OR AS SUCH RISKS MAY CHANGE FROM TIME TO TIME. EACH PROSPECTIVE INVESTOR OR PURCHASER SHOULD CONSULT ITS OWN FINANCIAL, TAX AND LEGAL ADVISERS AS TO THE RISKS ENTAILED BY AN INVESTMENT IN ANY NOTES.

## **PRODUCT DESCRIPTION**

Notes issued pursuant to the Programme may include Saudi PALMS. Saudi PALMS are Market Access Notes which are either linked to fund shares and/or fund units of a reference fund which invests in investments related to the Kingdom of Saudi Arabia or linked to specific underlying securities issued by one or more underlying companies incorporated under the laws of the KSA (each, an "**Underlying Company**").

This Base Prospectus Supplement relates only to the equity-linked Saudi PALMS. See relevant sections of the Base Prospectus for information in relation to fund-linked Saudi PALMS.

## INFORMATION RELATING TO EQUITY-LINKED SAUDI PALMS

The Notes reflect the risks of an indirect investment in Saudi Arabian equity by a UK incorporated company transacting with an Authorised Person (under the conditions and requirements of the CMA Resolution, as defined below). The effect of such risks on the relevant Notes, in terms of any consequential adjustment or early termination of such Notes, will always be calculated in the sole and absolute discretion of the Calculation Agent.

The relevant Underlying Company and the relevant Underlying Securities issued by it are governed by the laws of the KSA, and in particular, the CML and the regulations enacted thereunder, and are regulated by the CMA. The regulatory practices of the CMA may not necessarily be identical to the regulatory practices in other jurisdictions. In particular, given the lack of a formal system of official reporting and/or official interpretation, and the absence of a system of binding precedent in the KSA, prospective investors or investors should note that the Underlying Company may discharge its obligations, and the CMA may exercise its authority in respect of the Underlying Company in a manner that may impact the Realisable Sale Price (as defined in the relevant Final Terms) and, therefore, the value of the Notes.

The CMA Resolution allows Authorised Persons (as defined therein) to enter into derivative transactions with non-resident foreign investors whether institutions or individuals, to transfer the economic benefits of Saudi shares listed on the Saudi Stock Exchange (Tadawul), while the relevant Authorised Persons retain the legal ownership of such shares. Pursuant to the conditions specified in the CMA Resolution, the relevant Authorised Persons are required to provide certain information on beneficiaries who obtain the economic benefits of Saudi shares.

In order to ensure that the Issuer and/or any of the Issuer's affiliates are classified as Authorised Persons within the definition set out in the CMA Resolution (each an "**Authorised Person**") and can comply with the terms of the CMA Resolution, each holder of the Notes represents and agrees, as a condition of acquiring or holding such Notes, that:

- (i) it is fully aware of the terms of the CMA Resolution;
- (ii) it is a "Non-resident foreign investor" for the purposes of the CMA Resolution and, to the best of its knowledge, it is not purchasing the Notes for, on behalf of, or for the benefit or account of any person or entity that is not a "Non-resident foreign investor";
- (iii) it will provide the Issuer, in a timely manner, with such information reasonably requested in writing by the Issuer, in order for the Issuer, or any of its affiliates who are Authorised Persons for the purposes of the CMA Resolution, to make any notifications and/or reports to the Corporate Finance Department of the CMA as required by the terms of the CMA Resolution (including, without limitation, the beneficiary name and basic information, country of origin, underlying Security or Underlying Securities and the number of such Underlying Securities, and any other information requested by the CMA); and
- (iv) it is aware that the CMA may from time to time impose qualitative or quantitative restrictions or any other requirements on products linked to Saudi Arabian securities or on the ultimate beneficial investors of such products and, if any such restrictions or requirements are imposed, then the Issuer may give effect to such restrictions or requirements whether by amending the terms of the Notes or otherwise.

## TERMS AND CONDITIONS OF EQUITY-LINKED SAUDI PALMS

The terms and conditions of the Saudi PALMS (the "**Terms and Conditions of the Saudi PALMS**") shall consist of the terms and conditions set out in the section headed "Terms and Conditions of the Notes" appearing in Part B (*Information relating to the Notes generally*) of the Base Prospectus (the "**Base Conditions**") as amended or supplemented by the terms set out in the relevant Final Terms (the "**Final Terms**") a pro-forma extract of which is set out below (terms used in such provisions being deemed to be defined as such for the purposes of the Base Conditions).

Any references to "this document" in the "Pro-forma Final Terms for Saudi PALMS" section of this Base Prospectus Supplement shall be deemed to refer to the Final Terms.

## PRO-FORMA FINAL TERMS FOR SAUDI PALMS

### FINAL TERMS

Final Terms dated [ ] 2008

Series No.: [ ]

Tranche No.: [1]

**HSBC Bank plc**  
**Programme for the Issuance of Notes and Warrants**  
**(the "Programme")**  
**Issue of [ ] [Name of Underlying Company] (the**  
**"Underlying Company") PALMS ("Participating Access Linked Middle Eastern Securities") due [**  
**] (the "Notes" or "Saudi PALMS")**

## PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 31 July 2008 in relation to the above Programme (the "**Base Prospectus**") as supplemented by the supplemental prospectus dated 5 August 2008 [*and specify any additional supplements*] (the "**Supplement**"), each of which has been approved by and filed with the Financial Services Authority in the UK. Together the Base Prospectus and the Supplement constitutes a base prospectus (the "**Prospectus**") and must be read in conjunction with such Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at HSBC Bank plc, 8 Canada Square, London E14 5HQ and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ.

The Underlying Company and the Underlying Securities issued by it are governed by the laws of the Kingdom of Saudi Arabia ("KSA"), and in particular, the KSA Capital Market Law ("CML"), and the regulations enacted thereunder, and are regulated by the KSA Capital Markets Authority ("CMA"). The regulatory practices of the CMA may not necessarily be identical to the regulatory practices in other jurisdictions. In particular, given the lack of a formal system of official reporting and/or official

interpretation, and the absence of a system of binding precedent in the KSA, prospective investors or investors should note that the Underlying Company may discharge its obligations, and the CMA may exercise its authority in respect of the Underlying Company in a manner that may impact the Realisable Sale Price and, therefore, the value of the Notes.

The CMA Board of Commissioners resolution 2-28-2008 dated 18 August 2008 (the “**CMA Resolution**”) allows authorised persons (“**Authorised Persons**”) as defined therein to enter into derivative transactions with non-resident foreign investors whether institutions or individuals, to transfer the economic benefits of Saudi shares listed on the Saudi Stock Exchange (Tadawul), while Authorised Persons retain the legal ownership of such shares. Pursuant to the conditions specified in the CMA Resolution, Authorised Persons are required to provide certain information on beneficiaries who obtain the economic benefits of Saudi shares.

In order to ensure that the Issuer, or any of its affiliates that are Authorised Persons for the purposes of the CMA Resolution, can comply with the terms of the CMA Resolution, each holder of the Notes represents and agrees, as a condition of acquiring or holding such Notes that:

- (i) it is fully aware of the terms of the CMA Resolution;
- (ii) it is a “Non-resident foreign investor” for the purposes of the CMA Resolution and, to the best of its knowledge, it is not purchasing the Notes for, on behalf of, or for the benefit or account of any person or entity that is not a “Non-resident foreign investor”;
- (iii) it will provide the Issuer, in a timely manner, with such information reasonably requested in writing by the Issuer, in order for the Issuer, or any of its affiliates who are Authorised Persons for the purposes of the CMA Resolution, to make any notifications and/or reports to the Corporate Finance Department of the CMA as required by the terms of the CMA Resolution (including, without limitation, the beneficiary name and basic information, country of origin, underlying Security and number of Underlying Securities, and any other information requested by the CMA); and
- (iv) it is aware that the CMA may from time to time impose qualitative or quantitative restrictions or any other requirements on products linked to Saudi Arabian Shares or on the ultimate beneficial investors of such products and, if any such restrictions or requirements are imposed, then the Issuer may give effect to such restrictions or requirements whether by amending the terms of the Notes or otherwise;

- |    |       |  |                                |
|----|-------|--|--------------------------------|
| 1. | (i)   | Issuer                                     | HSBC Bank plc                  |
|    | (ii)  | Arranger:                                  | HSBC Bank plc                  |
| 2. | (i)   | Series number:                             | Saudi PALMS [     ]            |
|    | (ii)  | Tranche number:                            | [1]                            |
|    | (iii) | Whether issue is of Notes or Certificates: | Notes                          |
| 3. |       | Currency or currencies:                    |                                |
|    | (i)   | of denomination:                           | [United States Dollar ("USD")] |



- (ii) of payment: [USD]
4. Aggregate Principal Amount:
- (i) Series: [ ] Notes (USD [ ])
- (ii) Tranche: [ ] Notes (USD [ ])
5. (i) Issue Price: USD [ ] per Note (100 per cent. of the Aggregate Principal Amount)
- (ii) Commission payable: None
- (iii) Selling concession: None
6. (i) Denomination(s) (Condition 1(b)): USD [ ] per Note
- The Notes are transferable in a minimum number of 1 Note (equivalent to a principal amount of USD [ ]).
- Each Note relates to 1.000 (one) Security of the Underlying Company.
- (ii) Calculation Amount: One Note
7. (i) Issue Date: [ ] 2008
- (ii) Interest Commencement Date: Not applicable
8. Maturity Date: (Condition 6(a)) [ ] [*Drafting note: This must be not more than 4 years after the Issue Date.*]
9. Interest basis: (Conditions 3 to 5) Not applicable, save that if any amount in respect of any Note is not paid when due and payable pursuant to the Conditions, interest shall accrue on the overdue amount at the rate of [1 week USD-LIBOR plus 1 per cent., reset daily].
10. Redemption basis: (Condition 6) Cash Equity Redemption.
11. Change of interest or redemption basis: Not applicable. As provided in Annex 1, one or more Additional Payment Amounts may become due in certain circumstances.
12. Put/Call options: Condition 6(c) will apply as specified in paragraph 21 below.
13. (i) Status of the Notes: (Condition 2) Unsubordinated
- (ii) Date approval for issuance of Not applicable

Notes obtained:

14. Method of distribution: Non-syndicated

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. Fixed Rate Note provisions:  
(Condition 3) Not applicable

16. Floating Rate Note provisions:  
(Condition 4) Not applicable

17. Variable Coupon Amount Note provisions:  
(Condition 5) Not applicable

18. Zero Coupon Note provisions:  
(Condition 5) Not applicable

19. Index-Linked Interest Note/other variable-  
linked interest Note Provisions: Not applicable

20. Dual Currency Note provisions/Multi-  
currency Note provisions: Not applicable

**PROVISIONS RELATING TO REDEMPTION**

21. Issuer's optional redemption (Call):  
(Condition 6(c)) If the Calculation Agent is satisfied that the ability of the Issuer or any of its affiliates that are Authorised Persons for the purposes of the CMA Resolution (as defined above) to enter into or to maintain appropriate hedging is materially impaired or restricted for whatever reason or that Authorised Persons generally are impeded in their ability freely to purchase, hold or sell Saudi Arabian equities (including, without limitation, the Underlying Securities) or Saudi Arabian Riyal ("SAR") or freely to transfer or convert SAR or the proceeds of their conversion, the Issuer may redeem all but not some only of the Notes on a date which is not earlier than two Relevant Financial Centre Days after the date on which the Issuer gives notice to the Noteholders and the Issue Agent of redemption of the Notes in such circumstances.

(i) Redemption amount (Call): In respect of each Note the Realisable Sale Price as defined in Annex 1 hereto.

(ii) Series redeemable in part: No

	(iii) Call option date(s)/Call option period:	Any date from and including the Issue Date to and including the Valuation Date.
22.	Noteholder's optional redemption (Put): ( <i>Condition 6(d)</i> )	Not applicable
23.	Final redemption amount of each Note: ( <i>Condition 6(a)</i> )	See Annex 1 hereto. For the purpose of these Final Terms, " <b>Redemption Percentage</b> " shall be 1.00 per cent.
24.	Final redemption amount of each Note in cases where the final redemption amount is Index-Linked or other variable-linked:	Not applicable
25.	Instalment Notes: ( <i>Condition 6(a)</i> )	Not applicable
26.	Early Redemption Amount:	Yes
	(i) Early Redemption Amount (upon redemption for taxation reasons): ( <i>Condition 6(b)</i> )	In respect of each Note, the Realisable Sale Price as defined in Annex 1 hereto.
	(ii) Other redemption provisions: ( <i>Condition 6(i)</i> )	See Annex 1 hereto.

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

27.	Form of Notes: ( <i>Condition 1(a)</i> )	
	(i) Form of Notes:	Bearer
	(ii) Bearer Notes exchangeable for Registered Notes:	No
28.	New Global Note:	No
29.	If issued in bearer form:	
	(i) Initially represented by a Temporary Global Note or Permanent Global Note:	Temporary Global Note
	(ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: ( <i>Condition 1(a)</i> )	Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only in the limited circumstances specified in the Permanent Global Note.
	(iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes	No

and/or Registered Notes:

- |        |  |   |
|--------|--|---|
| (iv)   | Coupons to be attached to Definitive Notes:                                  | Not applicable                                    |
| (v)    | Talons for future Coupons to be attached to Definitive Notes:                | Not applicable                                    |
| (vi)   | (a) Definitive Notes to be security printed:                                 | Yes   |
|        | (b) if the answer to (a) is yes, whether steel engraved plates will be used: | Yes   |
| (vii)  | Definitive Notes to be in ICMA or successor's format:                        | Yes   |
| (viii) | Issuer or Noteholder to pay costs of security printing:                      | Issuer  |
| 30.    | Exchange Date for exchange of Temporary Global Note:                         | Not earlier than 40 days following the Issue Date |
| 31.    | Payments:<br>(Condition 8)   |   |
|        | (i) Method of payment:   | As set out in the Conditions                      |
|        | (ii) Relevant Financial Centre Day:  | New York and Riyadh                               |
| 32.    | Partly Paid Notes:<br>(Condition 1)  | Not applicable                                    |
| 33.    | Redenomination:<br>(Condition 9)   |   |
|        | (i) Redenomination:  | Not applicable                                    |
|        | (ii) Exchange:   | Not applicable                                    |
| 34.    | Other final terms:   | See Annex 1 hereto.                               |

For the purpose of these Final Terms:

- (a) Any person (the "**relevant person**") shall be treated as "holding" Underlying Securities where the relevant person is registered as registered owner of such Underlying Securities in the Underlying Company's share register or where the registered

owner of such Underlying Securities in the Underlying Company's share register is a custodian or agent and directly or indirectly the person for whose account those Underlying Securities are held is the relevant person. The terms "hold" and "holder" shall, in the context of holding Underlying Securities, be construed accordingly.

- (b) Where there is a dividend or distribution in respect of any Underlying Securities or any disposal or transfer of Underlying Securities, the dividend distribution or proceeds of disposal or transfer, shall not be treated as having been received by any person unless and until it or they have been paid or delivered to that person or to any bank, custodian or agent on behalf of that person in circumstances where that person may (i) (in the case of a payment denominated in a currency other than the Settlement Currency) freely convert such payment into the Settlement Currency and (ii) freely withdraw and transfer the payment (or, as the case may be, the Settlement Currency conversion proceeds of such payment) or delivery.

**PROVISIONS APPLICABLE TO INDEX-LINKED NOTES, CASH EQUITY NOTES AND EQUITY-LINKED NOTES**

35. Security Delivery (Equity-Linked Notes Condition 21(b) does not apply only):

36. **Provisions for Cash Equity Notes and Equity-Linked Notes**

- (i) Underlying Securities: [Common stock of the Underlying Company] (ISIN [ ]). See Part B of these Final Terms for further information.
- (ii) Underlying Company: [ ]

(iii)	Exchange(s):	The Saudi Stock Exchange (Tadawul)
(iv)	Cash Settlement Payment Date:	See Annex 1 hereto
(v)	Underlying Securities Transfer Amount: (for Equity-Linked Notes only)	Not applicable
(vi)	Settlement Date: (for Equity-Linked Notes only)	Not applicable
(vii)	Settlement Disruption Event: (for Equity-Linked Notes only)	Condition 21(b)(iii) does not apply
(viii)	Delivery Disruption Event: (for Equity-Linked Notes only)	Condition 21(b)(iv) does not apply
(ix)	Potential Adjustment Event:	Condition 21(g)(i) applies subject to paragraph 3 of Annex 1 hereto
(x)	Extraordinary Event:	Condition 21(g)(ii) applies subject to paragraph 3 of Annex 1 hereto
(xi)	Conversion: (for Notes relating to Government Bonds and debt securities only)	Condition 21(g)(iii) does not apply
(xii)	Corrections of prices:	Condition 21(g)(iv) does not apply
(xiii)	Additional Disruption Event:	The following Additional Disruption Events apply: Change in Law, Hedging Disruption, Increased Cost of Hedging
37.	<b>Additional provisions for Equity-Linked Notes:</b>	Not applicable
38.	<b>Provisions for Index-Linked Notes:</b>	Not applicable
39.	<b>For Equity-Linked and Credit-Linked Notes:</b>	Not applicable
40.	<b>Valuation Date(s):</b>	[            ]. Condition 21(e)(i)(A) will end with the words "that is not a Disrupted Day" in the fifth line and the remainder of that paragraph shall be deleted.
41.	<b>Valuation Time:</b>	Actual closing time for the regular trading session of the relevant Exchange.
42.	<b>Averaging Dates:</b>	Not applicable
43.	<b>Other terms or special conditions relating to Index-Linked Notes, Cash Equity</b>	See Annex 1 hereto

**Notes or Equity-Linked Notes:**

**DISTRIBUTION**

- |     |   |   |
|-----|---|---|
| 44. | (i) If syndicated, names, addresses and underwriting commitments of Relevant Dealer(s)/Lead Manager(s): | Not applicable  |
|     | (ii) If syndicated, names, addresses and underwriting commitments of other Dealers/Managers (if any):   | Not applicable  |
|     | (iii) Date of Subscription Agreement:   | Not applicable  |
|     | (iv) Stabilising Manager (if any):  | Not applicable  |
| 45. | If non-syndicated, name and address of Relevant Dealer:   | HSBC Bank plc, 8 Canada Square, London E14 5HQ  |
| 46. | Total commission and concession:  | None  |
| 47. | Selling restrictions:<br>United States of America:  | TEFRA D Rule<br>Notes may not be offered or sold within the United States of America or to or for the benefit of a U.S. person (as defined in Regulation S)   |
|     | Other:  | [These Notes are not being offered or sold into the Kingdom of Saudi Arabia or to or for the benefit of anyone who is not a "non-resident foreign investor" for the purposes of the CMA Resolution.] [As per the Supplement.] |
| 48. | Stabilisation:  | Not applicable  |

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. Information on the Underlying Securities and the Underlying Company have been extracted from the Information Source specified in Part B of these Final Terms. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the Information Source specified in Part B of these Final Terms, no facts have been omitted which would render the reproduced information inaccurate or misleading

**CONFIRMED**

**HSBC BANK PLC**

By: \_\_\_\_\_  
*Authorised Signatory*



## PART B - OTHER INFORMATION

### 1. LISTING

- (i) Listing [Not applicable] [Application will be made to admit the Notes to listing on the Official List of the Financial Services Authority with effect from [ ]. No assurance can be given as to whether or not, or when, such application will be granted.]
- (ii) Admission to trading [Not applicable] [Application has been made for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [ ]. No assurance can be given as to whether or not, or when, such application will be granted.]

### 2. RATINGS

Ratings: The long term senior debt of HSBC Bank plc has been rated:

S&P: [AA]  
Moody's: [Aa1]

The Notes have not specifically been rated.

### 3. NOTIFICATION

Information not required to be disclosed

### 4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save as discussed in "Subscription and Sale of Notes", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

### 5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

Information not required to be disclosed

6. **YIELD** Not applicable

7. **HISTORIC INTEREST RATE** Not applicable

### 8. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

The Notes reflect the risks of an indirect investment in Saudi Arabian equity by a UK incorporated company transacting with an Authorised Person (under the conditions and requirements of the CMA Resolution, as defined above). The effect of such risks on the

Notes, in terms of any consequential adjustment or early termination of the Notes, will always be calculated in the sole and absolute discretion of the Calculation Agent. Certain material risks relating to the Notes are set out in the section headed "Risk Factors" of the [Base Prospectus Supplement] dated [[•] November 2008]. Investors should conduct their own investigation of the risks involved in such an indirect investment in Saudi Arabian equity and investment in SAR and form their own view based on such investigations. In certain circumstances, the Noteholders' entire investment may be at risk and they may receive nothing on redemption except the minimum amount of 0.03% of the Issue Price per Note.

**Information source**

Details of past and further performance and volatility of the Security are obtainable from the following display pages on the Reuters Service:

[ ]

[ ]

**9. PERFORMANCE OF EXCHANGE RATE(S) AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS**

The Notes reflect the risk of an investment in SAR. The Realisable Sale Price (as defined in Annex 1) shall be converted from SAR into USD at the rate of exchange obtained (or which the Calculation Agent determines would have been obtainable) by the Issuer or any of its affiliates who are Authorised Persons for the purposes of the CMA Resolution (as defined above), adjusted to take into account any non-deliverable forward rate transaction entered into (or which the Calculation Agent determines would have been entered into) by the Issuer or such affiliate on the Valuation Date. Therefore, the performance of the SAR/USD exchange rate will have a direct effect on the final redemption amount of the Notes. Investors should conduct their own investigation of the risks involved in investment in SAR and form their own view based on such investigations.

**OPERATIONAL INFORMATION**

- 10. ISIN Code: [ ]
- 11. Common Code: [ ]
- 12. CUSIP: [ ]
- 13. SEDOL: [ ]
- 14. New Global Note intended to be held in a manner which would allow Eurosystem eligibility: Not applicable
- 15. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): None
- 16. Delivery: Delivery against payment

- |     |   |                            |
|-----|---|----------------------------|
| 17. | Settlement procedures:  | Medium Term Note           |
| 18. | Additional Paying Agent(s) (if any):  | None                       |
| 19. | Common Depository:  | HSBC Bank plc              |
| 20. | Agent Bank/Calculation Agent:   | HSBC Bank plc              |
|     | — is Agent Bank to make calculations?   | Yes                        |
| 21. | Notices:<br>( <i>Condition 13</i> )   | Condition 13 is applicable |
| 22. | City in which specified office of Registrar<br>to be maintained:<br>( <i>Condition 14</i> ) | Not applicable             |
| 23. | Other relevant Terms and Conditions:  | See Annex 1 hereto         |
| 24. | Other Final Terms:  | See Annex 1 hereto         |
| 25. | ERISA Considerations:   | Not applicable             |

## ANNEX 1

### 1. Final Redemption Amount

Unless previously redeemed or purchased and cancelled, and subject to the other terms and conditions of the Notes, the Issuer shall redeem each Note by paying on the later of the Maturity Date and the Cash Settlement Payment Date an amount in the Specified Currency determined by the Calculation Agent to be equal to the Realisable Sale Price or 0.03% of the Issue Price per Note (whichever is greater).

"**Realisable Sale Price**" is an amount calculated as follows:

- (i) The Calculation Agent shall determine the Aggregate Sale Price in respect of a number of Underlying Securities ("**X**") equal to the total number of Underlying Securities to which the Notes outstanding relate.
  - (a) If the Calculation Agent is satisfied that an Authorised Person held Underlying Securities on the "Determination Date" (being the Valuation Date, in the case of the Final Redemption Amount, or, in the case of an Early Redemption Amount, the day on which the Issuer gave notice of redemption, or if that day was not an Exchange Business Day on which there was no Market Disruption Event, the next succeeding Exchange Business Day on which there was no Market Disruption Event) and that on and from the Determination Date the relevant Authorised Person has in good faith sought to dispose of or otherwise realise such Underlying Securities (or if Authorised Person's holding of Underlying Securities exceeded X, X of them) through the Exchange (in the relevant Authorised Person's absolute discretion), then the "**Aggregate Sale Price**" shall be the aggregate price at which the relevant Authorised Person effects the disposal or realisation of such Underlying Securities or, as the case may be, X of them ("**Gross Sale Price**"), deducting any Costs incurred in connection with such disposal or realisation.
  - (b) If the Calculation Agent is satisfied that the number of Underlying Securities held by the relevant Authorised Person ("**Y**") on the Determination Date was less than X and that on and from the Determination Date the relevant Authorised Person has in good faith sought to dispose of such Underlying Securities through the Exchange (in the relevant Authorised Person's absolute discretion), the Calculation Agent shall:
    - (A) determine the average price per Security ("**M**") at which the relevant Authorised Person effected the disposal or realisation of Y number of Underlying Securities (such amount multiplied by X being the "**Gross Sale Price**", and
    - (B) deduct any Costs per Security from M (the resulting figure being "**N**"), and
    - (C) multiply N by X (the resulting figure being the "**Aggregate Sale Price**").
  - (c) In all other cases, the "**Aggregate Sale Price**" shall be the aggregate price, as determined by the Calculation Agent, at which an Authorised Person which was a holder of X number of Underlying Securities on the Determination Date would have been able to dispose of such Underlying Securities through any applicable Exchange (in the Calculation Agent's absolute discretion) ("**Gross Sale Price**"), deducting any

Costs which, in the determination of the Calculation Agent would have been incurred in effecting such disposal.

- (d) Any disposal effected by the relevant Authorised Person (and the disposal that for the purposes of sub-paragraph (c) the Calculation Agent determines that an Authorised Person would have been able to effect) may be effected in one lot of Underlying Securities or divided up into smaller lots whose disposal is effected over a number of days. The Calculation Agent shall also determine in a case where the relevant Authorised Person disposes of X number of Underlying Securities, the date on which, having completed such disposals, the relevant Authorised Person has received the aggregate price in respect of them, and in other cases, the date on which an Authorised Person could reasonably be expected to have completed such disposals and received the aggregate price (which shall not be earlier than the date on which it has completed the disposal of those Underlying Securities which it does hold and received the aggregate sale price in respect of them (in each case, such date being the "**ASP Receipt Date**").
- (ii) The Aggregate Sale Price received or deemed received shall then be converted into the Specified Currency. If the Calculation Agent is satisfied that on the ASP Receipt Date the relevant Authorised Person, as the case may be, actually entered into an exchange transaction to convert SAR into the Specified Currency, the rate of exchange for the purposes of such conversion, as determined by the Calculation Agent, shall be the rate actually obtained by the relevant Authorised Person, adjusted to take into account the effect of any non-deliverable forward transaction ("**NDF transaction**") if such is entered into by the relevant Authorised Person on the Valuation Date in respect of the Aggregate Sale Price. In other cases, the rate of exchange shall be that determined by the Calculation Agent to be the rate at which an Authorised Person who received the Aggregate Sale Price on the ASP Receipt Date would have been able to convert the Aggregate Sale Price into the Specified Currency, taking into account the effect of any NDF transaction that such company would have entered, or would have been able to enter, into in respect of the Aggregate Sale Price on the Valuation Date. In each case the Calculation Agent shall deduct from the converted Specified Currency amount any Conversion Costs. The resulting amount (the "**ASP Converted Amount**") less Redemption Costs divided by X and then multiplied by 1.0000 (being the number of Underlying Securities to which each Note relates) shall be the Realisable Sale Price.

The Realisable Sale Price shall be payable by the Issuer on the later of the Maturity Date and the day (the "**Cash Settlement Payment Date**") which is the third Relevant Financial Centre Day following the day (determined by the Calculation Agent) on which the relevant Authorised Person actually received the ASP Converted Amount in respect of an exchange transaction entered into on the ASP Receipt Date or on which an Authorised Person entering into an exchange transaction on the ASP Receipt Date would have received the ASP Converted Amount.

- (iii) For the purposes of this Annex:

"**Costs**" shall mean the costs taken into account in determining the Aggregate Sale Price, SAR Receipt or Event Payment (as appropriate) including, without limitation, all brokers' fees, bank and custody charges, transaction processing fees and expenses and all taxes and other duties in respect of the Underlying Securities.

"**Conversion Costs**" shall mean the costs of conversion for the purposes of converting the Aggregate Sale Price into the ASP Converted Amount and the SAR Receipt and Event Receipt into the Converted Amount respectively, the amount being determined by the Calculation Agent by reference to actual costs incurred by the relevant Authorised Person or, as the case may be, the costs which, in the determination of the Calculation Agent, would have been incurred by an Authorised Person.

"**Redemption Commission**" shall be defined as the equivalent amount, in the Specified Currency, of the Redemption Commission Percentage (as specified in the Final Terms) of the Gross Sale Price.

"**Redemption Costs**" shall mean the greater of zero, and the Redemption Commission giving credit in respect of an amount which is the equivalent, in the Specified Currency, of the Transaction Costs.

"**Transaction Costs**" shall mean the value of the relevant Costs and Conversion Costs aggregated together.

## 2. **Additional Payments**

If during the period from but excluding the Issue Date to but including the Valuation Date (the "**Relevant Period**") the Underlying Securities are marked on the Exchange as ex-dividend or ex-distribution (the date on which they are so marked being the "**Mark Date**") additional payments will be made as follows by the Issuer in respect of the dividend or distribution in question:

- (a) Where the dividend or distribution in question is, in the determination of the Calculation Agent, to be paid by the Underlying Company out of distributable reserves, the Issuer shall make an additional payment per Note calculated as follows.

If the Calculation Agent is satisfied that on the Mark Date the relevant Authorised Person held any Underlying Securities, the Calculation Agent shall determine the net aggregate amount of the cash dividend or distribution which such Authorised Person actually received in respect of such holding after deduction of Costs (the date on which it was received being the "**Receipt Date**") and divide that net aggregate amount by the number of Underlying Securities so held by the relevant Authorised Person to give a per Security amount (the "**SAR Receipt**").

If the Calculation Agent is satisfied that on the Mark Date none of the relevant Authorised Persons held any Underlying Securities, the SAR Receipt shall be the net amount which, in the determination of the Calculation Agent, would have been receivable by the Authorised Person which was a holder of one Security on the Mark Date after deduction of Costs, and the Receipt Date shall be the date on which, in the determination of the Calculation Agent, such Authorised Person would have received the SAR Receipt.

- (b) Where the dividend or distribution in question is, in the determination of the Calculation Agent, not to be paid by the Underlying Company out of distributable reserves, the Issuer shall make an additional payment per Note calculated as follows.

If the Calculation Agent is satisfied that on the Mark Date none of the relevant Authorised Persons held any Underlying Securities, the Calculation Agent shall

determine the net cash value of the dividend or distribution which the relevant Authorised Person actually received in respect of such holding after deduction of Costs and divide that net cash value by the number of Underlying Securities so held by the relevant Authorised Person to give a per Security amount (the "**SAR Receipt**").

If the Calculation Agent is satisfied that on the Mark Date none of the relevant Authorised Persons held any Underlying Securities, the SAR Receipt shall be the net cash value of the dividend or distribution which, in the determination of the Calculation Agent, would have been receivable by an Authorised Person which was a holder of one Security on the Mark Date after deduction of Costs.

The cash value of any dividend or distribution shall be as determined by the Calculation Agent, save that where the Calculation Agent is satisfied that the none of the relevant Authorised Persons held any Underlying Securities on the Mark Date and that the relevant Authorised Person disposed of the relevant dividend or distribution received in respect of such Underlying Securities for cash on the date it received the same, the Calculation Agent shall have regard to the value at which the relevant Authorised Person disposed of the relevant dividend or distribution in determining the cash value of the relevant dividend or distribution. The Receipt Date for this purpose shall be, if the relevant Authorised Person received the relevant dividend or distribution and disposed of the same for cash on the date of receipt, the date on which the relevant Authorised Person received the cash disposal proceeds and, in any other case, the date on which an Authorised Person who received such dividend or distribution and disposed of it immediately would have received the cash disposal proceeds, all as determined by the Calculation Agent (such cash value a "**SAR Receipt**").

The SAR Receipt shall then be converted into the Specified Currency. If the Calculation Agent is satisfied that on the Receipt Date the relevant Authorised Person actually entered into an exchange transaction to convert SAR into the Specified Currency, the rate of exchange for the purposes of such conversion shall be the rate actually obtained by the relevant Authorised Person, as determined by the Calculation Agent. In other cases the rate of exchange shall be that determined by the Calculation Agent to be the rate at which an Authorised Person who received a SAR Receipt on the Receipt Date would have been able to convert the SAR Receipt into the Specified Currency. In each case the Calculation Agent shall deduct from the converted Specified Currency amount any Conversion Costs. The resulting amount (the "**Converted Amount**") multiplied by 1.0000 shall be the amount of the additional payment (the "**Additional Payment**") per Note.

Any Additional Payments shall be payable by the Issuer on the third Relevant Financial Centre Day following the day (determined by the Calculation Agent) on which the relevant Authorised Person actually received the Converted Amount in respect of an exchange transaction entered into on the Receipt Date or on which an Authorised Person entering into an exchange transaction on the Receipt Date would have received the Converted Amount.

Additional Payments shall be payable, where the Notes are held in Euroclear and/or Clearstream, to the persons shown in the records of Euroclear or Clearstream as Noteholders on the Business Day immediately preceding the Mark Date, and in any other case to the holders for the time being of the Notes (irrespective of whether or

not they were Noteholders on the Business Day immediately preceding the Mark Date).

3. **Payment in respect of Merger, Nationalisation or Insolvency Events**

For the purposes of payments (if any) made pursuant to Condition 21(e)(ii) or Condition 21(e)(iii) ("**Event Payment**"):

- (a) If the relevant Authorised Person held any Underlying Securities at the time of the occurrence of the Merger Event or Nationalisation or Insolvency Event (the "**Event Occurrence Date**"), the Calculation Agent shall determine the net cash value of any payment which the relevant Authorised Person actually received in respect of such holding after deduction of Costs (the date on which it was actually received being the "**Event Receipt Date**") and divide that net cash value by the number of Underlying Securities so held by the relevant Authorised Person to give a per Security amount (the "**Event Receipt**").
- (b) If none of the relevant Authorised Persons held any Underlying Securities on the Event Occurrence Date, the Event Receipt shall be the net cash value of the payment per Security which, in the determination of the Calculation Agent, would have been received on the Event Receipt Date by an Authorised Person which was a holder of Underlying Securities on the Event Occurrence Date after deduction of Costs.
- (c) Where the Event Receipt is in the same currency as the Specified Currency, the Event Receipt multiplied by 1.0000 shall be the amount of the Event Payment per Note. Where this sub-paragraph (c) applies, the Event Payment shall not be made sooner than the Event Receipt Date.
- (d) Where the Event Receipt is not in the same currency as the Specified Currency, it shall then be converted into the Specified Currency. If the Calculation Agent is satisfied that on the Event Receipt Date the relevant Authorised Person actually entered into an exchange transaction to convert SAR into the Specified Currency, the rate of exchange for the purposes of such conversion shall be the rate actually obtained by the relevant Authorised Person, as determined by the Calculation Agent. In other cases the rate of exchange shall be that determined by the Calculation Agent to be the rate at which an Authorised Person who received an Event Receipt on the Event Receipt Date would have been able to convert the Event Receipt into the Specified Currency. In each case the Calculation Agent shall deduct from the converted Specified Currency amount any Conversion Costs. The resulting amount (the "**Converted Amount**") multiplied by 1.0000 shall be the amount of the Event Payment per Note. Where this sub-paragraph (d) applies, the Event Payment shall not be made sooner than the day on which the relevant Authorised Person actually received the Converted Amount in respect of an exchange transaction entered into on the Event Receipt Date or on which an Authorised Person entering into an exchange transaction on the Event Receipt Date would have received the Converted Amount.
- (e) Event Payments shall be payable, where the Notes are held in a clearing system such as DTC, Euroclear and/or Clearstream, to the persons shown in the records of DTC, Euroclear or Clearstream, as the case may be, as Noteholders on the Business Day immediately preceding the Event Occurrence Date, and in any other case to the



holders for the time being of the Notes (irrespective of whether or not they were Noteholders on the Business Day immediately preceding the Event Occurrence Date).

4. **Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes:**

- 4.1 Notwithstanding Condition 6(c), whenever any sum is due in respect of the Notes (whether upon early redemption or upon final redemption or otherwise), the Issuer shall be entitled to suspend its obligation to make such payment in respect of the Notes if, and for as long as, in the determination of the Calculation Agent, (i) dealing by the Issuer, any Authorised Person generally in the Underlying Securities is or is likely to be prevented, delayed or restricted by closure of a relevant Exchange, suspension of trading in the Underlying Securities or other circumstances or (ii) a Currency Event has occurred. The Noteholders shall not be entitled to any interest or other compensation in respect of any such suspension nor shall such a suspension constitute a default. The Issuer shall give notice to the Noteholders as soon as practical of any such suspension and of the termination of any such suspension.

For the purposes hereof:

"**Currency Event**" means the occurrence of an event or condition which, in the opinion of the Calculation Agent, has the effect of further restricting, prohibiting or delaying the exchange of SAR for the Specified Currency or the transfer of the Specified Currency out of Saudi Arabia, or the transfer of SAR within Saudi Arabia, in each case when compared with the restrictions, prohibitions and delays existing on the Issue Date.

- 4.2 Notwithstanding Condition 15 (*Meetings of Noteholders, Modifications and Substitution*), the Issue Agent and the Issuer may agree, without the consent of the Noteholders, to any modification of the Notes which is made to give effect to any qualitative or quantitative restrictions or any other requirements on products linked to Saudi Arabian securities or on the ultimate beneficial investors of such products imposed by the CMA at any time from and including the Issue Date to and including the Maturity Date. Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

## **ADDITIONAL SUBSCRIPTION AND SALE RESTRICTIONS**

### **Kingdom of Saudi Arabia**

Saudi PALMS are not to be offered or sold into the KSA or to or for the benefit of anyone who is not a "non-resident foreign investor" for the purposes of the CMA Resolution.

## CERTAIN ERISA CONSIDERATIONS

**THIS BASE PROSPECTUS SUPPLEMENT, THE BASE PROSPECTUS AND ANY FINAL TERMS ARE NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL, STATE OR LOCAL TAX PENALTIES. THIS BASE PROSPECTUS SUPPLEMENT WAS WRITTEN AND PROVIDED BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE SECURITIES ADDRESSED HEREIN BY THE ISSUER AND/OR THE PLACEMENT AGENT. EACH INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT ADVISER.**

The Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain restrictions on employee benefit plans ("**ERISA Plans**") that are subject to ERISA and on persons who are fiduciaries with respect to such ERISA Plans. In accordance with the ERISA's general fiduciary requirements, a fiduciary with respect to any such ERISA Plan who is considering the purchase of Notes on behalf of such ERISA Plan should determine whether such purchase is permitted under their governing ERISA Plan documents and is prudent and appropriate for the ERISA Plan in view of its overall investment policy and the composition and diversification of its portfolio. Other provisions of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**") prohibit certain transactions between an ERISA Plan or other plan subject to Section 4975 of the Code (such plans and ERISA Plans, "**Plans**") and persons who have certain specified relationships to the Plan ("**parties in interest**" within the meaning of ERISA or "**disqualified persons**" within the meaning of Section 4975 of the Code). Thus, a Plan fiduciary considering the purchase of Notes should consider whether such a purchase might constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code.

The Issuer or dealers selling Notes may each be considered a "party in interest" or a "disqualified person" with respect to many Plans. The purchase of Notes by a Plan that is subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 4975 of the Code (including individual retirement accounts and other plans described in Section 4975(c)(1) of the Code) and with respect to which the Issuer or the dealers selling Notes is a party in interest or a disqualified person may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless such Notes are acquired pursuant to and in accordance with an applicable statutory or administrative exemption. Administrative exemptions include exemptions such as Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (an exemption for certain transactions determined by an independent qualified professional asset manager), PTCE 91-38 (an exemption for certain transactions involving bank collective investment funds), PTCE 95-60 (an exemption for certain transactions involving life insurance general accounts), PTCE 96-23 (an exemption for certain transactions determined by in house investment managers), or PTCE 90-1 (an exemption for certain transactions involving insurance company pooled separate accounts).

It should also be noted that the recently enacted Pension Protection Act of 2006 contains a statutory exemption from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code for transactions involving certain parties in interest or disqualified persons who are such merely because they are a service provider to a Plan, or because they are related to a service provider. Generally, the exemption would be applicable if the party to the transaction with the Plan is a party in interest or a disqualified person to the Plan but is not (i) an employer, (ii) a fiduciary who has or exercises any discretionary authority or control with respect to the investment of the Plan assets involved in the transaction, (iii) a fiduciary who renders investment advice (within the meaning of ERISA and Section 4975 of the Code) with respect to those assets, or (iv) an affiliate of (i), (ii) or (iii).

Any Plan fiduciary relying on this statutory exemption (Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code) and purchasing Notes on behalf of a Plan will be deemed to represent that (x) the fiduciary has made a good faith determination that the Plan is paying no more than, and is receiving no less than, adequate consideration in connection with the transaction and (y) neither the Issuer nor any affiliates of the Issuer directly or indirectly exercises any discretionary authority or control or renders investment advice (as defined above) with respect to the assets of the Plan which such fiduciary is using to purchase the Notes, both of which are necessary preconditions to utilizing this exemption.

Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA) and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to Section 406 of ERISA or Section 4975 of the Code. However, such plans may be subject to the provisions of applicable federal, state or local or other laws, rules or regulations ("**Similar Law**") similar to the foregoing provisions of ERISA or the Code. Fiduciaries of such plans ("**Similar Law Plans**") should consider applicable Similar Law when investing in the Notes.

By its purchase of any offered Note, the purchaser or transferee thereof will be deemed to represent, on each day from the date on which the purchaser or transferee acquires the offered Note through and including the date on which the purchaser or transferee disposes of its interest in such offered Note, either that (a) it is not a Plan, a Similar Law Plan or an entity whose underlying assets include the assets of any Plan or Similar Law Plan or (b) its purchase, holding and disposition of such Note will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a non-exempt violation of Similar Law.

The sale of Notes to a Plan or a Similar Law Plan is in no respect a representation by the Issuer or any of its affiliates that such an investment meets all relevant legal requirements with respect to investments by Plans or Similar Law Plans generally or any particular Plan or Similar Law Plan, or that such an investment is appropriate for a Plan or a Similar Law Plan generally or any particular Plan or Similar Law Plan.

The above discussion may be modified or supplemented with respect to a particular offering of Notes, including the addition of further ERISA restrictions on purchase and transfer. In addition, the purchaser or transferee of a Note may be required to deliver to the Issuer and the relevant dealers a letter, in the form available from the Issuer and dealers, containing certain representations, including those contained in the preceding paragraph.

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