



HSBC BANK plc

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

Programme for the Issuance of Notes and Warrants

On 24 February 1999, HSBC Bank plc (the "Issuer") established a Programme for the Issuance of Notes and Warrants which is described in this document (the "Programme") under which notes (the "Notes") and warrants (the "Warrants") may be issued by the Issuer. This document (which expression shall include this document as amended and supplemented from time to time and all documents incorporated by reference herein) has been prepared for the purpose of providing disclosure information with regard to the Notes and Warrants and has been approved by the United Kingdom Financial Services Authority (the "FSA"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "Prospectus Directive") and relevant implementing measures in the United Kingdom, as a base prospectus (as from time to time supplemented, the "Base Prospectus"). In relation to any Notes or Warrants, the Base Prospectus must be read as a whole and together also with the relevant Final Terms. Any Notes or Warrants issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions described herein. This does not affect any Notes or Warrants already in issue.

Application has been made to admit Notes and Warrants issued under the Programme to listing on the Official List of the FSA (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "FSMA") (the "UK Listing Authority")), and to trading on the gilt-edged and fixed interest market of the London Stock Exchange plc (the "London Stock Exchange"), which is a regulated market for the purposes of Directive 93/22/EEC (the Investment Services Directive). Such admission is expected to take effect on or about 4 August 2006. Any tranche of Notes or Warrants intended to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the gilt-edged and fixed interest market of the London Stock Exchange will be so admitted to listing and trading upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Final Terms and any other information required by the UK Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Notes or Warrants (as the case may be). Prior to official listing and acceptance of Notes or Warrants (as the case may be) to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the date of the transaction. This Base Prospectus will be valid until 12 months from the date hereof.

In addition, this document, subject to its approval for such purpose by the FSA, shall constitute listing particulars issued in compliance with the Listing Rules of the Financial Services Authority made under section 73A of the Financial Services and Markets Act 2000 with respect to issues of Notes or Warrants under the Programme in respect of which application is to be made to the London Stock Exchange for such Notes or Warrants to be admitted to trading on the London Stock Exchange's Professional Securities Market.

The Programme also permits Notes or Warrants to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Notes and Warrants may be issued in bearer form or, in certain circumstances, registered form. Notes and Warrants will be issued in series.

The Issuer may agree with the Dealer (as defined herein) that Notes or Warrants may be issued in a form or upon terms not contemplated by the Terms and Conditions of the Notes or the Terms and Conditions of the Warrants as the case may be, in which case Final Terms and, if appropriate, a prospectus supplement will be made available which will describe the effect of the agreement reached in relation to such Notes or Warrants.

Notes issued pursuant to the Programme may include Notes offered in the United States to qualified institutional buyers (as defined in Rule 144A ("**Rule 144A**") of the United States Securities Act 1933, as amended (the "**Securities Act**")) pursuant to Rule 144A under the Securities Act.

With the exception of Notes offered pursuant to Rule 144A as described above, Notes and Warrants issued pursuant to the Programme have not been and will not be registered under the Securities Act or under any U.S. state securities laws and, unless so registered, may not be offered or 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. The Notes may include Notes in bearer form that are subject to U.S. tax law requirements.

Programme Arranger and Dealer
HSBC

2 August 2006

IMPORTANT NOTICES

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

The information, if any, relating to each underlying has been accurately reproduced from information available from the information source specified herein. So far as the Issuer is aware and is able to ascertain from information available from such source, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer does not intend to provide post issuance information.

Neither a dealer for an issue of Notes or a manager for an issue of Warrants (each a "Dealer") has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility or liability is accepted by the Dealer as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or the Notes or the Warrants or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the preceding paragraphs.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Dealer.

Neither this Base Prospectus nor any Final Terms nor any further information supplied in connection with the Programme or any Notes or any Warrants (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuer or the Dealer that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes or any Warrants should subscribe for or purchase any Notes or any Warrants. Each investor contemplating subscribing for or purchasing any Notes or any Warrants should make its own independent investigation of the affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes or any Warrants constitutes an offer by or on behalf of the Issuer or the Dealer to subscribe for or purchase any Notes or any Warrants.

The distribution of this Base Prospectus and the offer, distribution or sale of Notes or Warrants may be restricted by law in certain jurisdictions. None of the Issuer or the Dealer represents that this document may be lawfully distributed, or that any Notes or Warrants may be lawfully offered, or assumes any responsibility for facilitating any such distribution or offering, in any such jurisdiction. In particular, action may be required to be taken to permit a public offering of any Notes or Warrants or a distribution of this document in any jurisdiction. Accordingly, no Notes or Warrants may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes or Warrants come must inform themselves about, and observe, any such restrictions. For details of certain restrictions on the distribution of this Base Prospectus and the offer or sale of Notes and Warrants in the European Economic Area, the United Kingdom, the United States,

Japan, France, Hong Kong, Italy, The Netherlands, Switzerland, Spain, Andorra, Liechtenstein and Monaco, see "Subscription and Sale of Notes" and "Purchase and Sale of Warrants" below.

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons (both as defined in Regulation S) except in a transaction that is exempt from the registration requirements of the Securities Act and in compliance with any applicable U.S. state securities laws. Accordingly the Notes may be offered and sold (i) in the United States, to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act ("**Rule 144A**") or (ii) outside the United States, in accordance with Regulation S and the applicable laws of the jurisdiction(s) in which such offers and sales occur.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY U.S. STATE OR FOREIGN SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT REVIEWED, CONFIRMED OR DETERMINED THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS AND ANY ACCOMPANYING BASE PROSPECTUS SUPPLEMENTS AND FINAL TERMS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

In addition, during the 40-day period beginning on the later of the date on which a Series of Notes is first offered to persons other than distributors and the date of closing of such offering, such Notes will only be issued or transferred to a person that is neither a U.S. person nor holding such Notes for the account or benefit of a U.S. person. Terms in the previous sentence have the meaning given to them in Regulation S.

Each Note will bear legends setting forth the applicable restrictions on sale, resale, pledge and other transfers described above. Each attempted sale, resale, pledge or other transfer of a Note not made in accordance with the relevant legend will not be recognised by the Issuer, any paying agent, transfer agent or registrar and will be deemed null and void. See "Summary of Provisions Relating to the Notes While in Global Form" and "Subscription and Sale of Notes" herein.

The Warrants have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the securities issued upon their exercise may not be registered under the Securities Act. The Warrants are being initially offered either (A) outside the United States in accordance with Regulation S, and may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons or (B) within the United States in a transaction that is exempt from the registration requirements of the Securities Act and may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons except in a transaction is exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Warrants may not be exercised by or on behalf of a U.S. person unless registered under the Securities Act or an exemption from such registration is available. The terms "United States" and "U.S. person" used in this paragraph have the meaning given to them in Regulation S. In addition, trading in the Warrants has not been and will not be approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act.

Transfers of the Warrants may be conditional upon delivery of certain certifications and are subject to significant restrictions as described under "Purchase and Sale of Warrants" including the right of the Issuer to refuse the recognition of transfers of the Warrants. Exercise of a Warrant offered in reliance on Regulation S will be conditional upon delivery of certain certifications as described under "Terms and Conditions of the Warrants - Exercise Procedure".

Notwithstanding any provision herein, every person (and each employee, representative or other agent of such person) may disclose to any and all other persons, without limitation of any kind, any information provided to him by or on behalf of the Issuer relating to the U.S. tax treatment and U.S. tax structure of transactions under the Programme and all materials of any kind (including opinions or other tax analyses) that are provided by or on behalf of the Issuer to that person relating to such U.S. tax treatment and U.S. tax structure.

All applicable provisions of the FSMA must be complied with in respect of anything done in relation to any Notes or Warrants in, from or otherwise involving the United Kingdom. Any document received in connection with an issue of Notes or Warrants may only be distributed in circumstances in which the restriction in Section 21(1) of the FSMA does not apply.

The treatment for taxation purposes of the acquisition, holding or disposal of, or other dealings with, Notes or Warrants may differ according to the jurisdiction in which the person acquiring, holding, disposing or dealing is subject to taxation. Any person intending to acquire, hold, dispose of or otherwise deal with a Note or Warrant should inform himself as to the treatment for taxation purposes applicable to him.

*All references in this document to "Sterling" and "£" refer to the lawful currency of the United Kingdom, all references to "US dollars", "USD" and "US\$" refer to the lawful currency of the United States of America, all references to "Japanese Yen" and "JPY" refer to the lawful currency of Japan and all references to "Euro", "euro", "EUR" and "€" refer to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union (the "**Treaty**"). Any other currency referred to in any Final Terms will have the meaning specified in the relevant Final Terms.*

In connection with the issue of any tranche of Notes under the Programme, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant tranche of Notes and 60 days after the date of the allotment of the relevant tranche of Notes.

HOW TO USE THIS DOCUMENT

Notes and Warrants may be issued by the Issuer under this Programme. The Notes shall include, *inter alia*, Notes whose return is linked to shares and other securities ("**Equity-Linked Notes**"), which may include without limitation Indian shares ("**SPICE Notes**"), depository receipts and debt securities; indices ("**Index-Linked Notes**"); currencies ("**Currency-Linked Notes**"); the credit of one or more entities ("**Credit-Linked Notes**"); and interest rates ("**Interest Rate-Linked Notes**"). Notes and Warrants may also be linked to more than one of these variables above.

All investors and prospective investors in Equity-Linked Notes should read the front cover and the sections headed "Important Notices", "Information Relating to the Programme Generally" (Part A), "Information relating to the Notes Generally" (Part B) and "Equity-Linked Notes" (Part C) together with the relevant Final Terms for the particular series of Equity-Linked Notes.

All investors and prospective investors in SPICE Notes should read the front cover and the sections headed "Important Notices", "Information Relating to the Programme Generally" (Part A), "Information relating to the Notes Generally" (Part B) and "SPICE Notes" (Part D) together with the relevant Final Terms for the particular series of SPICE Notes.

All investors and prospective investors in Index-Linked Notes should read the front cover and the sections headed "Important Notices", "Information Relating to the Programme Generally" (Part A), "Information relating to the Notes Generally" (Part B) and "Index-Linked Notes" (Part E) together with the relevant Final Terms for the particular series of Index-Linked Notes.

All investors and prospective investors in Currency-Linked Notes should read the front cover and the sections headed "Important Notices", "Information Relating to the Programme Generally" (Part A), "Information relating to the Notes Generally" (Part B) and "Currency-Linked Notes" (Part F) together with the relevant Final Terms for the particular series of Currency-Linked Notes.

All investors and prospective investors in Credit-Linked Notes should read the front cover and the sections headed "Important Notices", "Information Relating to the Programme Generally" (Part A), "Information relating to the Notes Generally" (Part B) and "Credit-Linked Notes" (Part G) together with the relevant Final Terms for the particular series of Credit-Linked Notes.

All investors and prospective investors in Interest Rate-Linked Notes should read the front cover and the sections headed "Important Notices", "Information Relating to the Programme Generally" (Part A), "Information relating to the Notes Generally" (Part B) and "Interest Rate-Linked Notes" (Part H) together with the relevant Final Terms for the particular series of Interest Rate-Linked Notes.

All investors and prospective investors in Warrants should read the front cover and the sections headed "Important Notices", "Information Relating to the Programme Generally" (Part A) and "Warrants" (Part I) together with the relevant Final Terms for the particular series of Warrants.

TABLE OF CONTENTS

Part A - Information Relating To The Programme Generally	9
Summary Note	9
Risk Factors	13
(1) Risks relating to the Notes and Warrants generally	13
(2) Risks relating to the Notes	16
(3) Risks relating to the Warrants	19
(4) Risks relating to Equity-Linked Notes and Index-Linked Notes	21
(5) Risks relating to SPICE Notes	23
(6) Risks relating to Currency-Linked Notes	27
(7) Risks relating to Credit-Linked Notes	28
(8) Risks relating to Interest Rate-Linked Notes	31
Incorporation by Reference	33
Clearing and Settlement	34
Taxation	37
ERISA Considerations	51
Disclaimers	52
General Information.....	53
Part B - Information Relating To The Notes Generally	55
Terms and Conditions of the Notes	55
Subscription and Sale of Notes	106
<i>Pro Forma</i> Final Terms for the Notes	113
Summary of provisions relating to the Notes while in Global Form	135
Part C - Equity-Linked Notes and Cash Equity Notes	143
Product Description	143
Part D - SPICE Notes	159
Product Description	159
Legends	160
Certain U.S. Federal Income Tax Considerations	161
<i>Pro Forma</i> Final Terms For Spice Notes	165
Part E - Index-Linked Notes.....	189
Product Description	189
Part F - Currency-Linked Notes.....	198
Product Description	198
Part G - Credit-Linked Notes	206
Product Description	206

<i>Pro Forma</i> Final Terms for Credit-Linked Notes:	207
(1) Basket of Reference Entities with Physical Settlement	207
(2) Single Reference Entity with Cash Settlement	279
Part H - Interest Rate-Linked Notes	348
Product Description	348
Part I - Warrants	354
Terms and Conditions of the Warrants	354
<i>Pro Forma</i> Final Terms For The Warrants	388
Purchase and Sale of Warrants	398
Offers and Sales of Warrants	402

PART A - INFORMATION RELATING TO THE PROGRAMME GENERALLY

SUMMARY NOTE¹

This summary (the "Summary Note") must be read as an introduction to the Base Prospectus dated 2 August 2006 (as from time to time supplemented, the "Base Prospectus") relating to a Programme for the issuance of notes (the "Notes") and warrants (the "Warrants") established by HSBC Bank plc. Any decision to invest in the Notes or Warrants should be based on a consideration of the Base Prospectus, including the documents incorporated by reference, and this Summary Note as a whole. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area no civil liability will attach to the Issuer in any such Member State solely on the basis of this Summary Note, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Base Prospectus before the legal proceedings are initiated.

Words and expressions defined in the "Terms and Conditions of the Notes" and "Terms and Conditions of the Warrants" below or elsewhere in this Base Prospectus have the same meanings in this Summary Note.

HSBC Bank plc (the "**Bank**" or the "**Issuer**") is a public limited company registered in England and Wales under registration number 14259. The liability of its members is limited. It has its registered and head office at 8 Canada Square, London, E14 5HQ; telephone number +44 20 7991 8888. The Bank was constituted by Deed of Settlement on 15 August 1836, registered under the Companies Act 1862 as an unlimited company and re-registered under the Companies Acts 1948 to 1980 as a public limited company.

The Bank is a wholly owned subsidiary of HSBC Holdings plc.

The directors of the Bank are S K Green, M F Geoghegan CBE, D D J John, D C Budd, C-H Filippi, J D Fishburn, C M S Jones, R E S Martin, A R D Monro-Davies, P M Shawyer, J Singh and J F Trueman. The executive management are S K Green, Chairman, M F Geoghegan CBE, Deputy Chairman, D D J John, Chief Executive and D C Budd, Chief Operating Officer.

The auditors of the Bank are KPMG Audit Plc Chartered Accountants of 1 Canada Square, London, E14 5AG.

The Bank and its subsidiaries form a UK-based group (the "**Group**") providing a comprehensive range of banking and related financial services. The Group divides its activities into the following business segments: UK Personal Financial Services; UK Commercial Banking; UK Corporate, Investment Banking and Markets; International Banking; HSBC France; Private Banking; and HSBC Trinkaus & Burkhardt. The Bank is the HSBC Holdings plc group's principal operating subsidiary undertaking in Europe. In all the main countries in which the Bank operates, it competes with the other major

¹ This summary has been prepared in accordance with Article 5(2) of the Prospectus Directive and, for the avoidance of doubt, relates only to issues of Notes or Warrants which have a denomination per unit of less than EUR50,000 or, in the case of securities with no individual denomination, that can be acquired on issue for less than EUR50,000 per security.

domestic banks in those countries. In addition, the Bank competes with other major global banks in respect of corporate, investment banking and markets and private banking business.

As at 31 December 2005, the Group had total assets of £386,422 million, loans and advances to customers and banks of £214,207 million, total customer accounts and deposits by banks of £239,673 million and total equity of £19,634 million. For the year ended 31 December 2005, the Group's operating profit was £3,709 million on total operating income of £11,030 million. The Bank had a total capital ratio of 10.8% and a tier 1 capital ratio of 6.9% as at 31 December 2005.

There are a number of factors which could cause the Bank's actual results to differ, in some instances materially, from those anticipated. The factors set out below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties which face the Bank's businesses.

Changes in general economic conditions in the markets in which the Bank operates, such as: changes in foreign exchange rates; volatility in interest rates; volatility in equity markets; lack of liquidity in wholesale funding markets in periods of economic or political crisis; illiquidity and downward price pressure in UK and eurozone real estate markets, particularly consumer-owned real estate markets; the impact of lower than expected investment returns on the burden of funding private and public sector defined benefit pensions; the effect of unexpected changes in actuarial assumptions on longevity which would influence the funding of private and public sector defined benefit pensions; continuing or deepening recessions and employment fluctuations; and consumer perception as to the continuing availability of credit, and price competition in the market segments served by the Bank.

Changes in governmental policy and regulation, including: the monetary, interest rate and other policies of central banks and bank and other regulatory authorities, including the UK Financial Services Authority, the Bank of England, the European Central Bank and the central banks of other leading economies and markets where the Bank operates; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; initiatives by local, state and national regulatory agencies or legislative bodies to revise practices, pricing or responsibilities of financial institutions serving their consumer markets; changes in bankruptcy legislation in the principal markets in which the Bank operates and the consequences thereof; general changes in governmental policy that may significantly influence investor decisions in particular markets in which the Bank operates; other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Bank's products and services; the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where the Bank operates including increased competition from non-bank financial services companies.

Factors specific to the Bank, such as: the success of the Bank in adequately identifying the risks it faces, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques). Effective risk management depends on, among other things, the Bank's ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses.

Notes and Warrants will be issued in series (each, a "**Series**") which may comprise one or more tranches (each, a "**Tranche**") issued on different issue dates.

The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of the Notes" or "Terms and Conditions of the Warrants" as appropriate, as supplemented, modified or replaced by the relevant Final Terms. The Notes, the Warrants, the Issuing and Paying Agency Agreement and the Warrant Agency Agreement are governed by English law.

The Issuer may, subject to compliance with relevant laws, from time to time issue Notes and Warrants denominated in any currency. There is no maximum amount of Notes and Warrants outstanding at any time. Notes may be issued in registered form, without interest coupons, or in bearer form, with or without interest coupons. The Warrants will, unless otherwise specified in the Final Terms, be represented at all times by a Global Warrant in bearer form.

The aggregate principal amount, interest rate or interest calculation, issue price, denomination, maturity date and other terms and conditions with respect to a Series of Notes will be established at the time of issuance and, to the extent not contained in this Base Prospectus, set forth in the Final Terms relating to such Notes. Notes may be redeemable at par or at such other redemption amount (detailed in a formula or otherwise) as may be set out in the relevant Final Terms. If so specified the relevant Final Terms, Notes may be redeemed prior to their stated maturity at the option of the Issuer and/or the Holders of such Notes and/or in such circumstances and at such redemption amount as set out in the relevant Final Terms. All Notes will be redeemable at the option of the Issuer prior to their stated maturity for taxation reasons. Early redemption or settlement may reduce the return on investment provided by a Note compared to the return that would have been achieved had the Note been redeemed at maturity.

The aggregate amount, type, style, issue price, currency, expiry date and other terms and conditions with respect to a Series of Warrants will be established at the time of issuance and, to the extent not contained in this Base Prospectus, set forth in the Final Terms relating to that Series of Warrants. Warrants give the holder certain rights including in circumstances specified in the Final Terms the right to receive a cash amount from the Issuer or the right to receive delivery of securities or other property against, where so specified, payment of a specified sum. Warrants create options exercisable by the Warrantholder but there is no obligation upon such Warrantholder to exercise his Warrant nor any obligation upon the Issuer to pay or cause to be paid any amount in respect of unexercised Warrants.

Notes and Warrants issued under the Programme will be unsecured obligations of the Issuer. Events of default applicable to the Notes are limited to non-payment (subject to a grace period) of principal or interest and winding up of the Issuer. The Notes will not have the benefit of a negative pledge or cross default (in respect of events of default). There are no events of default applicable to the Warrants.

Payments of principal and interest in respect of Notes will be made without deduction for or on account of United Kingdom withholding taxes, except as required by law. Whilst the "Terms and Conditions of the Notes" envisage that, in the event of such a required deduction, additional amounts will be paid, subject to certain exceptions, the Final Terms may specify that no such additional amounts shall be payable. Warrantholders will be liable for and/or subject to any taxes, including withholding tax, payable in respect of the Warrants.

The Notes and Warrants permit the substitution of an affiliate of the Issuer as principal debtor in respect of the Notes and Warrants.

Modifications to the terms and conditions of the Notes may be made which are approved by resolution of Noteholders and which therefore may not be agreed by all Noteholders. Modifications to the terms and conditions of the Notes and the Warrants may be made without the consent of any Noteholders or any Warrantholders, as the case may be, where the Issuer determines that the modification is not materially prejudicial to the interests of the Noteholders or the Warrantholders, as the case may be, or to correct an inconsistency with the term sheet relating to the relevant Notes or Warrants.

Notes and Warrants issued under the Programme may be linked to one or more underlying variables such as shares and/or other securities, indices, currency exchange rates, bonds, interest rates, the credit of one or more entities, bullion, commodities or any other variable. Any such Notes and Warrants may

entail significant risks not associated with a similar investment in fixed or floating rate securities, including a return that may be significantly less than the return available on an investment in fixed rate or floating rate securities.

In some cases, Notes and Warrants may carry the risk of a total or partial loss of principal.

The Notes may be offered for sale only (i) in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A or (ii) outside the United States to non-U.S. persons in reliance on and in accordance with Regulation S and in accordance with the applicable laws of the jurisdiction(s) in which offers or sales occur.

With the exception of Notes offered pursuant to Rule 144A as described above, Notes and Warrants may be offered for sale only (i) in the United States in a transaction exempt from the registration requirements of the Securities Act or (ii) outside the United States to non-U.S. persons in reliance on and in accordance with Regulation S and in accordance with the applicable laws of the jurisdiction(s) in which offers or sales occur.

There are also other legal restrictions on the offer, distribution or sale of Notes and Warrants in a number of other jurisdictions including the United Kingdom. Persons into whose possession the Base Prospectus or any Notes or Warrants come must inform themselves about, and observe, any such restrictions. For further information, "Part B - Sale and Subscription of Notes" and "Part I - Purchase and Sale of Warrants" of this Base Prospectus.

Application has been made to admit Notes and Warrants issued under the Programme to the Official List of the UK Listing Authority and to trading on the gilt-edged and fixed interest market or the Professional Securities Market of the London Stock Exchange plc. However, Notes and Warrants may also be issued under the Programme on an unlisted basis or be admitted to listing, trading and/or quotation by other stock exchanges, listing authorities and/or quotation systems. The Final Terms applicable to a Series will specify whether Notes or Warrants of such Series are to be admitted to the Official List of the UK Listing Authority and to trading on either the gilt-edged and fixed interest market or the Professional Securities Market of the London Stock Exchange plc or admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system or are to be unlisted. Whether or not any Notes and Warrants are admitted to listing, trading or quotation, there may be no active trading market for the Notes or Warrants.

Unless otherwise specified in the applicable Final Terms, Notes and Warrants shall be accepted for clearing through one or more clearing systems. These systems may include the systems operated by the Depositary Trust Company ("**DTC**"), Euroclear and Clearstream, Luxembourg. Global Notes and Global Warrants are to be held by or on behalf of the relevant clearing system and, therefore, investors will have to rely on the clearing system procedures for transfer, payment and communications with the Issuer, including the exercise of any Warrants. Registered Notes will be issued without Coupons or Talons, and payments of principal and interest in respect of a Registered Note will be made to the registered Holder (or the first named thereof in the case of joint Holders).

In respect of Notes and Warrants issued under the Programme and unless otherwise specified in the relevant Final Terms, the Dealer will be HSBC Bank plc and, as applicable, the Principal Paying Agent, the Principal Warrant Agent and the Registrar will be HSBC Bank plc. The Calculation Agent will be HSBC Bank plc or HSBC France, as specified in the Final Terms. In respect of Notes issued in the United States under Rule 144A, the Registrar and Transfer Agent will be HSBC Bank USA, N.A.

RISK FACTORS

Prospective investors in the Notes or Warrants should read the entire Base Prospectus including any Supplements thereto (and in respect of any particular series of Notes or Warrants, the applicable Final Terms). Words and expressions defined in the "Terms and Conditions of the Notes" or in the "Terms and Conditions of the Warrants" below or elsewhere in this Base Prospectus have the same meanings in this section. Investing in the Notes or Warrants involves certain risks. Prospective investors should consider, among other things, the following:

(1) Risks relating to the Notes and Warrants generally

The Notes and Warrants will generally be derivative linked securities and an investment in the Notes or Warrants will be speculative and entail risks. Prospective investors considering acquiring any Notes or Warrants should understand the risks of transactions involving the Notes and Warrants and should reach an investment decision only after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of the Notes or Warrants in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives) and the information contained in this Base Prospectus and the applicable Final Terms.

Notwithstanding a purchaser's capability to understand and make independent decisions regarding investing in the Notes or Warrants, by purchasing Notes or Warrants, the purchaser implicitly represents and warrants to the Issuer that, and the Issuer and the Dealer may assume that, the complexity and risks inherent in the Notes and Warrants are suitable for the purchaser's objectives and financial situation and, if applicable, the size, nature and condition of its business, regardless of whether the same have been disclosed to the Issuer or the Dealer.

A wide range of Notes and Warrants may be issued under the Programme. The Issuer may issue Warrants linked to, or Notes with principal and/or interest determined by reference to, one or more variables such as an index or formula, changes in the prices of securities or commodities, movements in currency exchange rates, movements in interest rates, movements in levels of indices, the credit of one or more entities or other factors (each, a "**Relevant Factor**" and each underlying security, commodity, currency or other asset being a "**Reference Asset**" or if it is comprised in a basket of assets, a "**Reference Asset Component**"). A number of these Notes or Warrants may have features which contain particular risks for potential investors. Set out below is a description of some of the risks that should be taken into consideration by prospective purchasers of Notes or Warrants.

There may be no active trading market or secondary market liquidity for Notes or Warrants

Any Series of Notes or Warrants issued under the Programme will be new securities which may not be widely distributed and for which there is no active trading market (even where, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche which is already issued). If the Notes or Warrants are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, commissions paid by the Issuer and the financial condition of the Issuer. Although application has been made for Notes and Warrants issued under the Programme to be admitted to the Official List of the UK Listing Authority and to trading on the gilt-edged and fixed interest market of the London Stock Exchange or on the Professional Securities Market, there is no assurance that such application will be accepted, that any particular Tranche of Notes or Warrants will be so admitted, that an active trading market will develop or that any listing or admission to trading will be maintained. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes or Warrants.

It is not possible to predict whether any trading market for the Notes or Warrants will develop or, if it does, the price at which Notes or Warrants will trade in the secondary market or whether such market will be liquid or illiquid. If any Notes or Warrants are not listed or traded on any exchange, pricing information for the Notes or Warrants may be more difficult to obtain and the liquidity of the Notes or Warrants may be adversely affected. Also, to the extent that Notes are redeemed or purchased and cancelled or Warrants are exercised or purchased and cancelled, the number of Notes or Warrants outstanding will decrease, resulting in a lessening of the liquidity of the Notes or Warrants. A lessening of the liquidity of the Notes or Warrants may cause, in turn, an increase in the volatility associated with the price of the Notes or Warrants. To the extent that there is no liquid market in the Notes or Warrants, an investor may have to wait until redemption of such Notes or until it is able to exercise such Warrants in order to realise the value of its investment.

The Issuer and any person directly or indirectly connected with the Issuer may, but is not obliged to, at any time purchase Notes or Warrants at any price in the open market or otherwise. Such Notes or Warrants may be held, reissued or, at the option of the Issuer, cancelled.

No Ownership Rights

An investment in Notes or Warrants relating to a Reference Asset or Relevant Factor is not the same as an investment in the Reference Asset or any Reference Asset Component and does not confer any legal or beneficial interest in the Reference Asset or any Reference Asset Component or any voting rights, rights to receive dividends or other rights that a holder of a Reference Asset or any Reference Asset Component may have.

Certain Considerations Regarding Hedging

Prospective purchasers intending to purchase Notes or Warrants to hedge against the market risk associated with investing in a Reference Asset should recognise the complexities of utilising Notes or Warrants in this manner. For example, the value of the Notes or Warrants may not exactly correlate with the value of the Reference Asset to which they relate. Due to fluctuating supply and demand for the Notes or Warrants, there is no assurance that their value will correlate with movements of the Reference Asset. For these reasons, among others, it may not be possible to purchase or liquidate assets in a portfolio at the prices used to calculate the value of any relevant Reference Asset.

Potential Conflicts of Interest

The Issuer or affiliates of the Issuer may from time to time advise the issuers of or obligors in respect of Reference Assets regarding transactions to be entered into by them, or engage in transactions involving Reference Assets for their proprietary accounts and for other accounts under their management. Any such transactions may have a positive or negative effect on the value of such Reference Assets and therefore on the value of any Notes or Warrants to which they relate. Certain affiliates of the Issuer will also be the counterparty to the hedge of the Issuer's obligations under an issue of Notes or Warrants or may be the calculation agent responsible for making determinations and calculations in connection with the Notes or Warrants. Accordingly, certain conflicts of interest may arise both among the Issuer or these affiliates and between the interests of the Issuer or these affiliates and the interests of holders of Notes or Warrants.

Disruption Event

If the Calculation Agent determines that a payment disruption event or market disruption event has occurred, any consequential postponement of or any alternative provisions for valuation provided in any Notes or Warrants may have an adverse effect on the value of such Notes or Warrants.

Value of Baskets

The value of a basket of Reference Assets and/or Relevant Factors to which any Notes or Warrants relate may be affected by the number of Reference Assets or Relevant Factors included in such basket. Generally, the value of a basket that includes Reference Assets from a number of companies or obligors or other components or which gives relatively equal weight to each Reference Asset will be less affected by changes in the value of any particular Reference Asset included therein than a basket that includes fewer Reference Assets and/or Relevant Factors or that gives greater weight to some Reference Assets and/or Relevant Factors. In addition, if the Reference Assets and/or Relevant Factors included in a basket are all in or relate to a particular industry, the value of such a basket will be more affected by the economic, financial and other factors affecting that industry than if the Reference Assets or Relevant Factors included in the basket relate to various industries that are affected by different economic, financial or other factors or are affected by such factors in different ways.

The volatility of the Reference Assets or Relevant Factors

If the volatility of Reference Assets or Relevant Factors increases, the trading value of a Note or Warrant which relates to such Reference Asset or Relevant Factor is expected to increase; if the volatility decreases, the trading value of a Note or Warrant is expected to decrease.

Taxation in relation to the Notes and Warrants

Transactions involving Notes or Warrants 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 Warrants or any other transaction involving any Notes or Warrants. Potential purchasers who are in any doubt about such matters or any other tax issues relating to the Notes or the Warrants should consult and rely on their own tax advisers. Stamp duty, stamp duty reserve tax and/or similar transfer taxes may be payable on any transfer or agreement to transfer assets in cases where obligations of the Issuer under the Notes or Warrants are physically settled. Potential investors should seek their own advice in this regard.

Fluctuations in the value of the Underlying

Fluctuations in the price, value and/or level of Relevant Assets and Relevant Factors will affect the value of Notes and Warrants. Also, due to the character of the particular markets on which Reference Assets may be traded, the absence of last sale information and the limited availability of quotations for such Reference Assets may make it difficult for many investors to obtain timely, accurate data for the price or yield of such Reference Assets. Purchasers of Notes or Warrants risk losing their entire investment if the value of the relevant underlying basis of reference does not move in the anticipated direction.

Capital Risks relating to Notes and Warrants

Save to the extent otherwise provided in the relevant Final Terms, the repayment of any amount invested in Notes or Warrants and any return on investment is variable and not guaranteed. The performance of the investment depends on the value of a Reference Asset throughout the term of the Notes or Warrants. The value of the Reference Asset(s) can alter sharply because it reflects the performance of the constituent underlying assets which make up an index or the performance of individual underlying assets and general stock and other market conditions.

The main risks involved in capital-at-risk products are as follows:

- (i) the investors' capital can fall below the amount initially invested; and
- (ii) the rate of return on the capital that investors receive depends on specific conditions being met and it is possible that no return may be provided to investors. Professionals may not be able to accurately judge whether there will be a return.

Unlike a savings account or similar investment with a low return and little or no capital risk, Notes such as Equity-Linked Notes, Cash Equity Notes, SPICE Notes, Index-Linked Notes and Credit-Linked Notes and Warrants potentially have a greater return but there is a greater risk of loss of capital. The investor should take advice from an investment professional before purchasing such types of Notes and Warrants.

(2) Risks relating to the Notes

Notes linked to an index, formula or other underlying and multi-currency and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to one or more Relevant Factors or Reference Assets. In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated ("**Dual Currency Notes**"). Potential investors should be aware that:

- (i) the market price of such Notes may be very volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes subject to optional redemption by the Issuer

The inclusion of an option for the Issuer to redeem any Notes prior to their maturity is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem such Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Tranche of Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes of such Tranche in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer's option in other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Integral multiples of less than €50,000

Where Notes under the Programme are specified as having a minimum specified denomination of €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes), such Notes may be traded in the clearing systems in amounts in excess of €50,000 (or its equivalent) that are not increasing multiples of €50,000 (or its equivalent) if so indicated under the item headed "Tradeable Amounts" in the relevant Final Terms. In such a case, should definitive Notes be required to be issued, Noteholders who hold Notes in the relevant clearing system in amounts that are not increasing multiples of a specified denomination may need to purchase or sell, on or before the relevant date in respect of the issue of such definitive Notes, a principal amount of Notes such that their holding is an increasing multiple of a specified denomination. Where Notes under the Programme are specified as having minimum specified denominations of €50,000 and increasing multiples of €1,000 (up to and including €99,000), there will be no need for Noteholders to hold an increasing multiple of €50,000 on or before the relevant date in respect of the issue of such definitive Notes.

Clearing Systems

Because any Temporary or Permanent Global Note, any Unrestricted Registered Note and any Regulation S Global Registered Note and the Global Warrants and, if so provided in the applicable Final Terms, any Rule 144A Global Registered Note or Restricted Global Registered Note (each as defined below) may be held by or on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and, in the case of a Rule 144A Global Registered Note or a Restricted Global Registered Note, unless otherwise provided in the applicable Final Terms, The Depository Trust Company ("**DTC**"), investors will have to rely on their procedures for transfer, payment and communication with the Issuer to receive payments under the Notes and Warrants, including in the case of Warrants for exercise of the Warrants.

Bearer Notes issued under the Programme may be represented by one or more temporary global notes (each, a "**Temporary Global Note**") or permanent global notes (each, a "**Permanent Global Note**") and, together with a Temporary Global Note, a Rule 144A Global Registered Note, a Restricted Global Registered Note, an Unrestricted Global Registered Note or a Regulation S Global Registered Note, the "**Global Notes**"). Such Global Notes which are intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be delivered to a common safe-keeper (the "**Common Safe-keeper**") or such Global Notes which are not intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited with a common depositary (as appropriate) for Euroclear and Clearstream, Luxembourg and, in the case of a Rule 144A Global Registered Note or a Restricted Global Registered Note, unless otherwise provided in the applicable Final Terms, will be deposited with a custodian for and registered in the name of a nominee of DTC. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear, Clearstream, Luxembourg and DTC will maintain records of the interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their interests only through Euroclear, Clearstream, Luxembourg or DTC, as applicable. Warrants will be represented at all times by a Global Warrant deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Definitive Warrants will not be issued. Euroclear, and Clearstream, Luxembourg will maintain records of the interests in the Global Warrants. While the Warrants are represented by a Global Warrant, investors will be able to trade their interests only through Euroclear and Clearstream.

While Notes are represented by one or more Global Notes, and Warrants are represented by a Global Warrant, the Issuer will discharge its payment obligations under such Notes or Warrants by making payments to (i) the common service provider (the "**Common Service Provider**") acting as agent for Euroclear and Clearstream, Luxembourg in respect of Global Notes, or (ii) the common depositary for Euroclear and Clearstream, Luxembourg or, as appropriate, (iii) the custodian for DTC for distribution to their account holders.

The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Notes or Global Warrants. Holders of interests in the Global Notes or Global Warrants will not have a direct right to vote in respect of the relevant Notes or Warrants. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg or DTC to appoint appropriate proxies.

Modification, waiver and substitution

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

In addition, modification to the terms and conditions of the Notes or the Warrants may be made without the consent of any Noteholders or Warrantholders, as the case may be, where the Issuer determines that the modification is not materially prejudicial to the interests of the Noteholders or the Warrantholders as the case may be and also in circumstances where the terms and conditions are inconsistent with the term sheet relating to the relevant Notes and Warrants.

The Notes and the Warrants permit the substitution of an affiliate of the Issuer as principal debtor in respect of the Notes, subject to a guarantee of the Issuer.

Change of law

The Conditions of the Notes and of the Warrants are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

(3) Risks relating to the Warrants

Certain Factors Affecting the Value and Trading Price of Warrants

Prospective purchasers of Warrants should be experienced with respect to options and options transactions, should understand the risks of transactions involving the relevant Warrants and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Warrants in the light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Warrants and the particular Relevant Factor or Reference Asset to which the value of the relevant Warrants may relate.

The Cash Settlement Amount (in the case of cash settled Warrants) or the difference in value of the Physical Settlement Amount and the Strike Price (the "**Physical Settlement Value**") at any time prior to expiration is typically expected to be less than the trading price of such Warrants at that time. Any difference between the trading price and the Cash Settlement Amount or Physical Settlement Value will reflect, among other things, a "time value" for the Warrants. The "time value" of the Warrants will depend partly upon the length of the period remaining to expiration and expectations concerning the value of the Reference Asset or Relevant Factor to which the Warrant relates. Warrants offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the Warrants varies with the price, value and/or level of the Reference Asset and the Relevant Factor, as well as by a number of other interrelated factors, including those specified herein.

Before acquiring, exercising or selling Warrants, Holders should carefully consider, among other things, (i) the trading price of the Warrants, (ii) the value and volatility of the Reference Asset and the Relevant Factor, (iii) the time remaining to expiration, (iv) in the case of cash settled securities the probable range of Cash Settlement Amounts, (v) any change(s) in interim interest rates and dividend yields, (vi) any change(s) in currency exchange rates, (vii) the depth of the market or liquidity of the Reference Asset and the Relevant Factor and (viii) any related transaction costs.

Variation of Settlement

The Issuer may, if specified in the applicable Final Terms, vary the settlement in respect of a particular series of Warrants and thereby at its sole and unfettered discretion elect not to pay the relevant Holders the Cash Settlement Amount or to deliver or procure delivery of the Physical Settlement Amount to the relevant Holders, as the case may be, and, in lieu thereof, deliver or procure delivery of the Physical

Settlement Amount or make payment of the Cash Settlement Amount on the Settlement Date to the relevant Holders.

Limitations on Exercise

If so indicated in the applicable Final Terms, the Issuer will have the option to limit the number of Warrants exercisable on any date to the maximum number specified in the applicable Final Terms and, in conjunction with such limitation, to limit the number of Warrants exercisable by any person or group of persons (whether or not acting in concert) on such date. In the event that the total number of Warrants being exercised on any date exceeds such maximum number and the Issuer elects to limit the number of Warrants exercisable on such date, a Holder may not be able to exercise on such date all Warrants that such Holder desires to exercise. Warrants to be exercised on such date will be selected at the discretion of the Issuer or in any other manner specified in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms, the Warrants tendered for exercise but not exercised on such date will be automatically exercised on the next date on which Warrants may be exercised, subject to the same daily maximum limitation and delayed exercise provisions.

If so indicated in the applicable Final Terms, a Holder must tender a specified minimum number of Warrants and integral multiples of Warrants thereafter at any one time in order to exercise. Thus, Holders with fewer than the specified minimum number of Warrants or specified multiples thereof will either have to sell their Warrants or purchase additional Warrants, incurring transaction costs in each case, in order to realise their investment. Furthermore, holders of such Warrants incur the risk that there may be differences between the trading price of such Warrants and the Cash Settlement Amount or the Physical Settlement Value (in the case of Physical Settlement Warrants) of such Warrants.

If specified in the applicable Final Terms, Warrants which are Physical Settlement Warrants may only be exercised in such amounts as will ensure that the number of relevant Reference Assets to be delivered is equal to an integral multiple of the minimum allowed trading amount of the relevant Reference Asset on the relevant stock exchange as from time to time specified by such stock exchange or other market in which the Reference Asset is traded (the "**Minimum Trading Amount**"). Where the exercise of a holding of Physical Settlement Warrants would not result in the purchase of a number of relevant Reference Assets equal to an integral multiple of the relevant Minimum Trading Amount, the Holder will receive the maximum number of relevant Reference Assets equivalent to the maximum integral multiple of the Minimum Trading Amount and may be entitled to a payment in lieu at the option of the Issuer, determined in the sole and absolute discretion of the Issuer, in respect of the remaining Reference Assets unless any such payment is of a de minimis amount, in which case, Holders shall not receive anything in respect of the remaining Warrants. Holders will, therefore, either have to sell their Warrants or purchase additional Warrants, incurring transaction costs in each case, in order to realise their investment.

Time Lag After Exercise

Unless otherwise specified in the Final Terms, in the case of any exercise of Warrants, there will be a time lag between the time a Holder gives instructions to exercise and the time the applicable Cash Settlement Amount or the deliverable Reference Assets relating to such exercise is determined. Any such delay between the time of exercise and the determination of the Cash Settlement Amount or the deliverable Reference Assets, as the case may be, will be specified in the applicable Final Terms or Conditions. However, such delay could be significantly longer, particularly in the case of a delay in exercise of Warrants arising from any daily maximum exercise limitation, or following the imposition of any exchange controls, other similar regulations affecting the ability to obtain or exchange any relevant currency (or basket of currencies) or, if there is any Settlement Disruption Event or Market

Disruption Event on the Valuation Date (as such terms are defined in the Conditions). The applicable Settlement Price or the value of the deliverable Reference Assets may change significantly during any such period and such movement or movements could decrease the Settlement Price or the value of the deliverable Reference Assets in respect of the Warrants being exercised and, may result in such Settlement Price or the value of the deliverable Reference Assets being zero.

Illegality

If the Issuer determines that its performance under any Warrants has become unlawful or impractical in whole or in part for any reason, the Issuer may cancel such Warrants and, if permitted by applicable law, pay the holder of such a Warrant an amount equal to the fair market value of such Warrant notwithstanding such illegality less the cost to the Issuer of unwinding any related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion.

The time remaining to the expiration of Warrants

As the time remaining to the expiration of the Warrants decreases, the trading value of a Warrant is expected to decrease.

Dividend rates

If the dividend or other income rates on the Reference Assets increase, the trading value of a Put Warrant is expected to increase and the trading value of a Call Warrant is expected to decrease. Increased dividend rates may, however, positively affect the value of the Reference Assets and the trading value of a Put Warrant could then be expected to decrease and the trading value of a Call Warrant could then be expected to increase. If such dividend rates or other income decrease, the trading value of a Put Warrant is expected to decrease and the trading value of a Call Warrant is expected to increase. Decreased dividend or other income rates may, however, adversely affect the value of the relevant Reference Assets, and the trading value of a Put Warrant could then be expected to increase and the trading value of a Call Warrant could then be expected to decrease.

(4) Risks relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes

General - An investment in Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes is speculative and entails substantial risks. Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes 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 the Notes. Prospective Noteholders should understand that in some instances they could suffer a partial or complete loss of their investment subject, if applicable, to any minimum redemption amount specified in the relevant Final Terms and that any investment return on a Note determined by reference to changes in the value of the Reference Asset(s) described in the Final Terms is subject to fluctuation and may be less than would be received by investing in a conventional debt instrument. Changes in value of the Reference Asset(s) cannot be predicted. If so provided in the relevant Final Terms, the Notes may be subject to early redemption by reference to changes in value of the Reference Asset(s). On redemption, Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes may be redeemed in such manner as the Final Terms provides or, in certain circumstances, may be exchanged for other securities. If Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes are redeemed prior to maturity the value may be less than the nominal amount.

Information - No investigation has been made of the financial condition or creditworthiness of any issuer of any Reference Asset(s) or component of the Reference Asset in connection with the issue of any Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes. Prospective investors in the Notes

should obtain and evaluate the same information concerning the Reference Asset(s), each Reference Asset Component and each such issuer as they would if they were investing directly in the Reference Asset Components. In addition, prospective investors should understand that the historical performance of the Reference Asset(s) or any Reference Asset Component should not be viewed as predictive of future results.

Certain Factors affecting Value of Notes - The value of Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes prior to maturity is expected to depend on a number of factors including the performance achieved by the Reference Asset(s) until that time, interest rates, volatility and time to maturity. The price at which a holder will be able to sell the 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 the Notes interrelate in complex ways (for example, one factor may offset an increase in the trading value of the Notes caused by another factor). Factors that may be expected to impact the value of the Notes, assuming other conditions remain constant, include:

Reference Asset Value. The value of the Notes will depend substantially on the value of the Reference Asset as such value is taken into account in determining, as the case may be, any amount of interest or the redemption amount or whether the Notes will be redeemed prior to scheduled maturity and/or in cash or by delivery of the Reference Asset. Fluctuations in the value of the Reference Asset may affect the value of the Notes as may expectations of fluctuation in value during the remaining period to the Maturity Date or any earlier date for determining any price or value for the purposes of determination the basis for redemption of the Notes. Political, economic and other developments that affect the Reference Asset may also affect the value of the Reference Asset.

Interest Rates. The value of the Notes may be affected by changes in interest rates. Rising interest rates may lower the value of the Reference Asset, and thus, the value of the Notes while falling interest rates may increase the value of the Reference Asset and thus, the value of the Notes. Changes in interest rates may also affect the economy of a country in which the Reference Asset is traded, and which (for the reasons discussed above) would affect the value of the Notes.

Volatility of the Reference Asset. If the size and frequency of market fluctuations in value of the Reference Asset increase or decrease, the trading value of the Notes may be adversely affected.

Time Remaining to Maturity. The Notes may trade at a value above that which would be expected based on the level of interest rates and the value of the Reference Asset. Any such difference will reflect a "time premium" resulting from expectations concerning the Reference Asset during the period prior to the stated maturity of the Notes. As the time remaining to the stated maturity of the Notes decreases, this time premium may decrease, adversely affecting the value of the Notes.

Hedging - Prospective investors intending to acquire Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes to hedge against the market risk associated with investing in any securities or indices should recognise the complexities of utilising Notes in this manner. For instance, due to fluctuating supply and demand for the Notes, there is no assurance that their value will correlate with fluctuations in value of the Reference Asset(s).

No Ownership Rights - An investment in the Notes is not the same as an investment in the Reference Asset and does not (prior to settlement of any exchange of Notes for the Reference Asset, where applicable) confer any legal or beneficial interest in the Reference Asset or any Reference Asset

Component or any voting rights, rights to receive dividends or other rights that a holder of the Reference Asset or any Reference Asset Component would have. The Notes are unsubordinated and unsecured obligations of the Issuer.

Actions or omissions of the issuer of the securities, the sponsor of an index or other - In certain circumstances, the actions or omissions of the issuer of securities to which the Notes relate or for which the Notes are exchangeable, the sponsor of an index to which Notes are linked or others outside the control of the Issuer, may adversely affect the rights of the Noteholders and/or the value of the Notes, including actions that may give rise to an adjustment to, or early redemption of, the Notes.

Hedging activities of the Issuer and affiliates - The Issuer or its affiliates may carry out hedging activities related to the Notes, including purchasing the Reference Asset(s) and/or Reference Asset Components, but will not be obliged to do so. Certain of the Issuer's affiliates may also purchase and sell the Reference Asset(s) and/or Reference Asset Components on a regular basis as part of their securities businesses. Any of these activities could potentially affect the value of the Reference Asset(s) and, accordingly, the value of the Notes.

Redemption for Tax Reasons - The Issuer may redeem the Notes in whole if the Issuer would be required to pay certain tax gross up payments in respect of the Notes. The amount payable by the Issuer on such redemption will be an amount determined by the Issuer in its sole and absolute discretion and calculated in accordance with the formula or other means specified in the relevant Final Terms which may be less than amounts invested in the Notes. Noteholders will not benefit from any appreciation in value of the Reference Asset(s) that may occur following such redemption.

(5) Risks relating to SPICE Notes

General - An investment in the SPICE Notes ("SPICEs") is speculative and entails risks not associated with a similar investment in fixed or floating rate securities, including the risk of a total or partial loss of their investment, subject only to a minimum amount of 0.3% of the principal amount being payable if the SPICEs are redeemed at scheduled maturity. Prospective investors considering acquiring any SPICEs should understand the risks of transactions involving the SPICEs and should reach an investment decision only after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of the SPICEs in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives) and the information contained in this document.

Notwithstanding a purchaser's capability to understand and make independent decisions regarding investing in the SPICEs, by purchasing SPICEs, the purchaser implicitly represents and warrants to the Issuer that, and the Issuer and the Dealer may assume that, the complexity and risks inherent in the SPICEs are suitable for the purchaser's objectives and financial situation and, if applicable, the size, nature and condition of its business, regardless of whether the same have been disclosed to the Issuer.

Disclosure of information concerning the terms of and parties to offshore derivative instruments including the Notes has to be made by FIIs on an ongoing basis in accordance with the requirements of the Securities and Exchange Board of India ("SEBI"). The Issuer will provide information required under the existing and any subsequent circulars or ad-hoc requests from SEBI to an FII Affiliate for onward transmission to SEBI periodically and as otherwise required by them.

Each holder of any SPICEs represents and agrees, as a condition of acquiring or holding such SPICEs: (i) that the Issuer is authorised to provide information regarding the holder and the SPICEs to any FII

Affiliate for onward transmission to SEBI and/or any Indian governmental or regulatory authority as required under applicable Indian regulations and/or as requested by any Indian governmental or regulatory authority from time to time; (ii) that such holder will provide the Issuer with such additional information that the Issuer and/or the HSBC FII deems necessary or appropriate in order to comply with regulations or requests of any Indian governmental or regulatory authority from time to time; (iii) that the SPICEs are not being purchased for the benefit or account of, or pursuant to or in connection with any back-to-back transactions with (a) a Person Resident in India as that term is used in the Foreign Exchange Management Act 1999 or, (b) a "Non-Resident-Indian", a "Person of Indian Origin" or an "Overseas Corporate Body", as such terms are used in the Foreign Exchange Management (Deposit) Regulations 2000 as notified by the Reserve Bank of India or (iii) any entity or person that is not regulated (as such term is used in the Securities and Exchange Board of India (Foreign Institutional Investors Amendment) Regulations 2004) (each, a "**Restricted Entity**"); (iv) that such holder is not a Restricted Entity; (v) that such holder will not, directly or indirectly, sell, transfer or otherwise dispose of any SPICEs to or for the benefit or account of any Restricted Entity; and (vi) that such holder is not currently the subject of any investigation or enquiry by SEBI or any other Indian governmental or regulatory authority in connection with a failure to disclose information relating to such holder or to an offshore transaction linked to underlying Indian securities.

Indian Investment - India is a politically turbulent but democratic country. Investments in Indian equity are usually volatile, and it should not be assumed that prices will always be available for the relevant securities specified in the list attached to the relevant Final Terms (for the purposes of SPICE Notes, the "**Securities**"). Information available on the relevant Securities may be limited and not as reliable as would be expected in a more developed market.

The investor in the SPICEs is accepting these risks and the effect that such risks may have on the amounts payable in respect of the SPICEs and the timing of any such payment. The Calculation Agent shall determine how these risks shall affect the amounts and the timing of any payments.

Market Access - Non-Indians ("**foreigners**") cannot generally invest directly in Indian equity. An application can be made for registration with the Securities and Exchange Board of India ("**SEBI**") as a Foreign Institutional Investor ("**FII**") under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995 so as to allow investment in Indian equities. Some FII Affiliates of the Issuer are registered as FIIs (though the Issuer is not).

FII registration is subject to 5 yearly review (and potential revocation) for each FII.

FII investments are substantially restricted and controlled. These restrictions, such as the maximum percentage holding of any single equity, are controlled by the SEBI, the Reserve Bank of India ("**RBI**") and are also subject to the Government of India Guidelines issues in this regard. Further, the operational mechanism for purchase, sale, settlement and movement of funds is restricted. For example, FIIs having an aggregate of securities which are worth Rs 10 crores or more, as on the latest balance sheet date, shall settle their transactions only through dematerialised securities.

These restrictions may change from time to time, sometimes without notice.

The investor in these SPICEs will be subjected to the effect of equivalent restrictions and controls to those imposed on FIIs generally, and the FII Affiliates in particular, as determined by the Calculation Agent. These include limitations on the number of underlying Securities in respect of which the investor is expecting to receive an economic return, potential delays or even non-receipt of funds on sale of the SPICEs, taxes and charges generally levied on FIIs in buying and selling equity and limitations on the importation and withdrawal of funds. Where the Issuer disposes of Securities or

other assets, payments to SPICE Holders calculated by reference to the price of such disposal will not be due unless or until the proceeds of disposal are received by the Issuer.

If FIIs become unable to invest directly in or alternatively hold equities (and no alternative route is established by SEBI) or FIIs are not allowed to sell or receive proceeds from the sale of such equities the SPICEs may, in the worst case, become worthless.

In the event that the FII is forced to sell part or all of any Securities due to an instruction from or policy change on the part of the RBI which prevents the FII Affiliate from holding Securities relating to the entire issue of SPICEs, the Issuer shall be entitled to take such measures, including calling for Early Redemption, as it shall, acting in good faith, think fit.

Foreign currency risk - Potential investors in the SPICEs should understand that amounts payable under the Notes will be converted from Indian Rupees into U.S. dollars. Therefore, the SPICEs are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the SPICEs.

- (a) Historical performance of the Indian Rupee and the U.S. dollar does not indicate the future performance of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the SPICEs;
- (b) Trading levels of the Indian Rupee and the U.S. dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the SPICEs;
- (c) The value of the Indian Rupee and the U.S. dollar is a result of the supply of, and demand for, each currency and changes in the foreign exchange rate may result from the interactions of many factors including economic, financial, social and political conditions in India and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and India, the trade and current account balance between the United States and India, market interventions by the Federal Reserve Board or the central banks of the United States and India, inflation, interest rate levels, the performance of the stock markets in the United States and India, the stability of the United States and India's governments and banking systems, wars in which the United States and India are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and India, and other foreseeable and unforeseeable events;
- (d) Certain relevant information relating to India may not be as well known or as rapidly or thoroughly reported in the United States as comparable to United States developments. Prospective purchasers of the Notes should be aware of the possible lack of availability of important information that can affect the value of Indian Rupees in relation to the U.S. dollar and must be prepared to make special efforts to obtain such information on a timely basis; and
- (e) Exchange rates of most economically developed nations, including India, are "floating," meaning they are permitted to fluctuate in value relative to the U.S. dollar. Governments, including those of the United States and India use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing the Notes is that their liquidity, trading value and amounts payable could be affected by the actions of sovereign governments

which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces and the movement of currencies across borders. There will be no adjustment or change in the terms of the Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of the issuance of a replacement currency or in the event of other developments affecting the Indian Rupee or the U.S. dollar or any other currency.

Timing and taxation issues - Under the Indian Companies Act, 1956, (the "**Indian Companies Act**") unless the board of directors ("**Board**") recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down by Section 205 of the Indian Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company calculated in accordance with the provisions of the Indian Companies Act or out of the profits of the company for any previous financial year(s) arrived at as laid down by the Indian Companies Act. Subject to certain conditions contained in the Indian Companies Act, dividend may also be payable out of moneys provided by the central or state government for payment of dividend in pursuance of a guarantee given by that government.

If so authorised by the articles of association of the issuer company, the shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board. Dividends are generally declared as a percentage of the par value. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their shares as of the book closure or record date. In addition, the Board may declare and pay interim dividends. Under the Indian Companies Act, dividends can only be paid in cash (or stock) to shareholders listed on the register of shareholders on the date which is specified as the "record date" or "book closure date". No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of his/her shares is outstanding.

Any dividend declared is required to be deposited in a separate bank account within five days from the date of the declaration of such dividend. Dividends must be paid to the shareholders within 30 days from the date of the declaration and any dividend which remains unpaid or unclaimed after that period are required to be transferred within seven days of the expiry of the 30-day period (mentioned aforesaid) to a special unpaid dividend account held at a scheduled bank. The Issuer is required to transfer any money, which remains unpaid or unclaimed for seven years from the date of transfer to the unpaid dividend account, to the Investor Education and Protection Fund established by the Government of India pursuant to which no claim shall lie against the company or its directors or the Investor Education and Protection Fund.

The company declaring dividend is liable to pay a dividend distribution tax currently at the rate of 12.5% (plus surcharge at 10% on the dividend distribution tax and education cess at the rate of 2% on aggregate of dividend distribution tax and surcharge) on the total amount distributed as dividend. The effective dividend distribution tax is therefore 14.03%. Dividends in the hands of the recipients are exempted from tax.

The investors (who owned the Notes immediately prior to the ex-dividend date) may receive amounts reflecting the dividends some time after the Maturity Date of the Notes if payment of the dividends is delayed or some time after the dividend is paid (including after the Maturity Date of the Notes) if the amount of the dividend after conversion and transfer costs per Note is less than 1% of the then market value of a Note. Also, adjustments for dividends may be calculated with reference to the taxation of an FII Affiliate in respect of such dividends.

Settlement- Settlement in India is quickly becoming dematerialised. To expedite the dematerialisation process and secure the investments of FIIs, FIIs are required to submit share certificates to the relevant registrar for the dematerialisation of any securities which are capable of dematerialisation. This can impose an additional constraint on FIIs, namely that they cannot sell securities they have purchased until they have been received, checked and dematerialised. This can take more than 2 weeks and may therefore affect the realisable sale price, the secondary market price of the Notes or other determinations of the value of the Securities.

The settlement of transactions are carried out by clearing corporations/clearing houses. A further risk exists in DVP settlement that settlement simply fails as the counterparty to an equity trade does not deliver the Securities. In such circumstances, after a reasonable period the FII may request the Custodian to insist that the broker square-up, that is either immediately deliver the certificates, deliver securities in dematerialised form or pay the excess of the present market value over the purchase price. Once again, this risk can be substantially reduced by using clearing house settlement.

If India should choose to renegotiate its taxation treaties or question the applicability of double taxation treaty relief relating to the jurisdiction in which an FII is incorporated, it could result in an adverse impact on the capital gains tax paid by the FII and any gain from purchase to sale would be subject to such a withholding prior to expatriation of the sale proceeds. Presently no capital gains tax is charged in India on disposal of Securities by FIIs incorporated in United Arab Emirates ("UAE") or Mauritius.

The investor is deemed to accept the risk that if the double tax treaties between India and the UAE or India and Mauritius are renegotiated or disallowed so as to introduce capital gains tax on equities so as to be applicable to any FIIs incorporated in such jurisdictions and in particular, FII Affiliates, the Calculation Agent may determine that an amount equal to the charge which would have been suffered by such an FII should be reflected by a reduction in the realisable sale price.

Potential Conflict of Interest - The Issuer is the Calculation Agent with regard to the SPICEs. The Calculation Agent will be solely responsible for the calculation of the Final Redemption Amount and other determinations and calculations in connection with the SPICEs, including determinations in relation to Additional Payments (as defined in the Conditions), and certain other determinations in connection with the occurrence of a Merger Event, Nationalisation or Insolvency Event (as defined in the Conditions) and/or events affecting dealings by the Issuer, any FII Affiliate or FIIs generally or a Currency Event (as defined in the Conditions). Because the Calculation Agent is the Issuer, and is obligated to redeem the SPICEs, the Calculation Agent may have economic interests adverse to those of the holders of the SPICEs, including with respect to certain determinations and judgments that the Calculation Agent must make as referred to above, any of which may affect payments in respect of the SPICEs. Hedging activities of the Issuer and its affiliate could influence Calculation Agent determinations made in connection with the SPICEs.

(6) Risks relating to Currency-Linked Notes

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General - Investment in Notes which are linked to an emerging market currency or an exchange rate may entail significant risks which are not associated with a similar investment in a currency which is more familiar to prospective investors, such as U.S. dollars or euro (the "**Principal Currency**"). Currency-Linked Notes may be issued in relation to which no interest is payable. The redemption amount of the Notes payable at scheduled maturity is linked to changes in the exchange rates of one or more currencies specified in the Final Terms (the "**Reference Currency**" or "**Reference Currencies**") against the Principal Currency during the period specified therein, and may be subject to a minimum redemption amount per Note.

Volatility of Exchange Rates - Exchange rates can be volatile and unpredictable. Investors should be aware of the possibility of significant changes in rates of exchange between the Reference Currency and the Principal Currency, such as a devaluation of the Reference Currency against the Principal Currency resulting in a decrease in the value of interest payments and the principal payable on the Notes at maturity. As a consequence the market value of the Notes may also fall.

Emerging market risk - Because of the special risks associated with investing in emerging markets, Currency-Linked Notes which are linked to a Reference Currency of an emerging market should be considered speculative. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, may be affected adversely by trade barriers, foreign exchange controls (including taxes), managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also may be affected adversely by their economic, financial, military and political conditions and the supply and demand for the Reference Currencies in the global markets.

Non-deliverability of the Reference Currency - Currency-Linked Notes which are payable in an emerging market currency will provide that, if the Reference Currency is not available at or about the time when a payment is due to be made under the Notes because of circumstances beyond the control of the Issuer, then the Issuer is entitled to make the payments in U.S. dollars or delay making the payment. These circumstances could include the imposition of exchange controls or a disruption in the currency market which prevents the Issuer from obtaining the Reference Currency.

Calculation Agent's discretion - Calculation of the interest payments and/or redemption amount at scheduled maturity, as appropriate, will be by reference to the screen rates specified therein or if any such rate is not displayed at the relevant time a rate determined by HSBC Bank plc as Calculation Agent in its sole and absolute discretion. The Notes may be redeemable prior to their scheduled maturity in certain circumstances at an amount determined by HSBC Bank plc as Calculation Agent which may be less than their nominal amount.

(7) Risks relating to Credit-Linked Notes

General Factors Relating to Credit-Linked Notes

Investors and prospective investors in Credit-Linked Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risk and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition.

The occurrence of certain events or circumstances, in each case as specified in the Final Terms, (each, a "**Credit Event**") will affect the value of Credit-Linked Notes and the Issuer's obligation to pay principal may be replaced by an obligation to pay other amounts calculated by reference to the value of the credit of the underlying reference entity, reference entities, reference obligation(s), underlying obligation(s) and/or to deliver such reference obligation(s) or underlying obligation(s). The Issuer's obligations in respect of Credit-Linked Notes are not dependent on the existence of actual credit exposure of the Issuer to one or more underlying reference entities and the Issuer need not itself suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

If a Credit Event, as specified in the relevant Final Terms, occurs in relation to which a credit Event Notice (as defined in the relevant Final Terms) has been given in respect of one or more reference entities, the Notes will be redeemable at the option of the Issuer exercised at any time thereafter, and irrespective of whether the relevant Credit Event is continuing, and the Issuer's obligation to pay the principal of the Notes upon redemption shall be replaced with an obligation to pay other amounts and/or deliver certain obligations, as described above.

In particular, investors in Credit-Linked Notes should note that:

- (a) the Issuer's obligations to pay interest on the Notes and to redeem the Notes at their principal amount may be subject to the conditions precedent that no Credit Event Notice has been given. If any Credit Event Notice is given on or before the Maturity Date or (if applicable) the Extended Maturity Date (as defined in the relevant Final Terms) then, unless specified otherwise, (1) no interest in respect of the interest period current on the date on which such Credit Event Notice is given or any subsequent period shall be payable by the Issuer (but without prejudice to any interest payments already made to Noteholders or which became due and payable before the Credit Event Notice was given); and (2) the Issuer may not be obliged to redeem the Notes at their principal amount;
- (b) if so specified in the relevant Final Terms, the sole obligation of the Issuer with regard to redemption of the Notes may be to redeem the Notes by physical delivery of Deliverable Obligations (as defined in the relevant Final Terms) or as otherwise provided in the Conditions, rather than by cash redemption or, alternatively, the Issuer's obligation to redeem the Notes may be replaced by an obligation to pay a cash amount (which may be zero) calculated by reference to the value of certain reference obligations, as specified in the Final Terms; and
- (c) it shall be the responsibility of the Noteholders to ensure that their accounting, regulatory and all other treatments of the Notes are consistent with the conditional nature of the Noteholders' entitlement to receive the payments referred to above.

The Issuer may exercise its right to deliver a Credit Event Notice at any time after the occurrence of a Credit Event even if the Credit Event is not continuing at the time such right is exercised. Noteholders will have no right to compel the Issuer to exercise its rights and no right to control the timing of such exercise. Furthermore, Noteholders will have no right to remedy, waive or rescind the Credit Event or take any action to mitigate the ultimate loss which may be imposed upon them by virtue of their interest in the Notes and will bear the risk of any change in the value of obligations of the affected reference entity between the date of the Credit Event and, if physical settlement is applicable, the date of their receipt of any Deliverable Obligations, and if cash settlement is applicable, the Valuation Date (as defined in the relevant Final Terms). During this period there could be a substantial decrease in the value of such obligations.

If a Credit Event occurs and the Issuer gives a Credit Event Notice, the following risks may arise:

- (a) If physical settlement is applicable, holders may not receive physical delivery of Deliverable Obligations but may instead receive a cash payment based on the value of such obligations. Specifically, the Issuer is not required to deliver Deliverable Obligations if it is impossible or illegal for the Issuer to deliver the Deliverable Obligations identified in the Notice of Physical Settlement. Furthermore, even if the Issuer does deliver Deliverable Obligations but because of differences between the authorised denominations of the Deliverable Obligations and the Notes, or because of transfer restrictions imposed on such Deliverable Obligations by the issuer thereof, or if for any other reason any part of the Deliverable Obligations cannot be fully transferred in kind to any Noteholders, Noteholders will not receive such Deliverable Obligations but rather will receive a cash payment based on the value of such obligations. Since the market value of an obligation which has experienced a Credit Event is likely to be extremely volatile and may not reflect the amount which ultimately would be paid on such obligation, a cash payment based on the value of a Deliverable Obligation may be depressed and not reflect the ultimate recovery value of such Obligation or the amount the holder would receive if it were in control of the disposition of such obligation. The Deliverable Obligations selected by the

Issuer may be illiquid and there is no assurance that the price realised in connection with a cash settlement of such obligation will reflect the holders' assessment of such value.

- (b) Unless Noteholders receive Deliverable Obligations, they will have no ability to exercise the rights customarily afforded a creditor in connection with its holding of Deliverable Obligations.
- (c) Under the terms of the Notes, the Issuer will be free to select for the purposes of constituting the Portfolio any obligations of the reference entity in respect of which such Credit Event has occurred (whether as principal, guarantor or otherwise) which satisfy the requirements for a Deliverable Obligation. Such obligations are likely to be in default at the time of delivery. Furthermore, in selecting such obligations the Issuer will not be required to consider the interests of the Noteholders or mitigate their losses. The Issuer will have complete discretion to select the cheapest, most illiquid obligations of the reference entity so long as such obligations satisfy the requirements for a Deliverable Obligation under the terms of the Notes.

Not all of the Credit Events require an actual default with respect to the reference entity's obligations. Thus Noteholders could bear losses based on a deterioration in the credit of the reference entity short of a default. Also, not all of the Credit Events are triggered by events which are easily ascertainable and disputes can and have arisen as to whether a specific event with respect to a Credit Event did or did not constitute a Credit Event. Under the terms of the Notes, the Issuer's or Calculation Agent's good faith, reasonable determination that a Credit Event has or has not occurred will be binding on the Issuer and the holders, and may be different than the view of the holders or other financial institutions, rating agencies or commentators.

The Issuer shall be under no obligation to give notice of any Credit Event and no delay in giving, or omission to give, notice of any Credit Event(s) with regard to the reference entity or reference entities in question shall prejudice the Issuer's right to give notice with respect to such Credit Event or any other Credit Event in relation to such reference entity provided such notice is given no later than the Maturity Date or (if applicable) the Extended Maturity Date. Investors and prospective investors in Credit-Linked Notes should conduct their own investigations and, in deciding whether or not to purchase such Notes, prospective investors should form their own views of the merits of an investment linked to the credit risk of the reference entity or entities in question based upon such investigations and not in reliance on any information given in the Final Terms.

The trading value of the Notes will be affected by factors that interrelate in complex ways. The Notes may lose 100% of their value. It is important for investors to understand that the effect of one factor may offset the increase in the trading value of the Notes caused by another factor, and that the effect of one factor may exacerbate the decrease in the trading value of the Notes caused by another factor. For example, a drop in the creditworthiness of a reference entity may more than offset any increase in the Issuer's creditworthiness.

A credit deterioration or Credit Event in a reference entity may be strongly correlated with credit deterioration or Credit Events in several other related entities. As a result, the Notes may, over a relatively short period of time, experience substantial losses which reduce or eliminate their value.

Given the highly specialised nature of Credit-Linked Notes, the Issuer considers that they are only suitable for highly sophisticated investors who are willing to take considerable risks, who are able to determine for themselves the risk of an investment linked to the credit risk of the particular reference entity or entities and who can absorb a substantial or total loss of principal.

Consequently, investors who do not fall within the description above should not consider purchasing the Credit-Linked Notes without taking detailed advice from a specialised professional adviser.

No representation by Issuer or Calculation Agent

The Issuer and Calculation Agent make no representation whatsoever with respect to the underlying reference entity, reference entities, reference obligations or underlying obligations on which it is relying or is entitled to rely.

Dealings by Issuer, Calculation Agent and Affiliates

The Issuer, the Calculation Agent and their respective affiliates may deal in the underlying reference obligations or underlying obligations and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, the reference entity or entities, any affiliate of the reference entity or entities, and/or any other person or entity having obligations relating to the reference entity and may act with respect to such business in the same manner as each of them would if these Notes had not been issued, regardless of whether any such action might have an adverse effect on the reference entity or entities, the reference obligation(s), or underlying obligation(s) or the Noteholders or otherwise (including, without limitation, any action which might constitute or give rise to a Credit Event).

No disclosure of information

The Issuer, the Calculation Agent and their respective affiliates may, whether by virtue of the types of relationships described herein or otherwise, on the issue date of the Notes or at any time thereafter, be in possession of information in relation to the reference entity or entities or any underlying obligation(s) that is or may be material in the context of the issue of the Notes and that may or may not be publicly available or known to the Noteholders. There is no obligation on the part of the Issuer, the Calculation Agent or their respective affiliates to disclose to the Noteholders any such relationship or information (whether or not confidential).

Potential Conflict of Interest

HSBC Bank plc as Calculation Agent will be entitled to make certain determinations and judgements under the Conditions including (inter alia) as to whether an event constituting a Credit Event has occurred. In making such determinations and judgements, potential conflicts of interest may exist between the Calculation Agent and the Noteholders. In its capacity as Calculation Agent, HSBC Bank plc does not act as a fiduciary for or as an advisor to any of the Noteholders in respect of any such determination or judgement or otherwise.

No post-issuance information

The Issuer shall not be providing the investors with any post-issuance information regarding any reference entity.

(8) Risks relating to Interest Rate-Linked Notes

General - The redemption amount of the Notes payable at scheduled maturity and/or the amount of interest payable in relation to the Notes will be linked to changes in one or more interest rates specified in the Final Terms during the period specified therein.

Volatility of Interest Rates - Interest rates can be volatile and unpredictable. Investors should be aware of the possibility of significant changes in interest rates resulting in a decrease in the value of interest payments and the principal payable on the Notes at maturity. As a consequence the market value of the Notes may also fall.

Calculation Agent's discretion - Calculation of the interest payments and/or redemption amount at scheduled maturity, as appropriate, will be by reference to the screen rates specified therein or if any such rate is not displayed at the relevant time a rate determined by HSBC Bank plc as Calculation Agent in its sole and absolute discretion. The Notes may be redeemable prior to their scheduled maturity in certain circumstances at an amount determined by HSBC Bank plc as Calculation Agent which may be less than their nominal amount.

Risks relating to Steepener Notes

Interest Rate-Linked Notes issued pursuant to the Programme may include Steepener Notes, which are Notes in respect of which the rate of interest applicable for some or all of the term of the Notes is determined by reference to the difference (or spread) between two swap rates specified in the applicable Final Terms, which difference (or spread) may (if so specified in the applicable Final Terms) then be multiplied by a factor (the leverage factor), subject to any minimum and/or maximum interest rates specified.

Fluctuations in interest rates and Steepener Notes

The market value of Steepener Notes will be affected, among other things, by the amount of interest payable in each interest period. Save for any interest period during the term of such Notes in respect of which interest is to be determined by reference to fixed rates of interest, the interest rate on Steepener Notes is obtained by taking the amount (if any) by which a designated swap rate (the "**First Swap Rate**") exceeds another designated swap rate (the "**Second Swap Rate**") and multiplying that amount by the factor (the leverage factor) (all as specified in the applicable Final Terms), subject to any maximum and minimum rate of interest. Subject to any minimum and maximum rate of interest, as the difference between the First Swap Rate and the Second Swap Rate decreases the rate of interest payable will fall by the amount of that decrease multiplied by the relevant leverage factor. In the event that the First Swap Rate does not exceed the Second Swap Rate on a date which is relevant to the calculation of interest for an interest period, the interest rate on the Notes for that period will equal zero or, if any minimum rate of interest has been specified in the applicable Final Terms and applies, will equal that minimum rate of interest.

EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN FINANCIAL AND LEGAL ADVISERS AS TO THE RISKS ENTAILED BY AN INVESTMENT IN THE NOTES.

INCORPORATION BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Base Prospectus:-

- (a) the registration document (with the exception of any documents incorporated by reference therein) relating to the Issuer dated 30 May 2006 and filed with the UK Listing Authority pursuant to Article 11 of the Prospectus Directive (the "**Registration Document**");
- (b) the audited consolidated financial statements of the Issuer and its subsidiary undertakings for the year ended 31 December 2005 and for the year ended 31 December 2004 (including the auditors' report thereon) submitted to and filed with the UK Listing Authority on 6 March 2006 and 1 August 2005, respectively; and
- (c) the unaudited unconsolidated financial statements of the Issuer released via the Regulatory News Service on 2 August 2006,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein expressly or impliedly modifies or supersedes such earlier statement.

CLEARING AND SETTLEMENT

Custodial and depositary or safe-keeping links have been established with Euroclear, Clearstream, Luxembourg and DTC to facilitate the initial issuance of Notes and cross-market transfers of Notes between investors associated with secondary market trading. Transfers within Euroclear, Clearstream, Luxembourg and DTC will be in accordance with the usual rules and operating procedures of the relevant system.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear and Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

DTC

DTC is a limited-purpose trust company organised under the laws of the State of New York and a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of securities transactions between DTC participants through electronic book-entry changes in accounts of DTC participants. DTC participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organisations. Indirect access to DTC is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Holders of book-entry interests in the Notes holding through DTC will receive, to the extent received by the Principal Paying Agent, all distributions of principal and interest with respect to book-entry interests in the Notes from the Principal Paying Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Registered Note to such persons may be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Registered Note to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The aggregate holdings of book-entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of (i) Euroclear and Clearstream, Luxembourg and (ii) DTC to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg and DTC, respectively. Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC. Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Notes will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Notes. The Registrar will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a nominee for the common depositary for Euroclear and Clearstream, Luxembourg, a nominee for DTC and/or Holders of Notes represented by Definitive Registered Notes. The Principal Paying Agent will be responsible for ensuring that payments received by it from the Issuer for Holders of interests in the Notes holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear and Clearstream, Luxembourg, as the case may be, and the Principal Paying Agent will also be responsible for ensuring that payments received by the Principal Paying Agent from the Issuer for Holders of interests in the Notes holding through DTC are credited to DTC.

The Issuer will not impose any fees in respect of the Notes; however, Holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream, Luxembourg or DTC.

Interests in an Unrestricted Global Registered Note and a Restricted Global Registered Note will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Notes through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional eurobonds. Book-entry interests in the Global Registered Notes will be credited to Euroclear participants' securities clearance accounts on the business day following the relevant issue date against payment (value such issue date), and to Clearstream, Luxembourg participants' securities custody accounts on the relevant issue date against payment in same day funds. DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Notes through DTC will follow the delivery practices applicable to securities eligible for DTC's Same-Day Funds Settlement ("SDFS") system. DTC participant securities accounts will be credited with book-entry interests in the Notes following confirmation of receipt of payment to the Issuer on the relevant issue date.

Secondary Market Trading in relation to Global Registered Notes

Trading between Euroclear and/or Clearstream, Luxembourg participants: Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

Trading between DTC participants: Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's SDFS system in same-day funds, if payment is effected in US dollars, or free of payment, if payment is not effected in US dollars. Where payment is not effected in US dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser: When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Restricted Global Registered Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in an Unrestricted Global Registered Note (subject to the certification procedures provided in the Issuing and Paying Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the Custodian will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Registered Note and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Registered Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser: When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Restricted Global Registered Note (subject to the certification procedures provided in the Issuing and Paying Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the Custodian who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Registered Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Registered Note.

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Principal Paying Agent, the Registrar, any Paying Agent, any Transfer Agent, any Dealer or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg and DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

TAXATION

Transactions involving the Notes and Warrants 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. Potential purchasers who are in any doubt about the tax position of any aspect of transactions involving the Notes and Warrants should consult their own tax advisers.

United Kingdom Taxation - Notes

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes (other than SPICE Notes). The comments do not deal with any other payments that may be made in respect of the Notes and do not deal with payments in respect of the SPICE Notes, or with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

(A) United Kingdom Withholding Tax

1. Interest on Notes issued for a term of less than one year (and which are not issued under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax.
2. Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. On the basis of Her Majesty's Revenue and Customs published interpretation of the relevant legislation, securities which are to be listed on a stock exchange in a country which is a member state of the European Union or which is part of the European Economic Area will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country; securities which are to be listed on a stock exchange in any other country will satisfy this requirement if they are admitted to trading on a recognised stock exchange in that country. The London Stock Exchange is a recognised stock exchange for these purposes. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on such Notes may be made without withholding or deduction for or on account of United Kingdom income tax.
3. In addition to the exemption set out in paragraph 2 above, interest on the Notes may be paid without withholding or deduction for or on account of United Kingdom income tax so long as

the Issuer is a "bank" for the purposes of section 349 of the Income and Corporation Taxes Act 1988 and so long as such payments are made by the Issuer in the ordinary course of its business. In accordance with the published practice of Her Majesty's Revenue and Customs, such payments will be accepted as being made by the Issuer in the ordinary course of its business unless either:

- (a) the borrowing in question conforms to any of the definitions of tier 1, 2 or 3 capital adopted by the FSA whether or not it actually counts towards tier 1, 2 or 3 capital for regulatory purposes; or
 - (b) the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid United Kingdom tax.
4. In all other cases, falling outside the exemptions described in A.1, A.2 and A.3 above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.
5. Any payments made by the Issuer under the Deed of Covenant may not qualify for the exemptions from United Kingdom withholding tax described above.

(B) Provision of information

6. Noteholders or Couponholders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a "paying agent"), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder or Couponholder (other than solely by clearing or arranging the clearing of a cheque) (a "collecting agent"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to Her Majesty's Revenue and Customs details of the payment and certain details relating to the Noteholder or the Couponholder (including the Noteholder's or the Couponholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder or Couponholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder or Couponholder is not so resident, the details provided to Her Majesty's Revenue and Customs may, in certain cases, be passed by Her Majesty's Revenue and Customs to the tax authorities of the jurisdiction in which the Noteholder or Couponholder is resident for taxation purposes.
7. The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes.

(C) Other Rules Relating to United Kingdom Withholding Tax

8. Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined above.
9. Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments

of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.

10. Where interest has been paid under deduction of United Kingdom income tax, Noteholders or Couponholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
11. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.
12. The above summary under the heading of the United Kingdom Taxation assumes that there will be no substitution of the Issuer pursuant to Condition 16 of the Notes and does not consider the tax consequences of any such substitution.

United Kingdom Taxation - Warrants

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments in respect of the Warrants and of the treatment of Warrants for the purposes of United Kingdom stamp duty and related taxes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Warrants. The comments in relation to United Kingdom withholding tax relate only to the position of persons who are absolute beneficial owners of the Warrants. The following is a general guide and should be treated with appropriate caution. Warrantheolders who are in any doubt as to their tax position should consult their professional advisers. Warrantheolders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Warrants are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Warrants. In particular, Warrantheolders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Warrants even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

(A) Withholding Tax

Payments under the Warrants which payments do not amount to interest, rent or annual payments (and are not treated as, or as if they were, interest, rent or annual payments for United Kingdom tax purposes) may be made without any withholding or deduction for or on account of United Kingdom tax.

(B) Stamp Duty and Related Taxes

United Kingdom stamp duty or stamp duty reserve tax may be payable on any transfer or agreement to transfer the Warrants or any interest in the Warrants.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such

payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such person for, an individual resident in one of those territories.

THIS BASE PROSPECTUS AND THE ACCOMPANYING BASE PROSPECTUS SUPPLEMENTS AND 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 SUPPLEMENTAL OFFERING MEMORANDUM WAS WRITTEN AND PROVIDED BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE NOTES ADDRESSED HEREIN BY THE ISSUER AND/OR THE PLACEMENT AGENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

UNITED STATES TAXATION

The following summary describes certain of the principal U.S. federal income tax consequences resulting from the purchase, ownership and disposition of Notes that are principal protected. Investors are directed to review any discussion of Notes that are not principal protected in a relevant prospectus supplement or relevant Final Terms. This summary does not purport to consider all the possible U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner of Notes. The summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed U.S. Treasury regulations promulgated thereunder, published rulings by the U.S. Internal Revenue Service ("IRS") and court decisions, all in effect as of the date hereof, all of which authorities are subject to change or differing interpretations, which changes or differing interpretations could apply retroactively. This summary is limited to investors who purchase the Notes at initial issuance and hold the Notes as "capital assets" within the meaning of section 1221 of the Code (i.e., generally, property held for investment) and does not purport to deal with investors in special tax situations, such as financial institutions, tax exempt organisations, insurance companies, regulated investment companies, dealers in securities or currencies, persons purchasing Notes other than at original issuance, persons holding notes as a hedge against currency risks or as a position in a "straddle," "conversion transaction," or "constructive sale" transaction for tax purposes, or persons whose functional currency (as defined in section 985 of the Code) is not the U.S. dollar. The summary does not include any description of the tax laws of any state, local or foreign governments that may be applicable to the Notes or the holders thereof.

Prospective purchasers of the Notes should consult their own tax advisers concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note who or which is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or of any state thereof (including the District of Columbia), or (iii) any other person who is subject to U.S. federal income taxation on a net income basis with respect to the Notes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Note that is not a U.S. Holder. In the case of a holder of Notes that is a partnership for U.S. federal income tax purposes, each partner will take into account its allocable share of income or loss from the Notes, and will take such income or loss into account under the rules of taxation applicable to such partner, taking into account the activities of the partnership and the partner.

Treatment of Notes

Except as otherwise provided in a prospectus supplement or the Final Terms, the Issuer intends to treat Notes that are principal protected as indebtedness for U.S. federal income tax purposes; however, the IRS is not bound by this determination and the Notes could be recharacterised. Any such

recharacterization could materially affect the timing or character of the income required to be recognised by U.S. Holders for U.S. federal income tax purposes. Prospective investors are urged to consult with their tax advisers as to the likelihood and likely effect of any such recharacterization. The remainder of this summary assumes the Notes discussed herein are properly characterised as indebtedness for U.S. federal income tax purposes.

U.S. Holders of Notes

Payments of Interest

Except as described below, payments of interest on a Note will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received, in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

Original Issue Discount

General

The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of a Note issued with original issue discount "OID" (a "**Discount Note**"). Special rules apply to OID on a Discount Note that is denominated in a Foreign Currency. See "— Foreign Currency Notes — OID."

For U.S. federal income tax purposes, OID is the excess of the stated redemption price at maturity of a Note over its issue price, if such excess equals or exceeds a de minimis amount (generally defined as 1/4 of 1-per cent of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date). The issue price of each Note in an issue of Notes is the first price at which a substantial amount of such issue of Notes has been sold (ignoring sales to bond houses, broker-dealers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers). The stated redemption price at maturity of a Note generally is the sum of all payments provided for by the Note other than qualified stated interest payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

Payments of qualified stated interest on a Note are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received, in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes. A U.S. Holder of a Discount Note having a maturity of more than one year from the date of issue must include OID in income as ordinary interest income for U.S. federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of OID included in income by the initial U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to such Discount Note for each day during the taxable year on which such U.S. Holder held such Discount Note. The "daily portions" of OID on any Discount Note are determined by allocating to each day in an accrual period a rateable portion of the OID allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length over the term of the Discount Note as long as (i) each accrual period is no longer than one year, and (ii) each scheduled payment of principal and interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of OID allocable to each accrual period is generally equal to the excess of (i) the product of the Discount Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) over (ii) the amount of any qualified

stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Note at the beginning of the first accrual period is its issue price of the Discount Note. Thereafter, the "adjusted issue price" of a Discount Note is the sum of the issue price of the Discount Note plus the amount of OID previously includable in the gross income of the holder reduced by the amount of any payments previously made on the Discount Note other than payments of qualified stated interest. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

Election to Treat all Interest as OID

A U.S. Holder of a Note may elect to include in gross income all interest that accrues on the Note by using the constant yield method described in "— Original Issue Discount — General" with certain modifications. The election must be made for the taxable year in which the U.S. Holder acquires the Note and will generally apply only to the Note (or Notes) identified by the U.S. Holder in a statement attached to the U.S. Holder's timely filed U.S. federal income tax return. The election may not be revoked without the consent of the IRS. If a U.S. Holder makes the election with respect to a Note with "amortisable bond premium" (as described in "— Amortisable Bond Premium"), then the electing U.S. Holder is deemed to have elected to apply amortisable bond premium against interest with respect to all debt instruments with amortisable bond premium (other than debt instruments the interest on which is excludable from gross income) held by the electing U.S. Holder as of the beginning of the taxable year in which any Note (with respect to which the election is made) is acquired and any such debt instrument thereafter acquired. The deemed election with respect to amortisable bond premium may not be revoked without the consent of the IRS.

Variable Rate Debt Instruments

Generally, Notes that are issued with a variable rate of interest (a "**Floating Rate Note**") are subject to special rules whereby a Floating Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Floating Rate Notes by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date or (ii) 15 per cent of the total noncontingent principal payments, (b) it does not provide for any stated interest other than stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it provides that a qualified floating rate or objective rate in effect at any time during the term of the Note is set at a current value of that rate (i.e., the value of the rate on any day that is no earlier than three months prior to the first rate day on which the value is in effect and no later than one year following that first day).

A "qualified floating rate" is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Floating Rate Notes are denominated. Although a multiple of a qualified floating rate will generally not itself constitute a qualified floating rate, a variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35 will constitute a qualified floating rate. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Floating Rate Notes together will constitute a single qualified floating rate. Two or more qualified floating rates will be conclusively presumed to meet the requirements of the previous sentence if the values of all rates on

the issue date are within 25 basis points of each other. A variable rate is not a qualified floating rate if it is subject to certain restrictions (including caps floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Floating Rate Note or are not reasonably expected to significantly affect the yield on the Floating Rate Note.

An "objective rate" is a rate other than a qualified floating rate that is determined using a single fixed formula and that is based upon objective financial or economic information, other than information that is within the control of the issuer or a related party, or that is unique to the circumstances of the issuer or a related party such as dividends, profits or the value of the issuer's (or related party's) stock (but not the issuer's credit quality). Despite the foregoing, a variable rate of interest on Floating Rate Notes will not constitute an objective rate if it is reasonably expected that the average value of such rate during the first half of the Floating Rate Notes term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Floating Rate Notes' term. A "qualified inverse floating rate" is any objective rate where such rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to reflect inversely contemporaneous variations in the qualified floating rate (disregarding any caps, floors, governors or other restrictions that are fixed throughout the term of the Floating Rate Notes or are not reasonably expected to significantly affect the yield on the Floating Rate Notes).

Generally, if a Floating Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the Floating Rate Notes' issue date is intended to approximate the fixed rate, then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be. A fixed rate and a variable rate will be conclusively presumed to meet the previous requirements if the value of the variable rate on the issue date of the Floating Rate Notes does not differ from the value of the fixed rate by more than 25 basis points.

If a Floating Rate Note provides for stated interest at a single qualified floating rate or objective rate that is unconditionally payable in cash or in property (other than debt instruments of the issuer) or that will be constructively received by the U.S. Holder at least annually, then (a) all stated interest with respect to the Note is qualified stated interest, (b) the amount of qualified stated interest and the amount of OID, if any, is determined by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Note, and (c) the qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period under the foregoing rules.

If a Floating Rate Note does not provide for stated interest at a single qualified floating rate or objective rate, or at a single fixed rate (other than at a single fixed rate for an initial period of one year or less), the amount of qualified stated interest and OID on the Note are generally determined by (i) determining a fixed rate substitute for each variable rate provided under the Floating Rate Note (generally, the value of each variable rate as of the issue date or, in the case of an objective rate that is not a qualified inverse floating rate, a rate that reflects the yield that is reasonably expected for the Note), (ii) constructing the equivalent fixed rate debt instrument (using the fixed rate substitutes described above), (iii) determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument (by applying the general OID rules as described in "— Original Issue Discount —

General"), and (iv) making the appropriate adjustments for actual variable rates during the applicable accrual period.

If a Floating Rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate and in addition provides for stated interest at a single fixed rate (other than a single fixed rate for an initial period), the amount of interest and OID is determined as in the immediately preceding paragraph with the modification that the Floating Rate Note is treated, for purposes of the first three steps of the determination, as if it provided for a qualified floating rate (or qualified inverse floating rate, if the Note provides for a qualified inverse floating rate) rather than the fixed rate. The qualified floating rate (or qualified inverse floating rate) replacing the fixed rate must be such that the fair market value of the Note as of the issue date would be approximately the same as the fair market value of an otherwise identical debt instrument that provides for a qualified floating rate (or qualified inverse floating rate) rather than a fixed rate.

Notes that are Contingent Payment Debt Instrument

Interest Accruals on the Notes

For U.S. federal income tax purposes certain of the Notes may be contingent payment debt instruments ("CPDIs"). A CPDI is any class of Notes which provide for one or more payments, either of interest or principal, that are contingent (usually as to timing of payment or amount of payment). If the Issuer intends to treat a Note as a CPDI, this will be specified in the applicable Final Terms with respect to such Note.

Under Treasury Regulations governing the treatment of CPDIs (the "**CPDI Regulations**"), regardless of a U.S. Holder's regular method of accounting, accruals of income, gain, loss and deduction with respect to a CPDI are determined under the "noncontingent bond method." Under the noncontingent bond method, a U.S. Holder of a CPDI will accrue OID over the term of such Note based on the Notes' comparable yield. In general, the comparable yield of a CPDI is equal to the yield at which the Issuer would issue a fixed rate, noncontingent debt instrument with terms and conditions otherwise similar to those of the CPDI, including level of subordination, term, timing of payments, and general market conditions. The applicable Final Terms for any Note that is a CPDI will specify its comparable yield. A U.S. Holder will accrue OID at the comparable yield even if the comparable yield differs from the stated Interest Rate on the CPDI (if any).

The amount of OID allocable to each accrual period will be the product of the "adjusted issue price" of the CPDI at the beginning of each such accrual period and the comparable yield. The "adjusted issue price" of a CPDI at the beginning of an accrual period will equal the issue price *plus* the amount of OID previously includible in the gross income of U.S. Holder *minus* the amount of any Projected Payments (as defined below) with respect to such Note. The amount of OID includible in the income of each U.S. Holder will generally equal the sum of the "daily portions" of the total OID on the CPDI allocable to each day on which a U.S. Holder held such Note. Generally, the daily portion of the OID is determined by allocating to each day in any accrual period a ratable portion of the OID allocable to such accrual period. Such OID is included in income and taxed at ordinary income rates.

The Issuer also is required by the CPDI Regulations to determine, solely for U.S. federal income tax purposes, a projected payment schedule of the projected amounts of payments (the "**Projected Payments**") on any Note that is a CPDI. The schedule must produce the comparable yield. The applicable Final Terms for any Note that is a CPDI will specify the Projected Payments for such Note. Under the noncontingent bond method, the Projected Payments are not revised to account for changes

in circumstances that occur while the Notes are outstanding. See "Adjustments to Interest Accruals" below.

For U.S. federal income tax purposes, the Issuer's reasonable determination of the comparable yield and schedule of Projected Payments is generally respected and will be binding on the holders of the Notes, unless such holder timely discloses and justifies the use of other estimates to the IRS.

THE COMPARABLE YIELD AND THE SCHEDULE OF PROJECTED PAYMENTS ARE NOT PROVIDED FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF U.S. HOLDERS' INTEREST ACCRUALS AND ADJUSTMENTS THEREOF AND DO NOT CONSTITUTE AN ASSURANCE BY THE ISSUER AS TO THE ACTUAL YIELD OF THE NOTES. THE ISSUER MAKES NO REPRESENTATION AS TO WHAT SUCH ACTUAL YIELD WILL BE, AND THE COMPARABLE YIELD DOES NOT NECESSARILY REFLECT THE EXPECTATIONS OF THE ISSUER REGARDING THE ACTUAL YIELD.

Adjustments to Interest Accruals

If, during any taxable year, the sum of any actual payments with respect to a CPDI for that taxable year (including, in the case of the taxable year which includes the maturity date, the amount of cash received at maturity) exceeds the total amount of Projected Payments for that taxable year, the difference will produce a "Net Positive Adjustment" under the CPDI Regulations, which will be treated as additional interest for the taxable year. If the actual amount received in a taxable year is less than the amount of Projected Payments for that taxable year, the difference will produce a "Net Negative Adjustment" under the CPDI Regulations, which will (i) reduce the U.S. Holder's interest income for that taxable year and (ii) to the extent of any excess after the application of (i), give rise to an ordinary loss to the extent of the U.S. Holder's interest income on the Notes during prior taxable years (reduced to the extent such interest was offset by prior Net Negative Adjustments).

Short-Term Notes

Generally, an individual or other-cash basis U.S. Holder of Notes having a fixed maturity date not more than 1 year from the date of issue ("**Short-Term Notes**") is not required to accrue OID for U.S. federal income tax purposes unless it elects to do so. An election by a cash basis U.S. Holder applies to all short-term obligations acquired on or after the beginning of the first taxable year to which the election applies, and for all subsequent taxable years unless the consent is secured from the IRS to revoke the election. Accrual-basis U.S. Holders and certain other U.S. Holders, including banks, regulated investment companies, dealers in securities, common trust funds, U.S. Holders who hold Short-Term Notes as part of certain identified hedging transactions, certain pass-through entities and cash-basis U.S. Holders who so elect, are required to accrue OID on Short-Term Notes on either a straight-line basis or, at the election of the U.S. Holder, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Notes will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

Amortisable Bond Premium

Generally, a U.S. Holder that purchases a Note for an amount that is in excess of the sum of all amounts payable on the Note after its acquisition date (other than payments of qualified stated interest)

will be considered to have purchased the Note with "amortisable bond premium" equal to such excess. A U.S. Holder of such a Note will not be subject to OID and may elect to amortise such premium using a constant yield method over the remaining term of the Note and may offset qualified stated interest otherwise required to be included in respect of the Note with respect to an accrual period by the bond premium allocable to the accrual period. If the bond premium allocable to the accrual period exceeds the qualified stated interest allocable to the accrual period, the excess is treated as a bond premium deduction for the accrual period. However, the amount treated as a bond premium deduction is limited to the amount by which the U.S. Holder's total interest inclusions on the Note in prior accrual periods exceed the total amount treated by the U.S. Holder as a bond premium deduction on the Note in prior accrual periods. If the bond premium allocable to an accrual period exceeds the sum of the qualified stated interest allocable to the accrual period and the amount treated as a bond premium deduction for the accrual period as described above, the excess is carried forward to the next accrual period and is treated as bond premium allocable to that period. Special rules apply for determining the amortisation of bond premium on Notes that are classified as "variable rate debt instruments", Notes that provide for certain alternative payment schedules, and Notes that provide for certain contingencies. Any election to amortise bond premium with respect to any Note (or other general debt obligations) applies to all taxable debt obligations held by the U.S. Holder at the beginning of the first taxable year to which the election applies and to all debt obligations thereafter acquired in such taxable year and all subsequent tax years. The election may not be revoked without the consent of the IRS.

Sale, Exchange or Retirement of a Note

Except as discussed above, upon the sale, exchange or retirement of a Note, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest, which amounts will be taxable as ordinary income) and such U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal such U.S. Holder's initial investment in the Note increased by any OID included in income, decreased by the amount of any payments and any amortisable bond premium applied to reduce interest income with respect to such Note. Such gain or loss generally will be long-term capital gain or loss if the Note has been held by such U.S. Holder for more than one year at the time of such sale, exchange or retirement.

Certain of the Notes may be redeemable at the option of the Issuer prior to their stated maturity and/or may be repayable at the option of the holder prior to their stated maturity. Notes containing such features may be subject to the rules that differ from the general rules discussed above. U.S. Holders intending to purchase Notes with such features should consult their own tax advisers regarding the U.S. federal income tax consequences to them of the purchase, holding and disposition of such Notes, since the OID consequences will depend, in part, on the particular terms and features of such Notes.

Foreign Currency Notes

The following summary relates to Notes that are denominated in a currency or basket of currencies other than the U.S. dollar ("**Foreign Currency Notes**"). It does not apply to U.S. Holders whose functional currency is not the U.S. dollar.

Payments of Interest In a Foreign Currency

Cash Method

A U.S. Holder who uses the cash method of accounting for U.S. federal income tax purposes and who receives a payment of interest on a Note (other than OID) will be required to include in income the U.S. dollar value of the Foreign Currency payment (determined on the date such payment is received)

regardless of whether the payment is in fact converted to U.S. dollars at that time, and such U.S. dollar value will be the U.S. Holder's tax basis in such Foreign Currency.

Accrual Method

A U.S. Holder who uses the accrual method of accounting for U.S. federal income tax purposes, or who otherwise is required to accrue interest prior to receipt, will be required to include in income the U.S. dollar value of the amount of interest income (including OID and reduced by amortisable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Note during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year. A U.S. Holder may elect, however, to translate such accrued interest income using the rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the rate of exchange on the last day of the first taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder may translate such interest using the rate of exchange on the date of receipt. The above election will apply to other obligations held by the U.S. Holder and may not be revoked without the consent of the IRS. Prior to making such an election, a U.S. Holder of Notes should consult his own tax adviser as to the consequences resulting from such an election with respect to his own particular situation.

A U.S. Holder will recognise exchange gain or loss (which will be treated as ordinary income or loss) with respect to accrued interest income on the date such income is received. The amount of ordinary income or loss recognised will equal the difference, if any, between the U.S. dollar value of the Foreign Currency payment received (determined on the date such payment is received) in respect of such accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above).

Purchase, Sale, Exchange and Retirement of Notes

A U.S. Holder who purchases a Note with previously owned Foreign Currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the Foreign Currency and the U.S. dollar fair market value of the Foreign Currency used to purchase the Note, determined on the date of purchase.

Generally, upon the sale, exchange or retirement of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and such U.S. Holder's adjusted tax basis in the Note. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held by such U.S. Holder for more than one year. To the extent the amount realised represents accrued but unpaid interest, however, such amounts must be taken into account as ordinary interest income, with exchange gain or loss computed as described in "— Payments of Interest In a Foreign Currency" above. If a U.S. Holder receives Foreign Currency on such a sale, exchange or retirement the amount realised will be based on the U.S. dollar value of the Foreign Currency on the date the payment is received or the instrument is disposed of (or deemed disposed of). A U.S. Holder's adjusted tax basis in a Note will equal the cost of the Note to such U.S. Holder, increased by the amounts of any OID previously included in income by the U.S. Holder with respect to such Note and reduced by any amortised acquisition or other premium and any principal payments received by the U.S. Holder. A U.S. Holder's tax basis in a Note, and the amount of any subsequent adjustments to such holder's tax

basis, will be the U.S. dollar value of the Foreign Currency amount paid for such Note, or of the Foreign Currency amount of the adjustment, determined on the date of such purchase or adjustment.

Gain or loss realised upon the sale, exchange or retirement of a Note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between the U.S. dollar value of the Foreign Currency principal amount of the Note, determined on the date such payment is received or the Note is disposed of, and the U.S. dollar value of the Foreign Currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Such Foreign Currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or retirement of the Note.

OID

In the case of a Discount Note, CPDI or Short-Term Note, (i) OID is determined in units of the Foreign Currency, (ii) accrued OID is translated into US dollars as described in "— Payments of Interest In a Foreign Currency — Accrual Method" above and (iii) the amount of Foreign Currency gain or loss on the accrued OID is determined by comparing the amount of income received attributable to the discount (either upon payment, maturity or an earlier disposition), as translated into US dollars at the rate of exchange on the date of such receipt, with the amount of OID accrued, as translated above.

Amortisable Bond Premium

Amortisable bond premium on a Note will be computed in the units of the Foreign Currency in which the Note is denominated (or in which the payments are determined). Amortisable bond premium properly taken into account will reduce the interest income in units of the Foreign Currency. Exchange gain or loss is realised with respect to the bond premium with respect to a Note issued with amortisable bond premium by treating the portion of premium amortised with respect to any period as a return of principal. With respect to any U.S. Holder that does not elect to amortise bond premium, the amount of bond premium will constitute a market loss when the bond matures.

Exchange of Foreign Currencies

A U.S. Holder will have a tax basis in any Foreign Currency received as interest or on the sale, exchange or retirement of a Note equal to the U.S. dollar value of such Foreign Currency, determined at the time the interest is received or at the time of the sale, exchange or retirement. Any gain or loss realised by a U.S. Holder on a sale or other disposition of Foreign Currency (including its exchange for US dollars or other use) will be ordinary income or loss.

Foreign Tax Credit

The total gross amount of interest, OID, plus any additional amounts (pursuant to Condition 7 of the "Terms and Conditions of the Notes") with respect thereto, will constitute interest income subject to U.S. federal income tax. This amount will be considered income from sources outside the United States.

The amount of foreign tax, if any, withheld on this gross amount will be considered to be a foreign income tax that may either be deducted when computing U.S. federal taxable income or, subject to limitations personal to the U.S. Holder, claimed as a credit against U.S. federal income tax liability. A U.S. Holder may be required to provide the IRS with a certified copy of the receipt evidencing payment of withholding tax imposed in respect of payments on a Note in order to claim a foreign tax credit in respect of such foreign withholding tax.

Potential purchasers of Notes should carefully consider the applicable Final Terms for information regarding the U.S. federal income tax consequences of payments by the Issuer of other taxes and of additional amounts.

Information Reporting and Backup Withholding

Payments of interest made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding, unless, the Noteholder (i) is a corporation or comes within certain other exempt categories listed below, and if required, demonstrates this fact, or (ii) in the case of backup withholding, provides certain information discussed below. For each calendar year in which the Notes are outstanding, each DTC participant or indirect participant holding an interest in a Note on behalf of a beneficial owner of a Note and each paying agent making payments in respect of a Registered Note will generally be required to provide the IRS with certain information, including such beneficial owner's name, address, taxpayer identification number (either such beneficial owner's Social Security number, its employer identification number or its IRS individual taxpayer identification number, as the case may be), and the aggregate amount of interest (including OID) and principal paid to such beneficial owner during the calendar year. These reporting requirements, however, do not apply with respect to certain beneficial owners, including corporations, securities broker-dealers, other financial institutions, tax-exempt organisations, qualified pension and profit sharing trusts and individual retirement accounts.

In the event that a U.S. beneficial owner of a Note fails to establish its exemption from such information reporting requirements or is subject to the reporting requirements described above and fails to supply its correct taxpayer identification number in the manner required by applicable law, or underreports its tax liability, as the case may be, the DTC participant or indirect participant holding such interest on behalf of such beneficial owner or paying agent making payments in respect of a Note may be required to "backup" withhold a tax on each payment of interest and principal with respect to Notes. This backup withholding tax is not an additional tax and may be credited against the beneficial owner's U.S. federal income tax liability if the required information is furnished to the IRS. Compliance with the certification procedures contained in IRS Forms W-8BEN, W-8ECI or W-8EXP as appropriate will establish an exemption from information reporting and backup withholding for those Non-U.S. Holders who are not otherwise exempt recipients.

ERISA CONSIDERATIONS

By its purchase of any Notes or Warrants issued under this Programme, the purchaser thereof will be deemed to have represented and warranted either that (i) it is not and will not be, and is not purchasing the Notes or Warrants, as applicable, with assets of, an employee benefit plan subject to ERISA or a Plan subject to Section 4975 of the Internal Revenue Code, as amended (the "**Code**"), or another employee benefit plan which is subject to any federal, state, local or foreign law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"), or (ii) its acquisition and holding of such Notes or Warrants, as applicable, do not and will not give rise to a non-exempt prohibited transaction described in Section 406 of ERISA or Section 4975 of the Code (or, in the case of such another plan, any Similar Law).

In addition to the foregoing, the acquisition, holding and transfer of each Series of Notes or Warrants issued under this Programme will also be subject to such restrictions, if any, as described in the Final Terms of any such issuance, which may prohibit or limit the acquisition, holding or transfer of such Notes or Warrants to employee benefit plans, as defined under ERISA (whether or not subject to ERISA) or Plans subject to Section 4975 of the Code.

DISCLAIMERS

Notes or Warrants issued by the Issuer are not sponsored, endorsed, sold or promoted by any index sponsor or the affiliates of any such index sponsor (collectively, the "**Publisher**"). The Publisher shall not be liable (whether as a result of negligence or otherwise) to any person for any error in the relevant index and the Publisher is under no obligation to advise any person of any error therein. The Publisher does not make any representation or warranty, express or implied, to the prospective investors or any member of the public regarding the advisability of investing in securities generally or in the Notes or Warrants particularly.

The Issuer shall have no liability to the Holders of the Notes or Warrants for any act or failure to act by any index sponsor in connection with the calculation, adjustment or maintenance of any index relating to the Notes or Warrants. The Issuer has no affiliation with or control over any index or any index sponsor or any control over the computation, composition or dissemination of any index. The only relationship the Publisher has with the Issuer is as licensee (the "**Licensee**") regarding the licensing of certain trademarks and trade names of the Publisher and of the relevant index which is determined, composed and calculated without regard to the Licensee or the Notes or Warrants. The Publisher is not responsible for and neither has participated in the determination of the timing of, prices at, or quantities of the Notes or Warrants to be offered or issued or in the determination or calculation of the equation by which the Notes or Warrants to be offered or issued are to be converted into cash or otherwise disposed of. The Publisher does not have any obligation or liability in connection with the administration, marketing or trading of the Notes or Warrants to be offered or issued.

Although the Issuer will obtain information concerning various indices from publicly available sources it believes reliable, it will not independently verify this information.

The provisions of this section are without prejudice to the responsibilities assumed by the Issuer in this Base Prospectus.

The relevant index disclaimer relating to each index to which any Notes or Warrants are linked (which may be substantially in one of the forms set out in "Part E - Index-Linked Notes - Index Disclaimers") shall be reproduced in full in the relevant Final Terms for such issue.

GENERAL INFORMATION

1. The continuation of the Programme and the issue of Notes and Warrants under the Programme have been duly authorised by and pursuant to resolutions of the board of directors of the Issuer dated 21 July 2006.
2. The Notes and Warrants have been accepted for clearance through Euroclear and Clearstream, Luxembourg and DTC. The appropriate common code and the International Securities Identification Number in relation to the Notes and Warrants of each Series will be set out in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system which shall have accepted the relevant Notes or Warrants (as the case may be) for clearance together with any further appropriate information. The address of Euroclear Bank S.A./N.V. is 1 Boulevard du Roi Albert II, 1120 Brussels, Belgium. The address of Clearstream Banking, société anonyme is 42 Avenue JF Kennedy, L-1855 Luxembourg.
3. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Principal Paying Agent or, as the case may be, the Registrar or Principal Warrant Agent in relation to each Tranche of Notes or Warrants.
4. In the case of unlisted notes, Definitive Notes may not in all circumstances be printed from engraved steel plates. If they are not to be so printed, a statement to that effect will be made in the relevant Final Terms.
5. In relation to the Issuer, any transfer of, or payment in respect of, a Note, Warrant or Coupon involving the government of any country which is at the relevant time the subject of United Nations sanctions, any person or body resident in, incorporated in or constituted under the laws of any such country or exercising public functions in any such country, or any person or body controlled by any of the foregoing or by any person acting on behalf of the foregoing, may be subject to restrictions pursuant to such sanctions.
6. The Issuer will, at its registered office and at the specified offices of the Paying Agents and Warrant Agents, make available for inspection during normal office hours, free of charge, upon oral or written request, a copy of this Base Prospectus and any document incorporated by references in this Base Prospectus. Written or oral requests for such documents should be directed to the specified office of any Paying Agent or Warrant Agent.
7. For so long as Notes or Warrants are capable of being issued under the Programme, the following documents may be inspected during normal business hours at the registered office of the Issuer:
 - (a) the Master Note Issuance Agreement, the Issuing and Paying Agency Agreement (including the scheduled forms of the Notes) and the Deed of Covenant;
 - (b) the Master Warrant Issuance Agreement and the Warrant Agency Agreement (to which is scheduled the form of Global Warrant);
 - (c) any Final Terms, save that Final Terms relating to an Unlisted Note or a Series of Warrants that is not listed will only be available for inspection by a holder of such Note or Warrant and such holder must provide evidence satisfactory to the Issuer as to the identity of such holder; and
 - (d) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

8. Any instrument effecting or evidencing the transfer of a Warrant and executed in the United Kingdom will be inadmissible as evidence in United Kingdom civil proceedings unless duly stamped. An instrument of transfer executed outside the United Kingdom may also be inadmissible in United Kingdom civil proceedings unless duly stamped after it has been first received in the United Kingdom.
9. In relation to Notes and Warrants admitted to listing on the Official List of the UK Listing Authority only, all notices to Noteholders or Warrantholders as appropriate, will be valid (i) if published, in the case of Bearer Notes and Coupons, in one leading daily newspaper with circulation in London (which is expected to be the *Financial Times*), or if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe, (ii) in the case of Registered Notes, if mailed to their registered address (as advised by the Registrar) or to that of the first named of them in the case of joint Holders; and (iii) *provided that* the rules of the relevant stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation have been complied with. In relation to unlisted Notes, all notices to Noteholders will be valid if delivered to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or depositary for communication by them to the persons shown in their respective records.

PART B - INFORMATION RELATING TO THE NOTES GENERALLY

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions applicable to the Notes of each Series, which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms, will be incorporated by reference into each Note in global form and which will be endorsed on the Definitive Notes (if any) issued in exchange for Notes in global form representing each Tranche, details of the relevant Tranche being as set out in the relevant Final Terms. The Final Terms in relation to any Tranche may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace or modify the following terms and conditions for the purpose of such Tranche.

The Notes are issued by HSBC Bank plc (the "**Issuer**") pursuant to a programme for the issuance of notes (the "**Programme**") established by the Issuer, are constituted by, and have the benefit of, a deed of covenant (the "**Deed of Covenant**") dated 2 August 2006. The Notes also have the benefit of a master note issuance agreement dated 24 February 1999 as modified, supplemented and/or restated on 25 February 2000, 29 March 2001, 18 June 2002, 1 August 2005, 29 June 2006 and 2 August 2006 (as further modified and/or amended from time to time, the "**Master Note Issuance Agreement**") and made between the Issuer and HSBC Bank plc as dealer (the "**Dealer**", which expression shall include any successor Dealer specified in the relevant Final Terms) and an issuing and paying agency agreement dated 24 February 1999 as modified, supplemented and/or restated on 25 February 2000, 29 March 2001, 18 June 2002, 1 August 2005, 29 June 2006 and 2 August 2006 (as further modified and/or amended from time to time, the "**Issuing and Paying Agency Agreement**") and made between the Issuer, HSBC Bank plc and HSBC France as calculation agents (HSBC Bank plc or, as the case may be, HSBC France being the "**Calculation Agent**" with respect to the Notes if so specified in the relevant Final Terms, which expression includes any successor or other Calculation Agent specified in the relevant Final Terms or appointed pursuant to the Issuing and Paying Agency Agreement), HSBC Bank plc or HSBC Bank USA, N.A. as transfer agent (HSBC Bank plc or, as the case may be, HSBC Bank USA, N.A. being the "**Transfer Agent**", which expression shall include any additional or successor or other Transfer Agent specified in the relevant Final Terms or appointed pursuant to the Issuing and Paying Agency Agreement), HSBC Bank plc as the principal paying agent (the "**Principal Paying Agent**", which expression shall include any additional or successor or other Principal Paying Agent specified in the relevant Final Terms or appointed pursuant to the Issuing and Paying Agency Agreement, and together with any additional paying agent specified in the relevant Final Terms or appointed pursuant to the Issuing and Paying Agency Agreement, the "**Paying Agents**"), HSBC Bank plc as issue agent (the "**Issue Agent**", which expression shall include any additional or successor or other Issue Agent specified in the relevant Final Terms or appointed pursuant to the Issuing and Paying Agency Agreement) and HSBC Bank plc or HSBC Bank USA, N.A. as registrar (HSBC Bank plc or, as the case may be, HSBC Bank USA, N.A. being the "**Registrar**", which expression shall include any additional or successor or other Registrar specified in the relevant Final Terms or appointed pursuant to the Issuing and Paying Agency Agreement).

All Notes will be issued in series (each, a "**Series**") and each Series may comprise one or more tranches (each, a "**Tranche**") of Notes issued on different issue dates. Each Tranche will be the subject of final terms ("**Final Terms**"), a copy of which will be attached to or endorsed on or incorporated by reference in each Note of such Tranche. Other than the issue date, the issue price and the date for the first payment of interest, the Notes of each Series will have identical terms and conditions save that a Series may comprise Bearer Notes and Registered Notes and Notes in more than one denomination.

The Notes of each Tranche will have identical terms and conditions save that a Tranche may comprise Bearer Notes and Registered Notes and may comprise of Notes of different denominations.

Copies of the Master Note Issuance Agreement, the Issuing and Paying Agency Agreement and the Deed of Covenant are available for inspection by Holders (as defined below) of Notes, and copies of the relevant Final Terms, the Base Prospectus and any supplemental prospectus may be obtained in each case during normal business hours at the specified office of the Issuer and of the Paying Agent in London. The Holders (as defined below) for the time being of Notes (the "**Noteholders**", which expression shall, in the case of Bearer Notes, include reference to the Holders of the Coupons appertaining thereto) and of any coupons (the "**Coupons**") or talons (the "**Talons**") (the "**Couponholders**") are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Master Note Issuance Agreement and the relevant Final Terms which are applicable to them.

Words and expressions defined in the Master Note Issuance Agreement or the Issuing and Paying Agency Agreement or used in the relevant Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between any of the Master Note Issuance Agreement, the Issuing and Paying Agency Agreement and the relevant Final Terms, the relevant Final Terms will prevail.

1. **Form, Denomination and Title**

(a) *Form*

Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") as set out in the relevant Final Terms. Bearer Notes issued in definitive form are referred to as "**Definitive Notes**". Definitive Notes will be serially numbered. In the case of Registered Notes, a certificate will be issued to each Noteholder in respect of its registered holding. Each such certificate will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") maintained by the Registrar in respect of the Registered Notes. No single Tranche or Series of Notes offered in reliance on Rule 144A may include Bearer Notes.

Interest-bearing Definitive Notes will, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery Coupons, presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below. Interest-bearing Definitive Notes will also, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery, a Talon for further coupons and the expression "**Coupons**" shall, where the context so permits, include Talons.

Notes the principal amount of which is repayable by instalments ("**Instalment Notes**") which are Definitive Notes will have endorsed thereon a grid for recording the repayment of principal or will, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the instalments of principal.

Notes may be issued on a partly paid basis ("**Partly Paid Notes**") if so specified in the relevant Final Terms and any further or alternative terms applicable thereto shall be as set out in the relevant Final Terms.

(b) *Denomination*

Subject to Condition 9, Bearer Notes will be in the denomination(s) set out in the relevant Final Terms. Bearer Notes of one denomination will not be exchangeable after their initial delivery

for Notes of any other denomination. Registered Notes will be in the denomination(s) and multiples set out in the relevant Final Terms.

(c) *Title*

Title to Registered Notes passes by registration in the Register. References herein to the "**Holders**" of Bearer Notes or of Coupons are to the bearers of such Bearer Notes or such Coupons and references herein to the "**Holders**" of Registered Notes are to the persons in whose names such Registered Notes are so registered in the Register.

Subject as set out below, title to Bearer Notes will pass by delivery. To the extent permitted by law, the Issuer, the Principal Paying Agent, any other Paying Agents and the Registrar may deem and treat the Holder of any Bearer Note or of any Coupon and the person in whose name any Registered Note is registered (and, if more than one, the first named thereof) as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for the purpose of receiving payment on account thereof and for all other purposes.

(d) *Regulations concerning transfer and registration of Registered Notes*

All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations (the "**Regulations**") concerning exchange and transfer of Registered Notes scheduled to the Issuing and Paying Agency Agreement. The Regulations may be amended, supplemented or replaced by the Issuer with the prior written approval of the Registrar but without the consent of the Holders of any Notes. A copy of the current Regulations are available for inspection during usual business hours at the specified office of the Registrar and the Transfer Agents.

(e) *Rule 144A Legend*

Upon the transfer, exchange or replacement of Registered Notes bearing the private placement legend (the "**Rule 144A Legend**") for the purpose of Rule 144A under the Securities Act set forth in the form of Registered Note, the Registrar shall deliver only Registered Notes that also bear such legend unless there is delivered to the Issuer and to the Registrar such satisfactory evidence, which may include an opinion, reasonably satisfactory to the Issuer, of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States, that neither the Rule 144A Legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such Registered Notes are not "restricted securities" within the meaning of Rule 144 under the Securities Act.

(f) *Bearer Notes issued in reliance on TEFRA D*

Bearer Notes, and their Coupons, issued in reliance on TEFRA D will bear the following legend "Any United States person who holds this obligation will be subject to the limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

2. **Status**

The Notes are direct, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and, at their date of issue, (save for certain obligations required to be preferred by law) with all other unsecured and unsubordinated

obligations (other than subordinated obligations, if any) of the Issuer for the time being outstanding.

3. **Interest on Fixed Rate Notes**

Notes bearing interest at a fixed rate (each a "**Fixed Rate Note**") will bear interest on the principal amount (or, in the case of Partly Paid Notes, the principal amount paid up in respect thereof) of each Note as at its date of issue (less, in the case of any Instalment Note, any principal amount on which interest shall have ceased to accrue in accordance with the following paragraph) at the applicable fixed rate or rates per annum specified in the relevant Final Terms as the rates of interest (each a "**Rate of Interest**") from the date specified in the relevant Final Terms as the interest commencement date (the "**Interest Commencement Date**"). Interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms (each a "**Fixed Interest Payment Date**") and on the Maturity Date (as defined in Condition 6(a)). The first payment of interest will be made on the first Fixed Interest Payment Date following the Interest Commencement Date.

Interest will cease to accrue on each Fixed Rate Note on the due date for redemption thereof (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount, as defined in Condition 6) unless, upon due presentation thereof or, in the case of a Registered Note, upon such due date, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue (as well after as before any judgment) up to and including the date on which, in the case of a Bearer Note, upon further presentation thereof, payment in full of the principal amount due in respect of such Fixed Rate Note is made or (if earlier) the date upon which notice is duly given to the Holder of such Fixed Rate Note that sufficient funds for payment of the principal amount due in respect of it, together with accrued interest, have been received by the Principal Paying Agent or, in the case of a Registered Note, the date on which payment in full is made.

In respect of Fixed Rate Notes, the basis on which interest is calculated is as set out in the relevant Final Terms.

4. **Interest on Floating Rate Notes**

(a) *Accrual of Interest*

Notes bearing interest at a floating rate (each a "**Floating Rate Note**") bear interest on the principal amount (or, in the case of Partly Paid Notes, the principal amount paid up in respect thereof) of each Note as at its date of issue (less, in the case of any Instalment Note, any principal amount on which interest shall have ceased to accrue in accordance with the following paragraph) from the Interest Commencement Date specified in the relevant Final Terms.

Interest will cease to accrue on each Floating Rate Note on the due date for redemption thereof (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless, upon due presentation thereof or, in the case of a Registered Note, upon such due date, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue (as well after as before any judgment) up to and including the date on which, in the case of a Bearer Note, upon further presentation thereof, payment in full of the principal amount due in respect of such Note is made or (if earlier) the date upon which notice is duly given to the Holder of such Note that sufficient funds for payment of the principal amount due in respect of it, together with accrued interest, have

been received by the Principal Paying Agent or, in the case of a Registered Note, the date on which payment in full is made.

In respect of Floating Rate Notes, the basis on which interest is calculated is as set out in the relevant Final Terms.

(b) *Interest Payment Dates and Interest Periods*

Interest on each Floating Rate Note will be payable in arrear on such dates as are specified in the relevant Final Terms for such purpose and on the due date for redemption of such Note (each, an "**Interest Payment Date**") provided that, unless otherwise set out in the relevant Final Terms, if any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next Business Day unless it would thereby fall in the next calendar month, in which event the Interest Payment Date shall be the immediately preceding Business Day. The first payment of interest will be made on the first Interest Payment Date following the Interest Commencement Date.

The period from (and including) the Interest Commencement Date up to (but excluding) the first Interest Payment Date and each period thereafter from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date is referred to herein as an "**Interest Period**" and the expression "**Business Day**", as used in this Condition 4, shall mean a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place(s) specified for this purpose in the relevant Final Terms and, in the case of Notes denominated in, or in respect of which interest is payable in, (i) euro, a day which is a Euro Business Day (as defined in Condition 9) or (ii) any other currency, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres of the country of such currency (or where such currency is a National Currency Unit (as defined in Condition 10(i)) and the Notes have been redenominated into euro pursuant to Condition 9, the former principal financial centres or centres).

(c) *Rate of Interest*

The rate at which Floating Rate Notes will bear interest (the "**Rate of Interest**") shall be determined by the Calculation Agent, in its sole and absolute discretion, on the basis of the following provisions:

- (i) the Rate of Interest in respect of an Interest Period shall, subject as provided below, be the Relevant Rate of the Benchmark (as defined below) (where such Relevant Rate is a composite quotation or interest rate per annum or is customarily supplied by one entity) or the arithmetic mean rounded upwards, if necessary, to the nearest 0.00001 per cent. of the Relevant Rates of the Benchmark for the Interest Period which appear on the appropriate page of the Reuters Screen, Telerate (as defined below) or such other information vending service as may be set out in the relevant Final Terms (the "**Relevant Screen Page**") as at 11.00 a.m. (London time) or such other time as may be specified in the relevant Final Terms on the Interest Determination Date (as defined below) plus or minus (as appropriate) the percentage rate per annum (if any) over or under the Relevant Rate or, as the case may be, the arithmetic mean of the Relevant Rates of the Benchmark by which the Rate of Interest is to be determined as set out in

the relevant Final Terms (the "**Margin**"), all as determined by the Calculation Agent in its sole and absolute discretion;

- (ii) if the Reuters Screen, Telerate or such other information vending service as may be set out in the relevant Final Terms does not contain an appropriate page in respect of the Specified Currency (as defined in Condition 19), or if fewer than two of the Relevant Rates appear at such time (other than where such Relevant Rate is a composite quotation or rate or is customarily supplied by one entity), or if the rates which appear as at such time do not apply to a period of a duration equal to the relevant Interest Period, the Rate of Interest for such Interest Period shall be the Fallback Rate as set out in (iii) below plus or minus, as applicable, the applicable margin;
- (iii) to determine the "**Fallback Rate**" the circumstances set out in (ii) above, the Calculation Agent will:

(A) where the specified currency is euro:

- (1) request the principal Euro-zone office of each of five major banks in the Euro-zone interbank market to provide a quotation of the rate at which deposits in euro are offered by it at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date to prime banks in the Euro-zone interbank market for a period equal to the relevant Interest Period in an amount that is representative for a single transaction in that market at that time; and
- (2) discard the highest and lowest quotation and determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such remaining quotations. If fewer than three such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Euro-zone interbank market, selected by the Calculation Agent, at approximately 11.00 a.m. (Brussels time) on the first day of the relevant Interest Period for loans in euro to leading Euro-zone banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at the time.

(B) in any other case:

- (1) request appropriate quotations and will determine the arithmetic mean of the rate at which deposits in the specified currency are offered by three major banks (or, if fewer than three rates are so quoted, two major banks, or, if fewer than two rates are quoted, one major bank) in the London interbank market, selected by the Calculation Agent, at approximately 11.00 a.m. London time on the Interest Determination Date in respect of the relevant Interest Period to prime banks in the London interbank market for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time.

- (iv) if ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
 - (A) The Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (B) The Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
 - (C) The relevant Reset Date (as defined in the ISDA Definitions) is either (1) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (2) in any other case, as specified in the relevant Final Terms.
- (v) In this Condition 4(c) and in Condition 4(d) below only:
 - (A) the "**Benchmark**" means LIBOR or such other benchmark as may be set out in the relevant Final Terms;
 - (B) "**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in the relevant Final Terms and:
 - (1) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (AA) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (BB) where the Calculation Period is longer than one Regular Period, the sum of:
 - (i) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

for this purpose, "**Regular Period**" means each period from and including a Regular Date falling in any year to but excluding the next

Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls;

- (2) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360; and
 - (3) if "**30/360**" is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (C) "**Relevant Rate**" means:
- (1) an offered rate in the case of a Note the Benchmark for which relates to an offered rate; or
 - (2) a bid rate in the case of a Note the Benchmark for which relates to a bid rate; or
 - (3) the mean of an offered and bid rate in the case of a Note the Benchmark for which relates to the mean of an offered and bid rate, as set out in the relevant Final Terms;
- (D) the expression "**Interest Determination Date**" means the day determined by the Calculation Agent, in its sole and absolute discretion, to be customary for fixing the Benchmark rate applicable to deposits in the relevant currency for the relevant Interest Period; provided that where so specified in the relevant Final Terms, such day shall be a day (i) if such currency is euro, which is a Euro Business Day (as defined in Condition 9), and (ii) if such currency is any other currency, on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres of the country of such currency (or where such currency is a National Currency Unit (as defined in Condition 10(i)) and the Notes have been redenominated into euro pursuant to Condition 9, the former principal financial centres or centres); and
- (E) the expression "the appropriate page of the Reuters Screen, Telerate" means such page, whatever its designation, on which the Benchmark rates for deposits in the relevant currency of prime banks are for the time being displayed on the Reuters Money 3000 Service or the Moneyline Telerate Service (or on such other page as may replace such page on the relevant service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates for deposits in the relevant currency).

(d) *Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) or such other time as may be set out in the relevant Final Terms on each Interest Determination Date, determine, in its sole and absolute discretion, the Rate of Interest and calculate the amount of interest payable in respect of each denomination of the relevant Floating Rate Notes (the "**Interest Amount**") for the relevant Interest Period.

The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount (or, in the case of a Partly Paid Note, the principal amount paid up in respect thereof) of the relevant Note of each denomination, multiplying the product by the Day Count Fraction set out in the relevant Final Terms and rounding the resulting figure to the nearest applicable sub-unit of the currency in which such Note is denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards).

(e) *Notification of Rate of Interest and Interest Amount*

The Calculation Agent will cause the Rate of Interest, the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Principal Paying Agent, and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and, for as long as any of such Notes are represented by a Global Note, Euroclear and/or Clearstream, Luxembourg and/or such other clearing system or depository as may be set out in the relevant Final Terms as soon as possible after the determination thereof but in any event no later than the fourth Business Day thereafter. In respect of Floating Rate Notes which are Definitive Notes, the Calculation Agent will give notice to the Noteholders of the Rate of Interest, the Interest Amount and the relevant Interest Payment Date in accordance with the provisions of Condition 14. The Interest Amount and the Interest Payment Date so notified in respect of any Notes may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the relevant Interest Period. Any such amendment will be promptly notified to each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation.

(f) *Certificates, etc. to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purpose of the provisions of this Condition 4 shall (in the absence of manifest error) be binding on the Issuer, the Paying Agents, (where appropriate) the Registrar and the Noteholders. No Holder of Notes or of Coupons appertaining thereto shall be entitled to proceed against the Calculation Agent, the Paying Agents, the Registrar or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder.

5. **Variable Coupon Amount Notes and Zero Coupon Notes**

In the case of Notes which bear interest at a variable rate or rates ("**Variable Coupon Amount Notes**"), the dates on which interest shall be payable and the method of calculation of the interest payable on each such date shall be as set out in the relevant Final Terms.

If any amount in respect of any Note which is non-interest bearing (a "**Zero Coupon Note**") is not paid when due, interest shall accrue on the overdue amount at a rate determined in accordance with the provisions of the relevant Final Terms.

6. **Redemption and Purchase**

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled, and subject as otherwise set out in the relevant Final Terms, each Note will be redeemed by the Issuer at an amount (the "**Final Redemption Amount**") as determined by the Issuer in its sole and absolute discretion and as calculated in accordance with the formula or other means specified in the relevant Final Terms, where applicable, in the relevant Specified Currency (as defined in Condition 19) on the date specified in the relevant Final Terms as the scheduled date on which such Note is to be redeemed (the "**Maturity Date**") (or, in the case of Instalment Notes, in such number of instalments and in such amounts ("**Instalment Amounts**") as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms) and, in the case of Equity-Linked Notes in respect of which the relevant Option has been exercised, in accordance with the provisions set out in the relevant Final Terms.

(b) *Redemption for Taxation Reasons*

If the Issuer satisfies the Principal Paying Agent immediately prior to the giving of the notice referred to below that, in respect of a Series of Notes:

- (i) on a subsequent date for the payment of interest on such Series of Notes the Issuer would be required to pay any additional amounts in accordance with the provisions of Condition 7; or
- (ii) if the Issuer were to seek to redeem such Notes (for which purpose no regard shall be had to whether or not the Issuer would otherwise be entitled to redeem such Notes), the Issuer would (notwithstanding its having made such endeavours as the Principal Paying Agent shall determine, in its sole and absolute discretion, to be reasonable) be required to pay any additional amounts in accordance with the provisions of Condition 7;

the Issuer may, having given not less than 30 nor more than 45 days' notice (ending, in the case of Floating Rate Notes, on an Interest Payment Date) to the Noteholders in respect of such Series of Notes, redeem all, but not some only, of such Notes, at their Early Redemption Amount as determined by the Issuer in its sole and absolute discretion and calculated in accordance with the formula or other means specified in the relevant Final Terms together with interest accrued and unpaid, if any, to the date fixed for redemption provided that no such notice of redemption shall be given earlier than 90 days (or in the case of Floating Rate Notes or Variable Coupon Amount Notes a number of days which is equal to the lesser of the aggregate of the number of days in the then current Interest Period plus 60 days and 90 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

The Issuer may exercise such option in respect of any Note notwithstanding the prior exercise by the Holder thereof or the Issuer of their respective options to require the redemption of such Note under paragraph (d) and (c) respectively, below, if the due date for redemption under this paragraph (b) would occur prior to that under paragraph (d) and (c), respectively, but not

otherwise and, in such circumstances, the exercise of the option under paragraph (d) and (c), respectively shall be rendered ineffective.

Subject only to the obligation of the Issuer to use such endeavours as aforesaid, it shall be sufficient to establish the circumstances required to be established pursuant to this Condition 6(b) if the Issuer shall deliver to the Principal Paying Agent a certificate of an independent legal adviser or accountant satisfactory to the Principal Paying Agent to the effect either that such a circumstance does exist or that, upon a change in or amendment to the laws (including any regulations pursuant thereto), or in the interpretation or administration thereof, the United Kingdom, which at the date of such certificate is proposed and in the opinion of such legal adviser or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal or interest in respect of the Notes would otherwise be made, becoming so effective, such circumstances would exist.

(c) *Redemption at the Option of the Issuer*

Where the Notes are specified in the relevant Final Terms as being redeemable at the option of the Issuer, the Issuer may at any time (in the case of Fixed Rate Notes or Zero Coupon Notes), on any Interest Payment Date (in the case of Floating Rate Notes or Variable Coupon Amount Notes) or otherwise as set out in the relevant Final Terms, having given not less than 5 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount as determined by the Issuer in its sole and absolute discretion and as calculated in accordance with the formula or other means specified in the relevant Final Terms, together with interest accrued but unpaid thereon to the date fixed for redemption.

Where a Minimum Redemption Amount and/or a Maximum Redemption Amount is specified in the relevant Final Terms the Optional Redemption Amount shall not be less than the Minimum Redemption Amount and shall not be more than the Maximum Redemption Amount.

If the Notes of a Series are to be redeemed in part only on any date in accordance with this paragraph (c):

- (i) in the case of Bearer Notes (other than a Note which is a temporary global Note or a permanent global Note), the Notes to be redeemed shall be drawn by lot in such European city as the Principal Paying Agent may specify, or identified in such other manner or in such other place as the Principal Paying Agent may approve and deem appropriate and fair, subject to the rules and procedures of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") (such redemption to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion); and
- (ii) in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, provided always that the amount redeemed in respect of each Note shall be equal to the minimum denomination thereof or an appropriate multiple thereof,

subject always to compliance with all applicable laws and the requirements of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation.

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Condition 13 which shall apply as in the case of a transfer of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

(d) *Redemption at the Option of the Noteholder*

Where the Notes are specified in the relevant Final Terms as being redeemable at the option of Noteholders, then where a Noteholder has given:

- (i) not less than 15 nor more than 30 days' notice to the Issuer in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Issue Agent,

(which notices shall be irrevocable), the Issuer shall, following receipt of such notice from the Noteholder and confirmation from the Issue Agent that it has been duly notified, redeem, subject to any terms specified in the relevant Final Terms, so many of the Notes in respect of which such Noteholder has exercised such option as are outstanding on the Optional Redemption Date and at the Optional Redemption Amount as determined by the Issuer in its sole and absolute discretion as calculated in accordance with the formula or other means specified in the relevant Final Terms, together with interest accrued but unpaid thereon to the date fixed for redemption.

Where a Minimum Redemption Amount and/or a Maximum Redemption Amount is specified in the relevant Final Terms, the Optional Redemption Amount shall not be less than the Minimum Redemption Amount and shall not be more than the Maximum Redemption Amount.

In order for any such notice given by a Noteholder to be effective, the Noteholder shall, on or prior to the date on which such notice is given, deposit the Note or Notes in respect of which such notice is given (together, in the case of an interest-bearing Definitive Note, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Note, any Paying Agent, or, in the case of a Registered Note, the Registrar together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar. The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under Condition 6(b) or (c).

(e) *Purchases*

Each of the Issuer and any person directly or indirectly connected with the Issuer may at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer cancelled.

(f) *Cancellation*

All Notes which are redeemed pursuant to paragraph (a), (b), (c) or (d) of this Condition 6 shall, and the all Notes purchased pursuant to paragraph (e) of this Condition 6 may, at the option of the Issuer, be cancelled forthwith (together with, in the case of Definitive Notes, all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). All Notes redeemed or purchased and cancelled as aforesaid may not be re-issued or resold.

(g) *Zero Coupon Notes*

Where Zero Coupon Notes are redeemed by the Issuer prior to the Maturity Date, they shall be redeemed at a redemption amount determined in accordance with the provisions set out in the relevant Final Terms.

(h) *Force Majeure*

The Issuer shall have the right to terminate its obligations under the Notes, if the Calculation Agent shall have determined in its absolute discretion, that the performance of such obligations shall have become impracticable in whole or in part, in particular as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. In such circumstances the Notes shall be redeemable at the option of the Issuer in accordance with Condition 6(c).

(i) *Other Redemption Provisions*

The relevant Final Terms may provide for other circumstances in which Notes may or shall be redeemed, the amount payable on such redemption in respect of principal only, principal and interest or interest only and whether or not Notes so redeemed shall or may be cancelled pursuant to paragraph (f) of this Condition 6.

7. Taxation

Except as otherwise set out in the relevant Final Terms, all payments by the Issuer of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature, present or future, as are imposed or levied by or on behalf of the United Kingdom unless the Issuer is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges.

In the event that the Issuer is so required by law to withhold or deduct, it will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders or Couponholders, as the case may be, after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes and/or, as the case may be, Coupons, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) to, or to a third party on behalf of, a Holder of a Note or Coupon who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom or any other relevant jurisdiction, other than the mere holding of such Note or Coupon; or
- (b) unless it is proved, in the case of Bearer Notes, to the satisfaction of the Principal Paying Agent or the Paying Agent to whom the same is presented, or, in the case of Registered Notes, to the satisfaction of the Registrar, that the Holder is unable to avoid such withholding or deduction by satisfying any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to the relevant tax authorities or by notifying (and/or presenting evidence of such notification

- to) any tax authorities of such payment of principal or interest or by presenting the relevant Note or Coupon at the specified office of another Paying Agent; or
- (c) more than 30 days after the Relevant Date (defined below) except, in the case of Bearer Notes, to the extent that the Holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
 - (d) in the case of Registered Notes, unless it is proved to the satisfaction of the Registrar that the Holder, immediately upon becoming the Holder, (i) was eligible for the benefits of a tax treaty with the United Kingdom or any other relevant jurisdiction that provides for a complete exemption from withholding taxes on payments under the Notes, or (ii) was otherwise entitled to a complete exemption from withholding taxes on payments under the Notes; or
 - (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (f) to, or to a third party on behalf of, a Holder who is not the sole beneficial owner of the Note or any Coupon, or a portion of either, or that is a fiduciary or partnership, but only to the extent that a beneficiary or settlor with respect to the fiduciary, a beneficial owner or member of the partnership would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment.

As used herein, the "**Relevant Date**" means the date on which such payment first becomes due but, in the case of Bearer Notes, if the full amount of the money payable has not been received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given to the relevant Holders in accordance with Condition 14.

Any reference in these Conditions to principal or interest or both in respect of the relevant Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable under this Condition 7;
- (ii) the principal amount payable on the relevant Notes on the Maturity Date;
- (iii) the principal amount payable on redemption of the relevant Notes prior to such Maturity Date; and
- (iv) any premium and any other amounts which may be payable under or in respect of the relevant Notes.

8. Payments

(a) *Bearer Notes*

Payments of principal and interest (if any) in respect of Bearer Notes will (subject as provided below) be made against presentation and (save in the case of partial payment or payment of an Instalment Amount (other than the final Instalment Amount)) surrender of the relevant Note or, in the case of payments of interest, surrender of the relevant Coupon at the specified office of any Paying Agent outside the United States (subject to the next paragraph). No payments on Bearer Notes will be made by mail to an address in the United States or by transfer to an account maintained by the holder in the United States.

Payments of amounts due in respect of interest on Bearer Notes and exchanges of Talons for Coupon sheets will not be made at the specified office of any Paying Agent in the United States or its possessions (as defined in the U.S. Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Notes when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law, in which case the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

If the due date for payment of any amount due in respect of any Bearer Note is not both a Relevant Financial Centre Day and a local banking day (each as defined below), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Conditions 3, 4 or 5, as appropriate.

Payment of Instalment Amounts (other than the final Instalment Amount) in respect of an Instalment Note which is a Definitive Note with Receipts will be made against presentation of the Note together with the relevant Receipt and surrender of such Receipt.

The Receipts are not and shall not in any circumstances be deemed to be documents of title and if separated from the Note to which they appertain will not represent any obligation of the Issuer. Accordingly, the presentation of a Note without the relative Receipt or the presentation of a Receipt without the Note to which it appertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.

Upon the due date for redemption of any Definitive Note other than a Fixed Rate Note all unmatured Coupons and Talons (if any) relating to such Definitive Note (whether or not attached) shall become void and no payment shall be made in respect of them.

Definitive Notes which are Fixed Rate Notes should be presented for payment with all unmatured Coupons appertaining thereto, failing which the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, that portion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Any amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon within a period of ten years from the Relevant Date (as defined in Condition 7) for the payment of such principal, whether or not such Coupon has become void pursuant to

Condition 12 or, if later, five years from the date on which such Coupon would have become due.

Notwithstanding the above, if any Definitive Notes should be issued with a Maturity Date and an interest rate or rates such that, on the presentation for payment of any such Definitive Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required to be deducted would be greater than the amount otherwise due for payment, then, upon the due date for redemption, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that the amount required to be deducted would not be greater than the amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Note to become void, the relevant Paying Agent shall, in its sole and absolute discretion, determine which unmatured Coupons are to become void, and shall select, in its sole and absolute discretion, for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

Upon any Definitive Notes becoming due and repayable prior to their Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

In relation to Definitive Notes initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside the United States (save as provided above) in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 12 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

If (otherwise than by reason of the application of the above) the due date for redemption of any Bearer Note is not the due date for the payment of a Coupon appertaining thereto, interest accrued in respect of such Note from (and including) the last preceding due date for the payment of a Coupon (or from the Issue Date or the Interest Commencement Date, as the case may be) will be paid only against surrender of such Bearer Note and all unmatured Coupons appertaining thereto.

(b) *Registered Notes*

Payment of the amount due on final redemption (the "**Redemption Amount**") in respect of Registered Notes will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Note Certificate at the specified office of the Registrar or of the Transfer Agent. If the due date for payment of the Redemption Amount of any Registered Note is not both a Relevant Financial Centre Day and a local banking day (each as defined below), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 3, 4, or 5, as appropriate.

Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be paid to the Holder thereof (or, in the case of

joint Holders, the first-named) as appearing in the Register at the close of business (local time in the place of the specified office of the Registrar) on the fifteenth day prior to the due date for such payment (the "**Record Date**").

Payment will be made in the currency in which such amount is due either by cheque posted to the Noteholder's registered address (or, in the case of joint Holders, the first-named) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar or to the Transfer Agent and the Registrar or, as the case may be, the Transfer Agent has acknowledged such application for payment to be made to a designated account denominated in the relevant Specified Currency (as defined in Condition 19), in each case as specified in paragraph (c) below.

(c) *General Provisions*

The following provisions apply to both Bearer Notes and Registered Notes. Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the relevant Specified Currency (as defined in Condition 19) either by cheque or, at the option of the payee, by transfer to an account in the relevant Specified Currency specified by the payee other than, for payments in respect of Bearer Notes, any such account in the United States.

Payments and deliveries will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

For the purposes of these Conditions:

- (i) "**Relevant Financial Centre Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres for the currency in which payment falls to be made (or, where such currency is a National Currency Unit (as defined in Condition 10(i)) and the Notes have been redenominated into euro pursuant to Condition 9, the former principal financial centres or centres) and in any other place set out in the Final Terms. In the case of payments which fall to be made in euro (save for payments in relation to Notes which have been redenominated into euro pursuant to Condition 9), a Euro Business Day;
- (ii) "**local banking day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Principal Paying Agent, the Paying Agent, or the Registrar or the Transfer Agent to which the relevant Note or Coupon is presented for payment is located; and
- (iii) "**ISDA Definitions**" means the 2000 ISDA Definitions (as amended and supplemented as at the date of issue of the first Tranche of the Notes of the relevant Series), as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.).

Without prejudice to the generality of the foregoing, the Issuer reserves the right to require any person receiving payment of principal or, as the case may be, payment of interest with respect to any Note or Coupon to provide a Paying Agent with such certification or information as may

be required to enable the Issuer or any parent or holding company of the Issuer or any subsidiary of any such parent or holding company to comply with the requirements of the U.S. Federal Income Tax laws or such other laws as the Issuer or any such parent or holding company or subsidiary thereof may be required to comply with.

Any amount payable with respect to a Note shall be rounded to the nearest applicable sub-unit of the currency in which such amount is payable (one half of any such sub-unit being rounded upwards).

9. Redenomination

(a) General

Where redenomination is specified in the relevant Final Terms as being applicable, and in respect of Notes denominated in a National Currency Unit (as defined in Condition 10(i)), the Issuer may, without the consent of the Noteholders, upon giving at least 30 days' prior notice to the Noteholders in accordance with Condition 14, designate a Redenomination Date.

With effect from the Redenomination Date:

- (i) each Note shall (unless already so provided by mandatory provisions of applicable law) be deemed to be redenominated into such amount of euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency (as defined in Condition 19), converted into euro at the rate for the conversion of the relevant Specified Currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to roundings in accordance with EC regulations); *provided, however, that* if the Issuer determines, with the agreement of the Principal Paying Agent, then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;
- (ii) if Notes are in definitive form:
 - (A) all unmatured Coupons denominated in the relevant Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;
 - (B) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 9(a)(ii)) shall remain in full force and effect; and
 - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the relevant Specified Currency in such

manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;

- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the relevant Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro, as though references in the Notes to the Specified Currency were to euro. Such payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Communities; and;
- (iv) such other changes will be made to the terms and conditions of the Notes as the Issuer may decide, with the prior approval of the Principal Paying Agent, to conform such Notes to conventions then applicable to instruments denominated in euro. Any such other changes will not take effect until after it has been notified to the Noteholders in accordance with Condition 14.

Neither the Issuer nor the Principal Paying Agent will be liable to any Noteholder or other person for any commissions, costs, losses or expenses in relation to or resulting from the credit or transfer of euro or any currency conversion or rounding effected in connection therewith.

(b) *Interest*

Following redenomination of the Notes pursuant to (a) above:

- (i) where Notes are in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (ii) in respect of Fixed Rate Notes where interest is payable annually, any interest required to be calculated for a period of less than one year in respect of the Notes shall be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); *provided, however, that* if the Issuer determines, with the agreement of the Principal Paying Agent, that the market practice in respect of internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendment;
- (iii) in respect of Fixed Rate Notes where interest is payable quarterly or semi-annually, the amount of interest payable in respect of each Note on any Fixed Interest Payment Date shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by four or two (as the case may be) and rounding the figure down to the nearest euro 0.01. If interest is required to be calculated for any other period, it shall be calculated on the basis of the actual number of days elapsed

divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); *provided, however, that* if the Issuer determines, with the agreement of the Principal Paying Agent, that the market practice in respect of internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendment;

- (iv) in respect of Floating Rate Notes, the Interest Amount payable in respect of the Notes for each Interest Period will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during the Interest Period, multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure down to the nearest euro 0.01; and
- (v) in respect of Floating Rate Notes, the Rate of Interest for any subsequent Interest Period shall be determined by the Calculation Agent on the basis of provisions which it determines, in its sole and absolute discretion, reflects the market practice in respect of internationally offered euro denominated securities.

(c) *Definitions*

As used in these Conditions:

"Euro Business Day" or **"TARGET Business Day"** means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open;

"Redenomination Date" means a date (being, in the case of interest-bearing Notes, a date on which interest in respect of such Notes is payable) which:

- (i) is specified by the Issuer in the notice given to the Noteholders pursuant to Condition 9(a); and
- (ii) falls on or after such date as the country of the Specified Currency (as defined in Condition 19) becomes a Participating Member State (as defined in Condition 10(i)).

"Treaty" means the Treaty establishing the European Communities, as amended by the Treaty on European Union.

10. Provisions relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes

(a) *Definitions*

As used in this Condition 10, and unless otherwise provided in the relevant Final Terms, the following expressions shall have the following meanings:

"Additional Disruption Event" has the meaning ascribed thereto in Condition 10(h).

"Automatic Early Redemption Notes" means a Series of Notes in respect of which the relevant Final Terms specifies that Automatic Early Redemption is applicable.

"Averaging Date" means, in respect of each Valuation Date, each date specified as such or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of Condition 10(e)(ii).

"Cash Equity Note" means a Series of Notes in respect of which the amount payable at maturity is calculated by reference to the value of a Security or Securities and/or a formula (as indicated in the relevant Final Terms).

"Cash Settlement" means, in relation to a Series of Notes, that the relevant Noteholder is entitled to receive from the Issuer on the Cash Settlement Payment Date an amount calculated in accordance with the relevant Final Terms in the Specified Currency.

"Cash Settlement Payment Date" means, in relation to a Series of Notes, the date specified or otherwise determined as provided in the relevant Final Terms. In the case of an Index-Linked Note, a Cash Equity Note or an Equity-Linked Note which relates to a basket of Indices or Securities, if as a result of the occurrence of a Disrupted Day there is more than one Valuation Date with respect to the Indices or Securities comprised in such basket, then the relevant Cash Settlement Payment Date shall be determined by reference to the Valuation Date which is the last to occur.

"Clearance System" means, in relation to a Series of Notes, Euroclear, Clearstream Luxembourg, DTC or any other clearance system through which transfers of relevant Securities or, as the case may be, securities comprised in a relevant index are customarily settled (in the case of any Equity-Linked Notes which are to be redeemed by delivery of a Securities Transfer Amount as specified as such in the form from time to time approved by the Issuer for use as a Transfer Notice, or any successor to such clearance system).

"Clearance System Business Day" means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

"Component Security" means, with respect to an Index, each component security of that Index.

"Conversion" means, in respect of any Securities, any irreversible conversion by the Underlying Company of such Securities into other securities.

"Delivery Disruption Event" means, as determined by the Calculation Agent in its sole and absolute discretion, the failure by the Issuer to deliver or to procure delivery on the relevant Settlement Date the Securities Transfer Amount under the relevant Note which is due to illiquidity in the market for such Securities.

"Delisting" means that the Exchange announces that, pursuant to the rules of such Exchange, the Securities cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union).

"Deposit Agreement" means, in relation to each Depositary Receipt, the agreement(s) or other instrument(s) constituting such Depositary Receipt, as from time to time amended or supplemented.

"Depositary" means, in relation to a Depositary Receipt, the issuer of such Depositary Receipt as appointed under the Deposit Agreement, including its successors from time to time.

"Depositary Receipt(s)" means any Security specified as such in the relevant Final Terms provided that if the relevant Deposit Agreement is terminated at any time, any reference to any Depositary Receipt(s) shall thereafter be construed as a reference to the relevant Underlying Securities and the Calculation Agent will make such adjustment as it, in its sole and absolute discretion, determines to be appropriate to the relevant Notes and determine, in its sole and absolute discretion, the effective date of such adjustment.

"Disrupted Day" means (a) any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred; or (b) if the Notes are Multiple Exchange Index-Linked Notes, any Scheduled Trading Day on which (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred.

"DR Linked Notes" means a Series of Equity-Linked Notes or Cash Equity Notes which relate to one or more Securities which are Depositary Receipts.

"Early Closure" means (a) the closure on any Exchange Business Day of the relevant Exchange (in the case of Equity-Linked Notes or Cash Equity Notes) or any relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the relevant Index (in the case of Index-Linked Notes) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day; or (b) if the Notes are Multiple Exchange Index-Linked Notes, the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into such Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

"Equity-Linked Note" means a Series of Notes in respect of which either an amount, which shall be calculated by reference to the value of a Security or Securities and/or a formula, is payable or a Securities Transfer Amount is deliverable (as indicated in the relevant Final Terms).

"Exchange" means (a) with respect to a Security or an Index, each exchange or quotation system specified as such in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Security or the components of the Index, as the case may be, has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Security or

components, as the case may be, as on the original Exchange); or (b) in the case of a Multiple Exchange Index and each relevant Component Security, the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent (which exchange or quotation system as of the Issue Date may be specified as such in the relevant Final Terms).

"Exchange Business Day" means (a) any Scheduled Trading Day on which each Exchange and any relevant Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time; or (b) with respect to a Multiple Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding the Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Disruption" means (a) any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Securities on the Exchange (in the case of an Equity-Linked Note or Cash Equity Note) or on any relevant Exchange(s) in securities that comprise 20 percent or more of the level of the relevant Index (in the case of an Index-Linked Note), or (ii) to effect transactions in, or obtain market values for, future or options contracts relating to the Securities (in the case of an Equity-Linked Note or Cash Equity Note) or the relevant Index (in the case of an Index-Linked Note) on any relevant Related Exchange; or (b) with respect to a Multiple Exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for (i) any Component Security on the Exchange in respect of such Component Security or (ii) futures or options contracts relating to the Index on the relevant Related Exchange.

"Exchange Rate" means, in respect of a relevant date and time, the currency exchange rate of one currency against another currency, as specified in the Final Terms, quoted by the relevant exchange rate provider on such date, as displayed on the Reuters Page specified in the Final Terms and as determined by the Calculation Agent. If such Exchange Rate cannot be or ceases to be determined, then the Calculation Agent shall select another Reuters page or determine in good faith such exchange rate by reference to such sources as it may select in its absolute discretion.

"Extraordinary Dividend" means the amount per Security specified or otherwise determined as provided in the relevant Final Terms or, if no such amount is so specified or determined, any dividend or the portion of any dividend which the Calculation Agent determines in its sole and absolute discretion should be characterised as an Extraordinary Dividend.

"Extraordinary Event" means a Merger Event, Tender Offer, Nationalisation, Insolvency or Delisting.

"Final Price" means, with respect to a Security and a Valuation Date (a) the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on such Valuation Date or (b) if Averaging Dates are specified in the relevant Final Terms in respect of such Valuation Date, the arithmetic average as determined by the Calculation Agent (rounded down to the nearest unit of the relevant currency in which the Security is valued, one half of a unit being rounded upwards) of the Reference Prices on such Averaging Dates.

"Government Bonds" means, in relation to a Series of Notes, bonds or any other debt securities issued by a government, government agency or subdivision or a transnational or supranational organisation as specified in the relevant Final Terms and **"Government Bond"** shall be construed accordingly.

"Index" means, in relation to a Series of Notes, the index to which such Notes relates, as specified in the relevant Final Terms, subject to adjustment pursuant to this Condition 10, and **"Indices"** shall be construed accordingly.

"Index-Linked Note" means a Series of Notes in respect of which an amount calculated by reference to an Index or Indices and/or a formula is payable (as indicated in the relevant Final Terms).

"Index Sponsor" means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Scheduled Trading Day (which corporation or entity as of the Issue Date may be specified as such in the relevant Final Terms).

"Initial Index Level" means the level specified as such or otherwise determined as provided in the relevant Final Terms or, if no such level is so specified or otherwise determined, the level of the relevant Index as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Strike Date.

"Initial Price" means the price per Security specified as such or otherwise determined as provided in the relevant Final Terms or, if no such price is so specified or otherwise determined, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Strike Date.

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting an Underlying Company, (A) all the Securities of that Underlying Company are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Securities of that Underlying Company become legally prohibited from transferring them;

"Market Disruption Event" means (a) the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one-hour period that ends at the relevant Valuation Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be or (iii) an Early Closure provided that for the purposes of determining whether a Market Disruption Event in respect of an Index exists at any time, if a Market Disruption Event occurs in respect of a component of the Index at any time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event; or (b) with respect to a Multiple Exchange Index, either

- (A) (1) the occurrence or existence, in respect of any Component Security, of (aa) a Trading Disruption, (bb) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (i) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins and/or ends at the time at which the relevant price or level triggers the Knock-in Level or the

Knock-out Level, as the case may be, or (ii) in all other circumstances, ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded, OR (cc) an Early Closure; AND (2) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; OR

- (B) the occurrence or existence, in respect of futures or options contracts relating to the Index of: (aa) a Trading Disruption, (bb) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (i) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins and/or ends at the time at which the relevant price or level triggers the Knock-in Level or the Knock-out Level, as the case may be, or (ii) in all other circumstances, ends at the relevant Valuation Time in respect of the Related Exchange; or (cc) an Early Closure.

For the purposes of determining whether a Market Disruption Event exists in respect of a Multiple Exchange Index at any time, if a Market Disruption Event occurs in respect of a Component Security at that time, then the relevant percentage contribution of that Component Security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security to (y) the overall level of the Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market "opening data".

"Merger Event" means in respect of any relevant Securities, any (i) reclassification or change of such Securities that results in a transfer of or an irrevocable commitment to transfer all of such Securities outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Company with or into another entity or person (other than a consolidation, amalgamation or merger in which such Underlying Company is the continuing entity and which does not result in a reclassification or change of all of such Securities outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase otherwise obtain 100% of the outstanding Securities of the Underlying Company that results in a transfer of or an irrevocable commitment to transfer all such Securities (other than such Securities owned or controlled by such other entity or person) or (iv) consolidation, amalgamation, merger or binding share exchange of the Underlying Company or its subsidiaries with or into another entity in which the Underlying Company is the continuing entity and which does not result in a reclassification or change of all of such Securities outstanding but results in the outstanding Securities (other than Securities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Securities immediately following such event, in each case if the closing date of a Merger Event (or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent) is on or before, in the case of any Equity-Linked Note which is to be redeemed by delivery of a Securities Transfer Amount, the Maturity Date or, in any other case, the final Valuation Date.

If the Notes are DR Linked Notes, **"Merger Event"** shall include the occurrence of any of the events described in (i) to (iv) (inclusive) above in relation to the relevant Underlying Securities.

"Multiple Exchange Index" means an Index identified or specified as such in the relevant Final Terms.

"Multiple Exchange Index-Linked Notes" means Notes which relate to a Multiple Exchange Index.

"Nationalisation" means that all the Securities (or, if the Notes are DR Linked Notes, the relevant Underlying Securities) or all or substantially all the assets of an Underlying Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

"Notional Sale Date" has the meaning given in the definition of Settlement Date below.

"Potential Adjustment Event" means (i) a subdivision, consolidation or reclassification of relevant Securities (unless resulting in a Merger Event), or a free distribution or dividend of any such Securities to existing holders whether by way of bonus, capitalisation or similar issue; or (ii) a distribution, issue or dividend to existing holders of the relevant Securities of (A) such Securities or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Underlying Company equally or proportionately with such payments to holders of such Securities or (C) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent in its sole and absolute discretion; or (iii) an Extraordinary Dividend; or (iv) a call by the Underlying Company in respect of relevant Securities that are not fully paid; or (v) a repurchase by the Underlying Company or any of its subsidiaries of relevant Securities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or (vi) in respect of the Underlying Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Underlying Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Securities; or (viii) any other event specified as such in the relevant Final Terms.

With respect to Depositary Receipts, "Potential Adjustment Event" shall also include (x) the occurrence of any of the events described in (i) to (viii) (inclusive) above in respect of the relevant Underlying Securities and (y) the making of any amendment or supplement to the terms of the Depositary Agreement.

"Reference Price" means, in respect of a Security and an Averaging Date, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the Exchange on such Averaging Date.

"Related Exchange" means, subject to the proviso below, in respect of a Security or Index, each exchange or quotation system specified as such for such Security or Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Security or Index, as the case may be, has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Security or Index, as the case may be, as on the original Related Exchange) provided, however, that where "All Exchanges" is specified as the Related Exchange in the relevant Final Terms, "Related Exchange" shall mean each exchange or quotation system where trading has a

material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Security or Index, as the case may be.

"Relevant Price" has the meaning ascribed thereto in the relevant Final Terms.

"Residual Amount" means in relation to a Noteholder and a Note, the fraction of a Security rounded down pursuant to Condition 10(b), as determined by the Calculation Agent.

"Residual Cash Amount" means, in respect of a Residual Amount, the product of such Residual Amount and the relevant Final Price.

"Scheduled Closing Time" means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"Scheduled Trading Day" means (a) any day on which the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading for their respective regular trading sessions; or (b) with respect to a Multiple Exchange Index, any day on which (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

"Scheduled Valuation Date" means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

"Securities" means, in relation to a Series of Notes, the equity securities, debt securities (including without limitation Government Bonds), depositary receipts or other securities or property, as adjusted pursuant to this Condition 10, to which such Notes relate, as specified in the relevant Final Terms and **"Security"** shall be construed accordingly.

"Securities Transfer Amount" has the meaning ascribed thereto in the relevant Final Terms.

"Settlement Cycle" means, in respect of a Security or an Index, the period of Clearance System Business Days following a trade in the relevant Security or the securities underlying such Index, as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period).

"Settlement Date" means, in relation to Securities to be delivered in respect of an Equity-Linked Note (a) in the case of Equity-Linked Notes which relate to equity securities and unless otherwise specified in the relevant Final Terms, the later of (i) the Maturity Date and (ii) the date that falls one Settlement Cycle after the Exchange Business Day following the Valuation Date (the **"Notional Sale Date"**) (or if such day is not a Clearance System Business Day, the next following Clearance System Business Day) subject to the provisions of Condition 10(b) or, (b) in any other case, and unless otherwise specified in the relevant Final Terms, the date specified as such in the relevant Final Terms, subject to adjustment in accordance with the Following Business Day Convention unless another Business Day Convention (as defined in Condition 19) is specified in the relevant Final Terms. In each case, if a Settlement Disruption Event prevents delivery of such Securities on that day, then the Settlement Date shall be determined in accordance with Condition 10(b)(iii).

"Settlement Disruption Event" in relation to a Security means an event which the Calculation Agent, in its sole and absolute discretion, determines to be beyond the control of the Issuer or

relevant obligor and to be an event as a result of which the relevant Clearance System cannot clear the transfer of such Security.

"Strike Date" means the date specified as such in the relevant Final Terms.

"Successor Index" has the meaning given in Condition 10(f).

"Tender Offer" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the Underlying Company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

"Trading Disruption" means (a) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (1) relating to the Securities on the Exchange (in the case of an Equity-Linked Note or Cash Equity Note) or on any relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the relevant Index (in the case of Equity-Linked Notes); or (2) in futures or options contracts relating to the Securities or the relevant Index on any relevant Related Exchange; or (b) with respect to a Multiple Exchange Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (1) relating to any Component Security on the Exchange in respect of such Component Security, or (2) in futures or options contracts relating to the Index on any relevant Related Exchange.

"Transfer Expenses" means with respect to any Notes, all stamp, transfer, registration and similar duties and all expenses, scrip fees, levies and registration charges payable on or in respect of or arising on, or in connection with, the purchase or transfer, delivery or other disposition by the transferor to the order of the relevant Noteholders of any Securities.

"Transfer Notice" means a notice in the form from time to time approved by the Issuer, which must:

- (i) specify the name and address of the Noteholder;
- (ii) specify the number of Notes in respect of which he is the Noteholder;
- (iii) specify the number of the Noteholder's account at Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, to be debited with such Notes;
- (iv) irrevocably instruct and authorise Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, (A) to debit the Noteholder's account with such Notes on the Settlement Date, if the Issuer elects (or has elected) Physical Settlement or otherwise on the Maturity Date and (B) that no further transfers of the Notes specified in the Transfer Notice may be made;
- (v) contain a representation and warranty from the Noteholder to the effect that the Notes to which the Transfer Notice relates are free from all liens, charges, encumbrances and other third party rights;

- (vi) specify the number and account name of the account at the Clearance System to be credited with the Securities if the Issuer elects (or has elected) Physical Settlement;
- (vii) contain an irrevocable undertaking to pay the Transfer Expenses (if any) and an irrevocable instruction to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, to debit on or after the Settlement Date the cash or other account of the Noteholder with Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, specified in the Transfer Notice with such Transfer Expenses;
- (viii) include a certificate of non-U.S. beneficial ownership in the form required by the Issuer; and
- (ix) authorise the production of the Transfer Notice in any applicable administrative or legal proceedings.

"Underlying Company" means the issuer of the Security as specified in the relevant Final Terms and, if the Notes are DR Linked Notes, each of the Depositary and the issuer of the relevant Underlying Security, in each case subject to adjustment in accordance with Condition 10(g).

"Underlying Security" means, with respect to DR Linked Notes and a Depositary Receipt, the security and any other property to which such Depositary Receipt relates.

"Valid Date" means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date in respect of the relevant Valuation Date does not or is not deemed to occur.

"Valuation Date" means each date specified or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), in each case subject to Condition 10 (e).

"Valuation Time" means, (a) in relation to each Security to be valued or each Index the level of which falls to be determined on any date, the time on such date specified as such in the relevant Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on such date in relation to such Security or Index, as applicable. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time; or (b) in relation to a Multiple Exchange Index, (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor.

(b) *Physical Delivery*

In relation to Equity-Linked Notes which are to be redeemed by the delivery of a Securities Transfer Amount, and subject to the other provisions of these Conditions and the relevant Final Terms:

- (i) (A) Each Noteholder shall, on or before the date five calendar days before the Maturity Date (or such earlier date as the Issuer shall determine is necessary for Issuer, the Paying Agents, Euroclear, Clearstream, Luxembourg and/or any

other relevant clearing system to perform their respective obligations in relation to the Notes and notify to the Paying Agents and the Noteholders) send to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, in accordance with its then applicable operating procedures, and copied to the Principal Paying Agent, a duly completed Transfer Notice.

- (B) A Transfer Notice, once delivered to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, shall be irrevocable and may not be withdrawn without the consent in writing of the Issuer. A Noteholder may not transfer any Note which is the subject of a Transfer Notice following delivery of such Transfer Notice to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system. A Transfer Notice shall only be valid to the extent that Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system have not received conflicting prior instructions in respect of the Notes which are the subject of the Transfer Notice.
 - (C) Failure properly to complete and deliver a Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided shall be made by the Principal Paying Agent and shall be conclusive and binding on the Issuer and the Noteholder.
 - (D) The Principal Paying Agent shall promptly on the local banking day following receipt of a Transfer Notice send a copy thereof to the Issuer or such person as the Issuer may previously have specified.
 - (E) Delivery of the Securities will be via the relevant Clearance System. The delivery or transfer of Securities to each Noteholder is at the relevant Noteholder's risk and if delivery occurs later than the earliest possible date for delivery, no additional amounts will be payable by the Issuer.
- (ii)
- (A) the Issuer shall discharge its obligation to redeem the relevant proportion of the Notes by delivering, or procuring the delivery of, the Securities Transfer Amount on the Settlement Date to the Clearance System for credit to the account with the Clearance System specified in the Transfer Notice of the relevant Noteholder.
 - (B) The amount of Securities to be delivered to or for the account of each Noteholder shall be an amount of Securities equal to the number of Notes in respect of which such Noteholder is the holder as specified in the relevant Transfer Notice multiplied by the Securities Transfer Amount Provided, however, that if a Noteholder would become entitled to a number of Securities which is not equal to a board lot of the Securities at such time, as determined by the Calculation Agent, or an integral multiple thereof, then the Noteholder's entitlement to delivery of Securities shall be rounded down to the nearest whole Security.
 - (C) In relation to each Noteholder, the Calculation Agent shall calculate the Residual Amount and the Residual Cash Amount. The Residual Cash Amount shall be paid by the Issuer to the relevant Noteholder on the Settlement Date.

- (D) Each Noteholder shall be required as a condition of its entitlement to delivery of Securities in respect of any Notes to pay all Transfer Expenses in respect of such Notes.
 - (E) After delivery to or for the account of a Noteholder of the relevant Securities Transfer Amount and for such period of time as the transferor or its agent or nominee shall continue to be registered in any clearing system as the owner of the Securities comprised in such Securities Transfer Amount (the "**Intervening Period**"), none of such transferor or any agent or nominee for the Issuer or such transferor shall (i) be under any obligation to deliver to such Noteholder or any other person any letter, certificate, notice, circular, dividend or any other document or payment whatsoever received by the Issuer or such transferor, agent or nominee in its capacity as holder of such Securities, (ii) be under any obligation to exercise any rights (including voting rights) attaching to such Securities during the Intervening Period, or (iii) be under any liability to such Noteholder or any other person in respect of any loss or damage which the Noteholder or any other person may sustain or suffer as a result, whether directly or indirectly, of the Issuer or such transferor, agent or nominee being registered in such clearing system during such Intervening Period as legal owner of such Securities.
 - (F) All dividends on Securities to be delivered will be payable to the party that would receive such dividends according to market practice for a sale of the Securities executed on the Notional Sale Date to be delivered in the same manner as such Securities. Any such dividends will be paid to or for credit to the account specified by the Noteholder in the relevant Transfer Notice. No right to dividends on the Securities will accrue to Noteholders prior to the Notional Sale Date.
- (iii) the Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Securities on the original day that but for such Settlement Disruption Event would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which delivery of such Securities can take place through the relevant Clearance System unless a Settlement Disruption Event prevents settlement on each of the eighth relevant Clearance System Business Days immediately following the original date (or during such other period (the "**Disruption Period**") specified in the relevant Final Terms) that, but for the Settlement Disruption Event, would have been the Settlement Date. In that case, if the Securities are debt securities, the Issuer shall use reasonable efforts to deliver such Securities promptly thereafter in a commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) outside the Clearance System and in all other cases (a) if such Securities can be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be the first day on which settlement of a sale of Securities executed on that eighth relevant Clearance System Business Day, or during such other period specified in the relevant Final Terms, customarily would take place using such other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) of delivery (which other manner of delivery will be deemed the relevant Clearance System for the

purposes of delivery of the relevant Securities), and (b) if such Securities cannot be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be postponed until delivery can be effected through the relevant Clearance System or in any other commercially reasonable manner.

For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Securities comprised in a basket, the Settlement Date for Securities not affected by the Settlement Disruption Event will be the first day on which settlement of a sale of such Securities executed on the Maturity Date customarily would take place through the relevant Clearance System.

- (iv) if the Calculation Agent determines, in its sole and absolute discretion, that a Delivery Disruption Event has occurred, it shall notify the Issuer who shall promptly notify the relevant Noteholder(s) and the Issuer may then:
 - (A) determine, in its sole and absolute discretion, that the obligation to deliver the relevant Securities Transfer Amount will be terminated and the Issuer will pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the Securities Transfer Amount, in which event the entitlements of the respective Noteholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount; or
 - (B) deliver on the Settlement Date such amount of the Securities Transfer Amount (if any) as it can deliver on that date and pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the remainder of the Securities Transfer Amount, in which event the entitlements of the respective Noteholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount.

Where this Condition 10(b)(iv) falls to be applied, insofar as the Calculation Agent determines in its sole and absolute discretion to be practical, the same shall be applied as between the Noteholders on a pro rata basis, but subject to such rounding down (whether of the amount of a payment or of a number of Securities to be delivered) and also to such other adjustments as the Calculation Agent determines, in its sole and absolute discretion, determines to be appropriate to give practical effect to such provisions.

(c) *Automatic Early Redemption*

This Condition 10(c) is applicable only to Automatic Early Redemption Notes.

If on any Automatic Early Redemption Valuation Date the Automatic Early Redemption Event occurs, then unless previously redeemed or purchased and cancelled, the Notes will be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date and the Redemption Amount payable by the Issuer on such date upon redemption of each Note shall be an amount in the relevant currency equal to the relevant Automatic Early Redemption Amount.

As used herein:

"Automatic Early Redemption Amount" means (a) an amount in the relevant currency specified in the relevant Final Terms or if such amount is not specified, (b) the product of (i) the nominal amount of one Note and (ii) the relevant Automatic Early Redemption Rate relating to that Automatic Early Redemption Date.

"Automatic Early Redemption Date(s)" means each of the date(s) specified as such in the relevant Final Terms, subject in each case to adjustment in accordance with the Business Day Convention specified in the relevant Final Terms.

"Automatic Early Redemption Event" means (unless otherwise specified in the relevant Final Terms) that the price of the relevant Security or, as the case may be, the level of the Index, in either case as determined by the Calculation Agent as of the (or any) Valuation Date is, as specified in the relevant Final Terms, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Automatic Early Redemption Price, or as the case may be, the Automatic Early Redemption Level.

"Automatic Early Redemption Level" means the level of the Index specified as such or otherwise determined in the relevant Final Terms.

"Automatic Early Redemption Price" means the price per Security specified as such or otherwise determined in the relevant Final Terms.

"Automatic Early Redemption Rate" means, in respect of any Automatic Early Redemption Date, the rate specified as such in the relevant Final Terms.

"Automatic Early Redemption Valuation Date(s)" means each of the date(s) specified as such in the relevant Final Terms or, if any such date is not a Scheduled Trading Day, the next following Scheduled Trading Day, subject to the provisions of Condition 10(e)(i) which shall apply as if such Automatic Early Redemption Valuation Date were a Valuation Date.

(d) *Knock-in and Knock-out Provisions*

If "Knock-in Event" is specified as applicable in the Final Terms in relation to any Cash Equity Note, Equity-Linked Note or Index-Linked Note, then each payment and/or delivery in respect of which a Knock-in Event applies, as specified in the relevant Final Terms, shall be conditional upon the occurrence of such Knock-in Event.

"Knock-in Determination Day" means each Scheduled Trading Day during the Knock-in Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-in Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-in Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-in Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-in Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is also a Disrupted Day in accordance with the provisions of Condition 10(e)(i)(A)(1),(2) or (3), as the case may be.

"Knock-in Determination Period" means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

"Knock-in Event" means (a) the event or occurrence specified as such in the relevant Final Terms; and (b) (unless otherwise specified in the relevant Final Terms) that the price of the Security or, as the case may be, the level of the Index, determined by the Calculation Agent as of the Knock-in Valuation Time on any Knock-in Determination Day is, as specified in the relevant Final Terms, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Knock-in Price or, as the case may be, the Knock-in Level.

"Knock-in Level" means the level of the Index specified as such or otherwise determined in the relevant Final Terms.

"Knock-in Period Beginning Date" means the date specified as such in the relevant Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-in Determination Day" above.

"Knock-in Period Ending Date" means the date specified as such in the relevant Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-in Determination Day" above.

"Knock-in Price" means the price per Security specified as such or otherwise determined in the relevant Final Terms.

"Knock-in Valuation Time" means the time or period of time on any Knock-in Determination Day specified as such in the relevant Final Terms or in the event that the relevant Final Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time.

If "Knock-out Event" is specified as applicable in the Final Terms in relation to any Cash Equity Note, Equity-Linked Note or Index-Linked Note, then each payment and/or delivery in respect of which a Knock-out Event applies, as specified in the relevant Final Terms, shall be conditional upon such Knock-out Event not having occurred

For the purposes hereof:

"Knock-out Determination Day" means each Scheduled Trading Day during the Knock-out Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-out Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-out Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-out Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-out Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is a Disrupted Day in accordance with the provisions of Condition 10(e)(1)(A)(i), (ii) or (iii), as the case may be.

"Knock-out Determination Period" means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

"Knock-out Event" means that (i) the event or occurrence specified as such in the relevant Final Terms; and (ii) (unless otherwise specified in the relevant Final Terms) that the price of the Security or, as the case may be, the level of the Index, determined by the Calculation Agent as of the Knock-out Valuation Time on any Knock-out Determination Day is, as specified in the relevant Final Terms, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Knock-out Price or, as the case may be, Knock-out Level.

"Knock-out Level" means the level of the Index specified as such or otherwise determined in the relevant Final Terms.

"Knock-out Period Beginning Date" means the date specified as such in the relevant Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-out Determination Day" above.

"Knock-out Period Ending Date" means the date specified as such in the relevant Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-out Determination Day" above.

"Knock-out Price" means the price per Security specified as such or otherwise determined in the relevant Final Terms.

"Knock-out Valuation Time" means the time or period of time on any Knock-out Determination Day specified as such in the relevant Final Terms or in the event that the relevant Final Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

(e) *Consequences of Disrupted Days*

(i) If any Valuation Date is a Disrupted Day, then:

(A) in the case of an Equity-Linked Note, a Cash Equity Note or an Index-Linked Note which, in each case, relates to a single Security or Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case:

(1) in respect of an Index-Linked Note the Calculation Agent shall determine in its absolute discretion that either:

(aa) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event; or

(bb) the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless no such day has occurred by the thirtieth Scheduled Trading Day following the Scheduled Valuation Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event,

and, in each case, the Calculation Agent shall determine the level of the Index as of the Valuation Time on that eighth or (as the case may be) thirtieth Scheduled Trading Day determined in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth or (as the case may be) thirtieth Scheduled Trading Day of each security or other property comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or other property on that eighth or (as the case may be) thirtieth Scheduled Trading Day, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on that eighth or (as the case may be) thirtieth Scheduled Trading Day); and

- (2) in respect of an Equity-Linked Note or a Cash Equity Note, that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and the Calculation Agent shall determine its good faith estimate of the value for the relevant Security as of the Valuation Time on that eighth Scheduled Trading Day;
- (B) in the case of an Index-Linked Note which relates to a basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index, unless each of the eight succeeding Scheduled Trading Days is a Disrupted Day relating to that Index. In that case, the Calculation Agent shall determine in its absolute discretion that either:
- (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index notwithstanding the fact that such day is Disrupted Day relating to that Index; or
 - (2) the Valuation Date shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index, unless no such day has occurred by the thirtieth Scheduled Trading Day following the Scheduled Valuation Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is Disrupted Day,

and, in each case, the Calculation Agent shall determine, in its sole and absolute discretion, the level of that Index, as of the Valuation Time on that eighth or (as the case may be) thirtieth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth (or as the case may be) thirtieth Scheduled Trading Day of each security or other property comprised in the relevant Index (or, if an event giving rise to a Disrupted Day has occurred in respect to the relevant security or other property on that eighth (or as the case may be) thirtieth Scheduled Trading Day, its good faith estimate of the value for

the relevant security or other property as of the Valuation Time on that eighth (or as the case may be) thirtieth Scheduled Trading Day); and

- (C) in the case of an Equity-Linked Note or a Cash Equity Note which, in each case, relates to a basket of Securities, the Valuation Date for each Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Security affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Security, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Security. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Security, notwithstanding the fact that such day is a Disrupted Day, and (2) the Calculation Agent shall determine, in its sole and absolute discretion, its good faith estimate of the value for that Security as of the Valuation Time on that eighth Scheduled Trading Day.
- (ii) If Averaging Dates are specified in the relevant Final Terms, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index or Securities:
- (A) For the purpose of determining the Relevant Price in respect of a Valuation Date, the Final Price will be:
 - (1) in respect of an Index-Linked or an Equity-Linked Note settled by way of Cash Settlement or a Cash Equity Note which, in each case, relates to a single Security or Index (as the case may be), the arithmetic mean of the Relevant Prices of the Index or the Security on each Averaging Date;
 - (2) in respect of an Index-Linked Note which relates to a basket of indices, the arithmetic mean of the amounts for such basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Final Price is so provided, the arithmetic mean of the amounts for such basket calculated on each Averaging Date as the sum of the Relevant Prices of each Index comprised in such basket (weighted or adjusted in relation to each Index as provided in the relevant Final Terms); and
 - (3) in respect of an Equity-Linked Note settled by way of Cash Settlement or Cash Equity Note which relates to a basket of Securities, the arithmetic mean of the prices for such basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Final Price is so provided, the arithmetic mean of the prices for such basket calculated on each Averaging Date as the sum of the values calculated for the Securities of each Underlying Company as the product of (aa) the Relevant Price of such Security and (bb) the number of such Securities comprised in such basket.

- (B) If any Averaging Date is a Disrupted Day, then, if the consequence specified in the relevant Final Terms in relation to "**Averaging Date Market Disruption**" is:
- (1) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Final Price provided that, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 10(e)(i) will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such final Averaging Date were a Valuation Date that was a Disrupted Day. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date;
 - (2) "**Postponement**", then Condition 10(e)(i) will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the relevant Notes. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date; or
 - (3) "**Modified Postponement**", then:
 - (aa) in the case of an Index-Linked Note or an Equity-Linked Note or a Cash Equity Note which relates to a single Index or type of Security, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date (the "**Scheduled Final Averaging Date**") in relation to the relevant Scheduled Valuation Date, then:
 - (i) in respect of an Index-Linked Note, the Calculation Agent shall determine in its absolute discretion that either:
 - (x) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date, (irrespective of

whether that eighth Scheduled Trading Day is already an Averaging Date); or

- (y) the Averaging Date shall be the first succeeding Valid Date, unless no such day has occurred by the thirtieth Scheduled Trading Day following the Scheduled Final Averaging Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that thirtieth Scheduled Trading Day is already an Averaging Date),

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 10(e)(i)(A)(1); and

- (ii) in respect of an Equity-Linked Note or a Cash Equity Note, that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant price for that Averaging Date in accordance with Condition 10(e)(i)(A)(2); and
- (bb) in the case of an Index-Linked Note, an Equity-Linked Note or a Cash Equity Note which relates to a basket of Indices or Securities, the Averaging Date for each Index or Security not affected by the occurrence of a Disrupted Day shall be the day specified in the relevant Final Terms as an Averaging Date in relation to the relevant Valuation Date (the "**Scheduled Averaging Date**") and the Averaging Date for an Index or Security affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Index or Security. If the first succeeding Valid Date in relation to such Index or Security has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the Scheduled Final Averaging Date, then:
 - (i) in respect of an Index-Linked Note, the Calculation Agent shall determine in its absolute discretion that either:
 - (x) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date, (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Index; or
 - (y) the Averaging Date shall be the first succeeding Valid Date, unless no such day has occurred by the thirtieth Scheduled Trading Day following

the Scheduled Final Averaging Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that thirtieth Scheduled Trading Day is already an Averaging Date) in relation to such Index,

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 10(e)(i)(B); and

- (ii) in respect of an Equity-Linked Note or a Cash Equity Note, that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Security, and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant amount for that Averaging Date in accordance with Condition 10(e)(i)(C)(2).

If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

- (C) If (1) on or prior to any Averaging Date, in respect of an Index-Linked Note, an Index Modification or Index Cancellation occurs, or (2) on any Averaging Date in respect of an Index-Linked Note an Index Disruption Event occurs, then the Calculation Agent shall determine, in its sole and absolute discretion, the Final Price using, in lieu of a published level of the relevant Index, the level for that Index as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities that comprised that Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on any relevant Exchange).

(f) *Adjustments to Indices*

This Condition 10(f) is applicable only in relation to Index-Linked Notes.

(i) *Successor Index*

If a relevant Index is (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Sponsor acceptable to the Calculation Agent, or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that Index (the "**Successor Index**") will be deemed to be the Index.

(ii) Index Adjustment Events

If (A) on or prior to any Valuation Date, a relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation or other routine events) (an "**Index Modification**") or permanently cancels the Index (an "**Index Cancellation**"), or (B) on any Valuation Date the Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**") then the Calculation Agent shall determine, in its sole and absolute discretion, the Final Price using, in lieu of a published level of that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event.

(iii) Correction of Index Levels

If the level of an Index published by the Index Sponsor at any time and used or to be used by the Calculation Agent for any calculation or determination under the Notes is subsequently corrected and the correction is published by the Index Sponsor within one Settlement Cycle after the original publication, the Calculation Agent will make such adjustment as it in its sole and absolute discretion determines to be appropriate, if any, to the settlement or payment terms of the Notes to account for such correction provided that if any amount has been paid in an amount which exceeds the amount that would have been payable if the correction had been taken into account, no further amount in an amount at least equal to the excess is payable in respect of the Notes and the Calculation Agent determines that it is not practicable to make such an adjustment to account fully for such correction, the Issuer shall be entitled to reimbursement of the relevant excess payment (or, as the case may be, the proportion thereof not accounted for by an adjustment made by the Calculation Agent) by the relevant Noteholder, together with interest on that amount for the period from and including the day on which payment was originally made to (but excluding) the day of payment of reimbursement by the Noteholder (all as calculated by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall determine.

(g) *Adjustments and Events affecting Securities*

This Condition 10(g) is applicable only in relation to Equity-Linked Notes and Cash Equity Notes.

(i) Potential Adjustment Events

The Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Potential Adjustment Event has occurred and where it determines such an event has occurred, the Calculation Agent will, in its sole and absolute discretion, determine, whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Securities and, if so, will

make such adjustment as it in its sole and absolute discretion determines to be appropriate, if any, to the formula for the Final Redemption Amount set out in the relevant Final Terms, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and/or any other adjustment and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes as the Calculation Agent determines, in its sole and absolute discretion, to be appropriate to account for that diluting or concentrative effect and determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s).

(ii) Extraordinary Events

Following the occurrence of any Extraordinary Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may make such adjustment as it, in its sole and absolute discretion, determines to be appropriate, if any, to the formula for the Final Redemption Amount set out in the relevant Final Terms, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion determine. If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Noteholders to receive the relevant Securities Transfer Amount or Final Redemption Amount, as the case may be, shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Notes.

(iii) Conversion

In respect of an Equity-Linked Note or a Cash Equity Note which relates to debt securities, following the occurrence of any Conversion, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Notes will continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the Notes shall continue, it may make such adjustment as it, in its sole and absolute discretion, determines to be appropriate to the formula for the Final Redemption Amount set out in the relevant Final Terms, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, number of or type of shares, other securities or other property which may be delivered under such Notes and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes and/or any other adjustment and determine, in its sole and absolute discretion, the effective date(s) of such adjustment. If the Calculation Agent determines, in its sole and

absolute discretion, that the Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion (and, but without prejudice to the foregoing, the entitlements of the Noteholders to receive the relevant Securities Transfer Amount or Final Redemption Amount, as the case may be, shall cease) and the Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount as, in the opinion of the Calculation Agent (such opinion to be made by the Calculation Agent in its sole discretion) is fair in the circumstances by way of compensation for the termination of the Notes.

(iv) **Correction of Prices**

In the event that any price published or announced on a given day and utilised or to be utilised for the purpose of any calculation or determination under the Notes is subsequently corrected and the correction is published or announced by the Exchange within one Settlement Cycle after the original publication, the Calculation Agent will make such adjustment as it in its sole and absolute discretion determines to be appropriate, if any, to the settlement or payment terms of the Notes to account for such correction provided that if any amount has been paid in an amount which exceeds the amount that would have been payable if the correction had been taken into account, no further amount in an amount at least equal to the excess is payable in respect of the Notes and the Calculation Agent determines that it is not practicable to make such an adjustment to account fully for such correction, the Issuer shall be entitled to reimbursement of the relevant excess payment (or, as the case may be, the proportion thereof not accounted for by an adjustment made by the Calculation Agent) by the relevant Noteholder, together with interest on that amount for the period from and including the day on which payment was originally made to (but excluding) the day of payment of reimbursement by the Noteholder (all as calculated by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall determine.

(h) ***Additional Disruption Events***

Following the occurrence of any Additional Disruption Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may make such adjustment as it, in its sole and absolute discretion, determines to be appropriate, if any, to the formula for the Final Redemption Amount set out in the relevant Final Terms, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion determine. If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Noteholders to receive the relevant Securities Transfer Amount or Final Redemption Amount, as the case may be, shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of such amount as in the opinion of the Calculation Agent (such

opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Notes.

For the purposes any Series of Notes, "**Additional Disruption Event**" means any event specified as such in the relevant Final Terms, and for such purpose the following terms if so specified shall be deemed to have the following meanings unless otherwise provided in the relevant Final Terms:

- (i) "**Change in Law**" means that, on or after the Issue Date, (A) due to the adoption of or any change in any applicable law or regulation (including without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (x) it has become illegal for the Issuer to hold, acquire or dispose of Securities or (y) the Issuer will incur a materially increased cost in performing its obligations under the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);
 - (ii) "**Hedging Disruption**" means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of issuing and performing its obligations with respect to the Notes or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s); and
 - (iii) "**Increased Cost of Hedging**" means that the Issuer would incur a materially increased costs (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging.
- (i) *Effects of European Economic and Monetary Union*

Following the occurrence of an EMU Event, the Calculation Agent shall make such adjustment (and determine, in its sole and absolute discretion, the effective date of such adjustment) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the formula for the Final Redemption Amount set out in the relevant Final Terms, the formula for and method of calculating the relevant Index and/or the securities or other property comprising the relevant Index, the number of and type of Securities to which each Note relates, the number of and type of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered under such Notes and/or any other adjustment and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes.

Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to make such conversions between amounts denominated in the national currency units (the "**National Currency Units**") of the Participating Member

States and the euro, and the euro and the National Currency Units, in each case, in accordance with the conversion rates and rounding rules in Regulation (EC) No. 1103/97 as it, in its sole and absolute discretion, determines to be appropriate.

Neither the Issuer nor the Calculation Agent will be liable to any Noteholder or other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection therewith.

For the purposes hereof:

"EMU Event" means the occurrence of any of the following, as determined by the Calculation Agent, in its sole and absolute discretion:

- (i) the redenomination of any security into euro;
- (ii) the change by any organised market, exchange or clearing, payment or settlement system in the unit of account of its operating procedures to the euro;
- (iii) any change in the currency of denomination of any Index; or
- (iv) any change in the currency in which some or all of the securities or other property comprising any Index is denominated.

"Participating Member State" means any member state of the European Union which adopts the single currency in accordance with the Treaty.

- (j) *Other Adjustments*

Upon the occurrence of any event(s) that the Calculation Agent determines (in its discretion, but acting reasonably) affects or could potentially affect the value of an Index-Linked Note, an Equity-Linked Note or a Cash Equity Note, the Calculation Agent may (in its discretion, but acting reasonably) make any additional adjustments to the Strike Price, the number and/or type of Securities and/or Indices to which such an Index-Linked Note, an Equity-Linked Note or a Cash Equity Note relates, and to any other exercise, settlement, payment or other term of such an Index-Linked Note, an Equity-Linked Note or a Cash Equity Note including, without limitation, the amount, number or type of cash, shares, other securities or property which may be transferred under such Index-Linked Note, an Equity-Linked Note or a Cash Equity Note, and determine the effective date(s) of such adjustments.

11. Events of Default

If any one or more of the following events (each an **"Event of Default"**) shall occur in relation to a Series of Notes:

- (a) there is a default for more than fourteen days in the repayment of any principal due on the Notes of such Series or any of them or in the payment of any interest due in respect of the Notes of such Series or any of them, provided that it shall not be such a default to withhold or refuse any such payment (1) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (2) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of fourteen days by independent legal advisers acceptable to the Principal Paying Agent as to such validity or applicability; or

- (b) an order is made or an effective resolution is passed for the winding up of the Issuer in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved in writing by an Extraordinary Resolution of the Holders of the relevant Series of Notes),

then any Noteholder may, by written notice to the Issuer, effective upon the date of receipt thereof by the Issuer (such date the "**Early Redemption Date**"), declare the Note held by the Holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount, as specified in the relevant Final Terms, without presentment, demand, protest or other notice of any kind.

12. **Prescription**

Notes and Coupons will become void unless presented for payment within a period of ten years and five years, respectively, from the Relevant Date (as defined in Condition 7) in respect thereof. Any monies paid by the Issuer to the Principal Paying Agent for the payment of the principal or interest in respect of any Notes or Coupons and remaining unclaimed when such Notes or Coupons become void will then revert to the Issuer and all liability of the Principal Paying Agent with respect thereto will thereupon cease.

There shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 12 or Condition 8.

13. **Replacement, Exchange and Transfer**

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office (in the case of a Bearer Note or Coupon) of the Issue Agent or (in the case of Registered Notes) of the Registrar or of the Transfer Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

Upon the terms and subject to the conditions set out in the Issuing and Paying Agency Agreement and the relevant Final Terms, a Registered Note may be exchanged for a Registered Note or Notes of equal aggregate principal amount in such different authorised denominations as may be requested by the Noteholder by surrender of such Registered Note at the specified office of the Registrar or of the Transfer Agent, together with a written request for the exchange.

Upon the terms and subject to the conditions set out in the Issuing and Paying Agency Agreement, a Registered Note, in definitive form, may be transferred in whole or in part only (provided that such part is, or is an appropriate multiple of, the minimum denomination set out in the Final Terms) by the Holder or Holders surrendering the Registered Note for registration of transfer at the specified office of the Registrar or the Transfer Agent, duly endorsed by, or accompanied by a written instrument to transfer in form satisfactory to the Issuer and the Registrar or the Transfer Agent, duly executed by the Holder or Holders thereof or his or their attorney duly authorised in writing. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

If so set out in the relevant Final Terms, the Holder of Bearer Notes may exchange the same for the same aggregate principal amount of Registered Notes upon the terms and subject to the

conditions set forth in the Issuing and Paying Agency Agreement. In order to exchange a Bearer Note for a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office outside the United States of the Principal Paying Agent or of the Registrar or the Transfer Agent, together with a written request for the exchange. Each Bearer Note so surrendered must be accompanied by all unmatured Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined below) where the exchange date would, but for the provisions of this paragraph, occur between the Record Date (as defined in Condition 8(b)) for such payment of interest and the date on which such payment of interest fall due.

Each new Registered Note to be issued upon the transfer of a Registered Note or the exchange of a Bearer Note for a Registered Note will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date be available for delivery at the specified office of the Registrar or the Transfer Agent, or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder.

As used herein:

- (a) **"Relevant Banking Day"** means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Note for a Registered Note where such request for exchange is made to the Principal Paying Agent or the Transfer Agent, in the place where the specified office of the Principal Paying Agent or, as the case may be, the Transfer Agent is located;
- (b) the **"exchange date"** shall be the Relevant Banking Day following the day on which the relevant Bearer Note shall have been surrendered for exchange in accordance with the foregoing provision; and
- (c) the **"transfer date"** shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with the foregoing provisions.

The costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing provisions, except for the expenses of delivery by other than regular mail or insurance charges that may be imposed in relation hereto, shall be borne by the Issuer.

The Registrar or the Transfer Agent, as the case may be, shall not be required to register the transfer of or exchange Registered Notes for a period of 15 days preceding the due date for any payment of principal of or interest in respect of such Notes.

14. Notices

- (a) *Notices to Noteholders*

All notices to the Holders of Notes or the Coupons appertaining thereto will be valid: (i) if published, in the case of Bearer Notes and Coupons, in one leading daily newspaper with circulation in London (which is expected to be the *Financial Times* or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe; (ii) in the case of Registered Notes, if mailed to their registered addresses (as advised by the

Registrar) or to that of the first named of them in the case of joint Holders; *provided that*, in each case, in the case of Notes admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system the rules of such listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation have been complied with. Any such notice shall be deemed to have been given on the date of such publication or delivery or, if published more than once, on the date of the first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

Holders of any Coupons appertaining to Bearer Notes will be deemed for all purposes to have notice of the contents of any notice given to the Holders of such Bearer Notes in accordance herewith.

(b) *Notices from Noteholders*

Notices give by any Noteholder shall be in writing and given by lodging the same, together with relative Note or Notes (if applicable), with the Principal Paying Agent or other Paying Agent or with the Registrar (as the case may be) at its specified office.

15. **Paying Agents, Calculation Agents, Issue Agents, Transfer Agents and Registrars**

- (a) The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Calculation Agent, the initial Issue Agent, the initial Transfer Agent, the initial Registrar and their respective initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent, Calculation Agent, Issue Agent, Transfer Agent or Registrar and/or approve any change in the specified office through which any Paying Agent, Calculation Agent, Issue Agent, Transfer Agent or Registrar acts, provided that:

- (i) so long as any Series of Notes have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, there will at all times be, in relation to such Series, a Paying Agent (in the case of a Series wholly or partly in the form of Bearer Notes), and a Transfer Agent and a Registrar (in the case of a Series wholly or partly in the form of Registered Notes), each with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation;
 - (ii) so long as any Bearer Notes are outstanding, there will at all times be a Paying Agent with a specified office in a city in continental Europe;
 - (iii) so long as any Bearer Notes are outstanding, there will at all times be a Principal Paying Agent; and
 - (iv) so long as any Registered Notes are outstanding, there will at all times be a Registrar and a Transfer Agent.
- (b) In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the second paragraph of Condition 8(a). Any variation, termination, appointment or change shall only take

effect (other than in the case of an insolvency, when it shall be of immediate effect) after notice has been given to the Noteholders in accordance with Condition 14.

16. Meetings of Noteholders, Modification and Substitution

The Master Note Issuance Agreement contains provisions for convening meetings of the Holders of the Notes of any Series to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or any of the provisions of the Master Note Issuance Agreement. Such a meeting may be convened by the Issuer or by Holders of the Notes of any Series holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders of the Notes of any Series whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes (including modifying the date of maturity of the Notes, reducing or cancelling the amount of principal payable in respect of the Notes or altering the currency of payment of the Notes), the quorum shall be one or more persons holding or representing not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing a clear majority, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders of the Notes of any Series shall be binding on all the Noteholders, whether or not they are present at the meeting.

The Issue Agent and the Issuer may agree, without the consent of the Noteholders, to:

- (a) any modification (except as mentioned above) of the Master Note Issuance Agreement or the Conditions which is not materially prejudicial to the interests of the Noteholders as a whole; or
- (b) any modification of the Notes or the Master Note Issuance Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated; or
- (c) any modification of the Notes which is made to correct an inconsistency between the final terms and conditions of the Note issue (comprising these Conditions as amended or supplemented by the relevant Final Terms) and the relevant term sheet relating to the Notes.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

The Issue Agent and the Issuer may also agree, without the consent of the Noteholders, to the substitution of any holding company of the Issuer or any wholly-owned, direct or indirect subsidiary of HSBC Holdings plc (the "**New Issuer**") in place of the Issuer as principal debtor under the Notes of any Series and in each case the Coupons appertaining thereto (if any), provided that the New Issuer shall assume all obligations of the Issuer in relation to the Noteholders under or in relation to such Notes. In the event of any such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer. Any such substitution shall be promptly notified to the relevant Noteholders in accordance with Condition 14. In connection with such right of substitution the Issuer shall not be obliged to

have regard to the consequences of the exercise of such right for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Noteholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon such Noteholder.

17. **Provision of Information**

The Issuer shall, during any period in which it is not subject to and in compliance with the periodic reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any Holder of a Note which is a "restricted security" within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 (the "**Securities Act**") or to any prospective purchaser of such securities designated by such Holder, upon the written request of such Holder or (as the case may be) prospective Holder addressed to the Issuer and delivered to the Issuer or to the specified office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

18. **Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Holders of Notes of any Series or Holders of the Coupons appertaining thereto (if any) to create and issue further notes ranking equally in all respects (or in all respect save as specified in the relevant Final Terms) with the Notes of such Series so that the same shall be consolidated and form a single series with such Notes for the time being outstanding.

19. **Definitions**

As used in these Conditions, the following expressions shall have the following meanings:

"**Business Day Convention**" has the meaning ascribed thereto in the ISDA Definitions.

"**Clearing System**" means, in relation to a Series of Notes, Euroclear, Clearstream, Luxembourg, DTC and/or any other clearing system located outside the United States specified in the relevant Final Terms in which Notes of the relevant Series are for the time being held, or, in relation to an individual Note, in which that Note is for the time being held.

"**Final Redemption Amount**" has the meaning ascribed thereto in Condition 6(a).

"**Following Business Day Convention**" has the meaning ascribed thereto in the ISDA Definitions.

"**Option**" has the meaning ascribed thereto in the relevant Final Terms.

"**Registered Noteholders**" means the persons for the time being and from time to time registered as holders of the Notes (including each person who is for the time being and from time to time entitled to be registered as a holder).

"**Specified Currency**" has the meaning ascribed thereto in the relevant Final Terms.

20. **Third Party Rights**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999.

21. **Governing Law**

(a) *Governing law*

The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law.

(b) *English courts*

The courts of England have exclusive jurisdiction to settle any dispute arising from or connected with the Notes.

SUBSCRIPTION AND SALE OF NOTES

HSBC Bank plc (the "**Dealer**") has in a master note issuance agreement dated 24 February 1999 as modified, supplemented and/or restated on 25 February 2000, 29 March 2001, 18 June 2002, 1 August 2005, 29 June 2006 and 2 August 2006 (such master note issuance agreement as modified and/or amended from time to time, the "**Master Note Issuance Agreement**") agreed with the Issuer a basis upon which it may from time to time agree either as principal or agent of the Issuer to subscribe for or purchase, to underwrite or, as the case may be, to procure subscribers or purchasers for Notes. The Master Note Issuance Agreement contains provisions for the Issuer to appoint other dealers (together with the Dealer, the "**Dealers**") from time to time either generally in respect of the Programme or in relation to a particular Tranche of Notes.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealer that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealer to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Master Note Issuance Agreement provides that the Dealer shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) in, or change(s) in official interpretation of, after the date hereof, applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealer described in the first paragraph under the heading "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Base Prospectus.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented (or in the case of those Member States which have not yet implemented the Prospectus Directive, will implement) the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance

with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

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

United States of America

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in accordance with Regulation S or Rule 144A under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

Each Dealer has represented and agreed, or will represent and agree, that it has not offered or sold any Notes and will not offer and sell any Notes within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the first day on which the Tranche of which such Notes are a part was first offered to persons other than distributors and the date of closing of such offering (the "**Distribution Compliance Period**"), as determined and certified to the Principal Paying Agent or the Issuer by the relevant Dealer (or, in the case of a sale of a Tranche of the Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or

the Issuer shall notify each such Dealer when all such Dealers have so certified), except in accordance with Rule 903 of Regulation S or Rule 144A except as set forth below. Accordingly, each Dealer has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S. Each Dealer and its affiliates also have agreed that, at or prior to confirmation of sale of the Notes (other than sale of the Notes pursuant to Rule 144A), it will have sent to each Dealer, distributor or person receiving a selling concession, fee or other remuneration to which it sells Notes during the Distribution Compliance Period (other than resales pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons to substantially the following effect:

"The Notes covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the first day on which the Tranche of Notes of which such Notes are a part was first offered to persons other than distributors and the date of closing of such offering, as determined and certified by the relevant Dealer or Dealers, except in either case in accordance with Regulation S under, or pursuant to an available exemption from the registration requirements of, the Securities Act. Terms used above have the meaning given to them by Regulation S of the Securities Act."

Terms used in the above paragraph have the meanings given to them by Regulation S.

- (1) The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Master Note Issuance Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.
- (2) Each Dealer will agree that it will not, acting either as principal or agent, offer or sell any Notes in the United States other than Notes in registered form bearing a restrictive legend thereon, and it will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Notes (or approve the resale of any such Notes):
 - (a) except (A) inside the United States through a U.S. broker dealer that is registered under the United States Securities Exchange Act of 1934 (the "**Exchange Act**") to institutional investors, each of which such Dealer reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A thereunder), or a fiduciary or agent purchasing Notes for the account of one or more qualified institutional buyers or (B) otherwise in accordance with the restrictions on transfer set forth in such Notes, the Master Note Issuance Agreement, the Base Prospectus and the relevant Final Terms; or
 - (b) by means of any form of general solicitation or general advertisement, including but not limited to (A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast of television or radio and (B) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

Prior to the sale of any Notes in registered form bearing a restrictive legend thereof, the selling Dealer shall have provided each offeree that is a U.S. person (as defined in Regulation S) with a

copy of the Base Prospectus in the form the Issuer and Dealers shall have agreed most recently shall be used for offers and sales in the United States.

- (3) Each Dealer will represent and agree that in connection with each sale to a qualified institutional buyer it has taken or will take reasonable steps to ensure that the purchaser is aware that the Notes have not been and will not be registered under the Securities Act and that transfers of Notes are restricted as set forth herein and, in the case of sales in reliance upon Rule 144A, that the selling Dealer may rely upon the exemption provided by Rule 144A under the Securities Act.

Each purchaser of such Notes is hereby notified that the offer and sale of such Notes may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

In addition, until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of Notes of such Tranche within the United States by any dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Issuer and the Dealers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Notes which may be offered pursuant to Rule 144A.

The Bearer Notes are also subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder.

For Bearer Notes issued in accordance with the provisions of U.S. Treasury Regulation 1.163-5(c)(2)(i)(D) (the "**D Rules**"), each Dealer will represent, warrant and agree that (a) except to the extent permitted under the D Rules, (i) it has not offered or sold, and during the restricted period will not offer or sell, any such Bearer Notes to a person who is within the United States or its possessions or to a United States person and (ii) it has not delivered and will not deliver within the United States or its possessions any Definitive Notes that are sold during the restricted period; (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling such Bearer Notes are aware that such Bearer Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules; (c) if it is a United States person, it is acquiring such Bearer Notes for the purposes of resale in connection with their original issuance and if it retains such Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and (d) with respect to each affiliate that acquires from it such Bearer Notes for the purpose of offering or selling such Bearer Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in this Subscription and Sale of Notes section. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

Permanent Global Notes in bearer form issued in accordance with the D Rules will include the following legend on the face of the Bearer Notes, Talons and Coupons:

"Any United States person who holds this obligation will be subject to the limitations under the United States income tax laws, including the limitations provided in section 165(j) and 1287(a) of the Internal Revenue Code."

For Bearer Notes issued in accordance with the provisions of U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**C Rules**"), such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer will represent, warrant and agree that it has not engaged in interstate commerce in connection with such issuance and has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer will represent, warrant and agree in connection with the original issuance of such Bearer Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either of such Dealer or such prospective purchaser is within the United States or its possessions and will not otherwise involve any of its U.S. offices in the offer or sale of such Bearer Notes. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

Andorra

The Notes shall only be offered or sold to Andorran banks or financial entities duly authorised by the Andorran Government to operate within the financial sector in Andorra or otherwise as lawfully permitted in Andorra.

France

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 and D.411-2 of the French *Code monétaire et financier*, but excluding individuals referred to in Article D.411-1 II 2.

Hong Kong

Each Dealer has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Italy

The offering of the Notes has been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy

in a solicitation to the public at large, and that sales of the Notes in the Republic of Italy shall only be negotiated on an individual basis with "Professional Investors", as defined under Article 31, paragraph 2 of CONSOB Regulation no.11522 of 1 July 1998, as amended, and effected in compliance with the requirements of Articles 94 and seq. of Legislative Decree no.58 of 24 February 1998, as amended ("**Legislative Decree no.58**") and CONSOB Regulation no. 11971 of 14 May 1999, as amended ("**Regulation no.11971**") and shall in any event be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations.

Accordingly, each Dealer has represented and agreed that the Notes may not be offered, sold or delivered and neither the Base Prospectus nor any other material relating to the Notes may be distributed or made available in the Republic of Italy, unless such offer, sale or delivery of Notes or distribution or availability of copies of the Base Prospectus or any other material relating to the Notes in the Republic of Italy is:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree no. 58, Regulation no.11971 and any other applicable laws or regulations;
- (b) in compliance with Article 129 of Legislative Decree no.385 of 1 September 1993 and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending inter alia on the amount of the issue and the characteristics of the securities, applies; and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Liechtenstein

The Notes are offered by way of a private placement to a limited number of investors in Liechtenstein and as such do not form part of any public offering in Liechtenstein. This Base Prospectus, any supplemental Prospectuses, Drawdown Prospectuses and Final Terms shall be treated as confidential and may only be relied upon by the addressee and not a third party. In case of any potential on-selling by an investor, the investor must respect the public offering restriction under Liechtenstein law.

Monaco

The Notes shall only be offered or sold to duly authorised banks and licensed portfolio management companies in Monaco or otherwise as lawfully permitted in Monaco.

The Netherlands

Zero coupon Notes in definitive form and other Notes in definitive form on which interest does not become due and payable during their term but only at maturity (savings certificates or spaarbewijzen as defined in the Dutch Savings Certificates Act or *Wet inzake spaarbewijzen*, the "SCA") may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such Notes if they are physically issued outside the Netherlands and are not immediately thereafter distributed in The Netherlands.

Each Dealer has furthermore represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that Notes with a maturity of less than 12 months which qualify as money market instruments will only be offered, directly or indirectly, in or from The Netherlands, (i) if they each have a minimum denomination (or minimum aggregate purchase price) of €50,000 or the equivalent thereof in another currency; or (ii) solely to persons who trade or invest in securities in the conduct of their profession or business (which includes banks, securities firms, investment institutions, insurance companies, pension funds, other institutional investors, and finance companies and large enterprises which as an ancillary activity regularly invest in securities); or (iii) in circumstances where another exception to or exemption or dispensation from the prohibition of section 3 subsection 4 of the Dutch Act on the Supervision of the Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*) applies.

Switzerland

The Base Prospectus and any Final Terms relating to the Notes do not constitute an issue prospectus pursuant to Art 652a or Art 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The products will not be listed on the SWX Swiss exchange and, therefore, the Base Prospectus and any Final Terms may not comply with the disclosure standards of the listing rules of the SWX Swiss Exchange.

Accordingly, the products may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the products with a view to distribution. The investors will be individually approached by the Dealer from time to time.

Kingdom of Spain

Each Dealer has represented and agreed that the Notes may not be offered or sold in the Kingdom of Spain save in accordance with the requirements of the Spanish Securities Market Law (*Ley del Mercado de Valores*) of 28 July 1988 as amended and restated and Royal Decree 291/1992 on Issues and Public Offering of Securities (*Real Decreto 291/1992 sobre Emisiones y Ofertas Publicas de Valores*) as amended and restated.

PRO FORMA FINAL TERMS FOR THE NOTES

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

FINAL TERMS

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

Issue of

[Aggregate Principal Amount of Tranche]

[Title of Notes]

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 2 August 2006 in relation to the above Programme [and the supplemental Prospectus dated []² which [together] constitute[s] a base prospectus ("**Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. 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 [and the supplemental Prospectus] [is] [are] is available for viewing at [address] [and] [website]³ and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated []]. This document constitutes the Final Terms of the notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Prospectus dated [], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus] dated [original date] [and the supplemental Prospectus dated []] and are attached hereto. 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

² Only include details of supplemental Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

³ If required by the UKLA in accordance with Article 14 of the Prospectus Directive.

Prospectus(es) dated [original date] and [current date] [and the supplemental Prospectus dated [] and []]. [The Prospectus(es) are available for viewing at [address] and copies may be obtained from [address].

[For Notes offered and sold in the United States of America include:

Important Notices

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE STATE SECURITIES LAW OF ANY STATE OF THE UNITED STATES OR THE LAWS OF ANY OTHER JURISDICTION. THE NOTES MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S OF THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. SEE "TRANSFER RESTRICTIONS".

THE NOTES ARE BEING OFFERED (A) IN RELIANCE ON RULE 144A ("RULE 144A") UNDER THE SECURITIES ACT IN EACH CASE TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A; EACH A "QIB"), AND (B) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES PURSUANT TO CLAUSE (A) ABOVE WILL BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B ("RSA 421-B") OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with resales of the Notes, the Issuer will promptly furnish, upon request of a holder of a Note, to such holder and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) if, at the time of such request, the Issuer is neither a reporting company under Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

- | | | | |
|----|--------|--|--|
| 1. | (i) | Issuer | HSBC Bank plc |
| | (ii) | Arranger(s): | [HSBC Bank plc] |
| 2. | (i) | Series number: | [] |
| | (ii) | [Tranche number: | [] |
| | | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).] | |
| 3. | | Currency or currencies: | |
| | (i) | of denomination: | [] |
| | (ii) | of payment: | [] |
| 4. | | Aggregate Principal Amount [of Notes admitted to trading] ⁴ : | |
| | [(i)] | Series: | [] |
| | [(ii)] | Tranche:] | [] |
| 5. | (i) | Issue Price: | [] per cent of the Aggregate Principal Amount [plus accrued interest from <i>[insert date]</i> (in the case of fungible issues only, if applicable)] |
| | (ii) | Commission payable: | [[] per cent/None] |
| | (iii) | Selling concession: | [[] per cent/None] |
| 6. | | Denomination(s) | [] ⁵ |
| | | (Condition 1(b)): | |
| 7. | (i) | Issue Date: | [] |
| | (ii) | Interest Commencement Date: | [] |

⁴ Delete for debt securities with a denomination per unit of less than EUR50,000

⁵ If, where debt securities have a denomination per unit of EUR50,000 or more, Definitive Notes are required to be printed in forms representing all tradeable amounts of Notes then each such amount should be included in item "6. Denomination(s)", that is, EUR50,000 and increasing multiples of EUR1,000 in excess thereof (up to and including EUR99,000). If Definitive Notes are not required to be printed in such amounts, then the denomination should be specified as normal and item "21. Tradeable Amounts" in Part B below shall apply.

8. Maturity Date: *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year. In case of undated Notes specify undated.]*
(Condition 6(a))
9. Interest basis: *[[] % Fixed Rate]*
(Conditions 3 to 5) *[[specify reference rate]+/- [] % Floating Rate Notes]*
[Variable Coupon Amount]
[Zero Coupon Notes]
[Index-Linked Notes]
[Other (specify)]
(further particulars specified below)
10. Redemption basis: *[Redemption at par]*
(Condition 6) *[Index-Linked Redemption]*
[Cash Equity Redemption]
[Equity-Linked Redemption]
[Currency-Linked Redemption]
[Credit-Linked Redemption]⁶
[Interest Rate-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (specify)]
11. Change of interest or redemption basis: *[Specify details of any provision for convertibility of Notes to another interest or redemption/payment basis]*
12. Put/Call options: *[Condition 6[(c)][(d)] will apply as specified below]*
13. (i) Status of the Notes: Unsubordinated
(Condition 2)
- (ii) Date [Board] approval for issuance of Notes obtained: *[] [and [], respectively]] (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]*
14. Method of distribution: *[Syndicated/Non-syndicated]*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note provisions: *[Applicable/Not applicable]*
(If not applicable, delete the remaining sub-

⁶ NB - Specific pro forma Final Terms for Credit-Linked Notes are provided for in Part G of this Base Prospectus.

- (Condition 3)
- (i) Rate of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/ monthly] in arrears]
- (ii) Fixed Interest Payment Date(s): [] in each year
- (iii) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (iv) Determination Date: [] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon, N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)).
- (v) Broken Amount(s): [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details] (Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual basis)
16. Floating Rate Note provisions: [Applicable/Not applicable]
- (Condition 4)
- (i) Interest Period(s): [specify]
- (ii) Interest Payment Dates: [specify dates]
[If Business Day Convention embedded in Condition 4(b) is not to apply, specify alternative convention]
- (iii) Screen Rate Determination:
- (1) Benchmark: [specify LIBOR or other]
- (2) Relevant Rate of Benchmark: [Offered rate/Bid rate/Mean rate/other specify]
- (3) Relevant screen page: []
- (4) Interest Determination Date: []
- (iv) ISDA Determination:
- (1) Floating Rate Option: []
- (2) Designated Maturity: []
- (3) Reset Date: []

- (v) Margin: [+/-][] per cent per annum
- (vi) Fallback Rate: [*specify method of calculating interest rate if applicable screen rate not available or fewer than two rates appear (where arithmetic mean is required, or where rate is not available for period of duration equal to Interest Period)*]
- (vii) Day count fraction: []
- (viii) Relevant time: []
- (ix) Minimum Interest Rate: [] per cent per annum
- (x) Maximum Interest Rate: [] per cent per annum
- (xi) Business Day: [*specify relevant place(s) for the purpose of definition in Condition 4(b)*]
(Condition 4(b))
- (xii) Rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. Variable Coupon Amount Note provisions: [Applicable/Not applicable]
(Condition 5) [*If not applicable, delete the remaining sub-paragraphs of this paragraph*]
- (i) Interest Payment Dates: []
- (ii) Method of calculating interest: []
18. Zero Coupon Note provisions: [Applicable/Not applicable]
(Condition 5) [*If not applicable, delete the remaining sub-paragraphs of this paragraph*]
- (i) Amortisation Yield: [] per cent. per annum
- (ii) Rate of interest on overdue amounts: []
- (iii) Redemption formula: []
19. Index-Linked Interest Note/other variable-linked interest Note Provisions: [Applicable/Not applicable]
[*If not applicable, delete the remaining sub-paragraphs of this paragraph*]
- (i) Index/Formula/other variable: [*give or annex details*]
- (ii) Calculation Agent responsible for []

calculating the interest due:

- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Determination Date(s): []
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [] *[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (vi) Interest or calculation period(s): []
- (vii) Specified Interest Payment Dates: []
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (ix) Business Centre(s): []
- (x) Minimum Rate/Amount of Interest: [] per cent. per annum
- (xi) Maximum Rate/Amount of Interest: [] per cent. per annum
- (xii) Day Count Fraction: []
20. Dual Currency Note provisions/Multi-currency Note provisions: [Applicable/Not applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Currencies: []
- (ii) Exchange Rate(s): [give details]⁷
- (iii) Provisions applicable where calculation by reference to Exchange Rate impossible or impracticable: *[Need to include a description of Market disruption or settlement disruption events and adjustment provisions.]*

⁷ If denomination per unit is less than EUR50,000, include details of where past and future performance and volatility of the relevant rate(s) can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying.

PROVISIONS RELATING TO REDEMPTION

21. Issuer's optional redemption (Call): [Applicable / Not applicable]
(Condition 6(c))
- (i) Redemption amount (Call): [*specify — if not par, also specify details of any formula*]
- (ii) Series redeemable in part: [*specify — otherwise redemption will only be permitted of entire Series*]
- (iii) Call option date(s)/Call option period: [*specify*]
22. Noteholder's optional redemption (Put): [Yes/No]
(Condition 6(d))
- (i) Redemption amount (Put): [*specify — if not par, also specify details of any formula*]
- (ii) Put Option date(s)/Put Option Period: [*specify*]
23. Final redemption amount of each Note: [*specify — if not par, also specify details of any formula*]
(Condition 6(a))
24. Final redemption amount of each Note in cases where the final redemption amount is Index-Linked or other variable-linked: [[] per Note of [] specified denomination/other/see Appendix]
- (i) Index/Formula/other variable: [*give annex details*]
- (ii) Calculation Agent responsible for calculating the final redemption amount: []
- (iii) Provisions for determining final redemption amount where calculated by reference to Index and/or Formula and/or other variable; []
- (iv) Determination Date(s): []
- (v) Provisions for determining final redemption amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) Payment Date []
- (vii) Minimum final redemption amount []

- (viii) Maximum final redemption Amount: []
25. Instalment Notes: [specify]
- (Condition 6(a))
- (i) Instalment Amounts: []
- (ii) Dates for payment of Instalments: []
26. Early redemption amount: Yes
- (i) Early redemption amount (upon redemption for taxation reasons): [specify — if not par, also specify details of any formula]
- (Condition 6(b))
- (ii) Other redemption provisions: [specify - if not par, also specify details of any formula]
- (Condition 6(i))

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:
- (Condition 1(a))
- (i) Form of Notes: [Bearer/Registered]
- (ii) Bearer Notes exchangeable for Registered Notes: [Yes/No] [Answer will be no where no Registered Notes or where the issue is wholly or partly a Rule 144A issue]
28. New Global Note: [Yes/No] [Answer will be No of the Notes are not Bearer Notes]
29. If issued in bearer form: [specify] [Notes may only be represented initially by a Permanent Global Note if these Final Terms specifies that TEFRA C rules apply]
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: [specify] [Notes may only be represented initially by a Permanent Global Note if these Final Terms specifies that TEFRA C rules apply]
- (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: Yes [specify]
- (Condition 1(a))
- (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes: [Yes - specify/No]

- (iv) Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]
[N.B. This will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems - see provisions contained in Permanent Global Note]
- (v) Talons for future Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]
[N.B. The above comment also applies here]
- (vi) (a) Definitive Notes to be security printed: [Yes/No]
[N.B. The above comment also applies here]
- (b) if the answer to (a) is yes, whether steel engraved plates will be used: [Yes/No/Not applicable]
- (vii) Definitive Notes to be in ICMA or successor's format: [Yes/No]
[N.B. The above comment also applies here]
- (viii) Issuer or Noteholder to pay costs of security printing: [Issuer/Noteholder/Not applicable]
30. Exchange Date for exchange of Temporary Global Note: [specify]
31. Payments:
(Condition 8)
- (i) Method of payment: [specify if other than by cheque or transfer to a designated account]
- (ii) Relevant Financial Centre Day: [specify any additional places]
32. Party Paid Notes:
(Condition 1)
- If yes, specify number, amounts and dates for, and method of, payment of instalments of subscription monies and any further additional provisions (including forfeiture dates in respect of late payments of partly paid instalments) [specify]
33. Redenomination:
(Condition 9)
- (i) Redenomination: [Applicable/Not applicable]
- (ii) Exchange: [Applicable/Not applicable]
34. Other final terms: [Not applicable/specify/See Annex]

(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

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

- | | | |
|-----|---|---|
| 35. | Security Delivery (Equity-Linked Notes only): | Condition 10(b) [applies/does not apply] |
| 36. | Provisions for Cash Equity Notes and Equity-Linked Notes | |
| | (i) Securities: | [] [The Securities are Depositary Receipts] |
| | (ii) Underlying Company(ies): | [] [and with respect to the Underlying Securities []] |
| | (iii) Exchange(s): | [] |
| | (iv) Related Exchange(s): | [] [All Exchanges] |
| | (v) Initial Price: | [] |
| | (vi) Strike Date: | [] |
| | (vii) Cash Settlement Payment Date: | [Maturity Date/other - <i>specify</i>] |
| | (viii) Securities Transfer Amount:
(for Equity-Linked Notes only) | [] |
| | (ix) Settlement Date:
(for Equity-Linked Notes only) | [] |
| | (x) Settlement Disruption Event:
(for Equity-Linked Notes only) | Condition 10(b)(iii) [applies/does not apply] |
| | - Disruption Period (if other than as specified in Condition 10(b)(iii)): | |
| | (xi) Delivery Disruption Event:
(for Equity-Linked Notes only) | Condition 10(b)(iv) [applies/does not apply] |
| | (xii) Potential Adjustment Event: | Condition 10(g)(i) [applies/does not apply] |
| | - Extraordinary Dividend (if other than as specified in the definition in Condition 10(a)) | [] |
| | - additional Potential Adjustment Event (for purposes of para (viii) of the definition thereof) | [] |

- | | | |
|--------|--|--|
| (xiii) | Extraordinary Event: | Condition 10(g)(ii) [applies/does not apply] |
| (xiv) | Conversion:
(for Notes relating to Government Bonds and debt securities only) | Condition 10(g)(iii) [applies/does not apply] |
| (xv) | Correction of prices: | Condition 10(g)(iv) [applies/does not apply] |
| (xvi) | Additional Disruption Event | [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] <i>[other - give details]</i>] [Not applicable] |
37. **Additional provisions for Equity-Linked Notes:**
- []
38. **Provisions for Index-Linked Notes:**
- | | | |
|--------|-------------------------------|--|
| (i) | Index(ices): | [] [The Index. Each of <i>[specify relevant indices in a basket]</i> [] is a Multiple Exchange Index] |
| (ii) | Index Sponsor: | [] [The definition in Condition 10(a) applies] |
| (iii) | Exchange(s): | [] |
| (iv) | Related Exchange(s): | [] [All Exchanges] |
| (v) | Initial Level: | [] |
| (vi) | Strike Date: | [] |
| (vii) | Cash Settlement Payment Date: | [] |
| (viii) | Adjustments to Indices: | Condition 10(f) [applies/does not apply] |
| (ix) | Additional Disruption Event: | [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] <i>[Other - give details]</i>] [Not applicable] |
39. **For Equity-Linked and Credit-Linked Notes:** U.S. Federal Income Tax Considerations
40. **Valuation Date(s):** []. If, pursuant to Condition 10(e), such date is not a Scheduled Business Day or is a Disrupted Day, such date shall nevertheless be deemed to be the Valuation Date and the [Final Price] shall be the price determined by the Calculation Agent in its sole discretion.
41. **Valuation Time:** [] [The definition in Condition 10(a) applies]

42. **Averaging Dates:** [Yes/No. *If yes, specify dates*]
- (i) Relevant Prices: [Specify how level of Index or market value of Securities is to be determined]
- (ii) Details relating to how Final Redemption Amount will be calculated where the Notes relate to a basket of Indices or Securities: []
- (iii) Averaging Date Market Disruption: [Omission/Postponement/Modified Postponement/Not Applicable/Other (Specify)]
43. **Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes:** [specify]
- (i) Knock-in Event: [Applicable to [specify relevant payment or delivery]]
- Knock-in Event: [] is [greater than/greater than or equal to/less than/less than or equal to/the Knock-in Price]
- Knock-in Period Beginning Date (if other than as specified in the definition thereof in Condition 10(d)): []
- Knock-in Period Ending Date (if other than as specified in the definition thereof in Condition 10(d)): []
- Knock-in Price: []
- Knock-in Valuation Time (if other than as specified in the definition thereof in Condition 10(d)); []
- (ii) Knock-out Event: [Applicable to [specify relevant payment or delivery]]
- Knock-out Event: [] is [greater than/greater than or equal to/less than/less than or equal to/the Knock-out Price]
- Knock-out Period Beginning Date (if other than as specified in the definition thereof in Condition 10(d)): []

- Knock-out Period Ending Date []
(if other than as specified in the definition thereof in Condition 10(d)):
- Knock-out Price: []
- Knock-out Valuation Time (if other than as specified in the definition thereof in Condition 10(d)); []
- (iii) Automatic Early Redemption: Condition 10(c) [applies/does not apply]
- Automatic Early Redemption Event: [] is [greater than/greater than or equal to/less than/less than or equal to/the Automatic Early Redemption [Price/Level] as of [the/any] Automatic Early Redemption Valuation Date]
- Automatic Early Redemption Valuation Date(s): []
- Automatic Early Redemption [Level/Price/Rate]: []
- Automatic Early Redemption Date(s): [] [Subject to adjustment in accordance with [specify relevant Business Day Convention]]
- Automatic Early Redemption Amount: []

DISTRIBUTION

44. (i) If syndicated, names [, addresses and underwriting commitments]⁸ of Relevant Dealer(s)/Lead Manager(s): [Not applicable / HSBC Bank plc / other - give name]
[Give addresses and underwriting commitments]⁸
- (ii) If syndicated, names [, addresses and underwriting commitments]⁸ of other Dealers/Managers (if any): [Not applicable/other - give name]
[Give addresses and underwriting commitments]⁸
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
- (iii) Date of Subscription Agreement⁸: []

⁸ Not required for debt securities with a denomination per unit of at least EUR50,000.

- (iv) Stabilising Manager (if any): [Not applicable/*give name*]
45. If non-syndicated, name [and address]⁸ of Relevant Dealer: [Not applicable/*give name [and address]*]⁸
46. Total commission and concession: [] per cent. of the Aggregate Principal Amount⁸
47. Selling restrictions: [For Bearer Notes: TEFRA C Rule/TEFRA D Rule]
- United States of America: [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)]
- [Notes may 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) only in compliance with the provisions set forth under "Transfer Restrictions."]
- Other: [*specify any modifications of, or additions to, selling restrictions contained in Dealer Agreement*]
48. Stabilisation: **[In connection with the issue of any Tranche of Notes under the Programme, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.]**

[LISTING AND ADMISSION TO TRADING APPLICATION]

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

[In offers of Notes pursuant to Rule 144A insert:

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each prospective purchaser of Notes offered in reliance on Rule 144A (a "144A Offeree"), by accepting delivery of these Final Terms and the accompanying Base Prospectus, will be deemed to have represented and agreed with respect to such Notes as follows:

(a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited; and

(b) such 144A Offeree agrees to make no photocopies of these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Notes in reliance on Rule 144A ("**Restricted Notes**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

(1) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer, and (C) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A.

(2) The purchaser understands that the Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.

(3) The purchaser understands that the Rule 144A Global Registered Notes, the Restricted Global Registered Notes and any U.S. Definitive Registered Notes (as defined in "Summary of Provisions relating to the Notes while in Global Form" in the accompanying Base Prospectus) issued in exchange for interests therein will bear a legend (the "**Rule 144A Legend**") to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 AS AMENDED (THE "**SECURITIES ACT**"), OR ANY U.S. STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR

THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) TO THE ISSUER OR ITS AFFILIATES."

In addition, each purchaser of Restricted Notes acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Before any interest in a Note represented by a Restricted Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note, it will be required to provide the Registrar with written certification as to compliance with the transfer restrictions referred to in sub-clause (2) and (3) of the legend set forth above. See "Summary of Provisions relating to the Notes While in Global Form" in the accompanying Base Prospectus.]

[RESPONSIBILITY]

The Issuer accepts responsibility for the information contained in these Final Terms. [*Indices/share information*] has been extracted from [*insert name of source of information e.g. FTSE¹⁰⁰, Dow Jones etc.*]. 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 [*insert name of source of information e.g. FTSE¹⁰⁰, Dow Jones etc.*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

CONFIRMED

HSBC BANK PLC

By: _____

Authorised Signatory

Date: _____

PART B - OTHER INFORMATION

1. LISTING

- (i) Listing [Application [will be/has been] made to admit the Notes to listing on the Official List of the Financial Services Authority. No assurance can be given as to whether or not, or when, such application will be granted/other (specify)/None]
- (ii) Admission to trading [Application [will be/has been] made for the Notes to be admitted to trading [on the Professional Securities Market/Gilt-Edged and Fixed Interest Market/other] with effect from []. No assurance can be given as to whether or not, or when, such application will be granted.] [Application has been made to have the Notes admitted to trading on the PORTAL System of the U.S. National Association of Securities Dealers.] [Not Applicable]
- [(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)]⁹*
- (NB: Notes admitted to trading to the UK gilt-edged and fixed interest market will also be admitted to the Official List as a matter of course.)*

2. RATINGS

- Ratings: [The long term senior debt of HSBC Bank plc has been rated:]
- [S&P: [•]]
- [Moody's: [•]]
- [[other]: [•]]
- [The Notes have not specifically been rated.]

3. [NOTIFICATION]

The [include name of competent authority in EEA home Member State] [has been requested to provided/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host

⁹ Not required for debt securities with a denomination per unit of at least EUR50,000.

Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], 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**

(i) Reasons for the offer []

[If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

(ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) Estimated total expenses: *[Include breakdown of expenses]¹⁰*

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

6. **[Fixed rate Notes only - YIELD**

¹⁰ Not required for debt securities with a denomination per unit of at least EUR50,000.

Indication of yield: [Calculated as *[include details of method of calculation in summary form]* on the Issue Date]¹⁰

[As set out above, the] [The] yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]

7. **[Floating Rate Notes only - HISTORIC INTEREST RATES**

[Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Telerate].]¹¹

8. **[Index-Linked, Equity-Linked or other variable-linked Interest Notes only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]¹². Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.]¹³

9. **[Dual currency/Multi-currency Notes only - PERFORMANCE OF EXCHANGE RATE(S) [AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS]¹¹**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]¹⁴.]¹⁰

OPERATIONAL INFORMATION

10. ISIN Code: []

11. Common Code: []

¹¹ Not required for debt securities with a denomination per unit of at least EUR50,000.

¹² Not required for debt securities with a denomination per unit of at least EUR50,000.

¹³ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is less than 100% of the nominal value of the Notes).

¹⁴ Not required for debt securities with a denomination per unit of at least EUR50,000.

12. New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
[Note that the designation "Yes" simply means that the Notes are intended upon issue to be delivered to the common safe-keeper acting as agent for Euroclear or Clearstream, Luxembourg and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[include this text if "yes" selected in which case the Notes must be issued in NGN form]*
13. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None/specify]
14. Delivery: Delivery [against/free of] payment
15. Settlement procedures: [Eurobond/Medium Term Note/other — specify]
16. Additional Paying Agent(s) (if any): [None/specify]
17. Common Depositary: [specify]
18. Calculation Agent/Calculation Agent: [HSBC Bank plc] [HSBC France] [specify]
— is Calculation Agent to make calculations? [Yes/No]
— if not, identify calculation agent: *[N.B. Calculation agent appointment letter required]*
19. Notices: *[specify any other means of effecting communication]*
(Condition 14)
20. City in which specified office of Registrar to be maintained: [specify]
(Condition 12)

21. Tradeable Amount: [So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and *[specify relevant clearing system(s)]* so permit, the Notes shall be tradeable only in minimum principal amounts of [€50,000/€100,000]/*[specify equivalent to €50,000/€100,000 if Notes are not denominated in EUR]* and increasing multiples of [€1,000] (the "**Tradeable Amount**") in excess thereof. For the avoidance of doubt, in the case of a holding of Notes in an increasing multiple of [€1,000] in excess of [€50,000/€100,000]/ *[specify equivalent to €50,000/€10,000 if Notes are not denominated in EUR]*, such holding will be redeemed at its principal amount.]¹⁵
22. Other relevant Terms and Conditions: []
23. Other Final Terms: []¹⁶
24. ERISA Considerations: []

¹⁵ This item shall apply only in the event that the Definitive Notes are not required to be provided in forms representing all tradeable amounts of the Notes i.e. €50,000 and increasing multiples of €1,000 in excess thereof (up to and including €99,000). If they are so required, this item shall not apply - see item "6. Denomination(s)" above and corresponding footnote thereto.

¹⁶ If new term constitutes a "significant new factor", consider whether supplement to the Prospectus is required.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Notes may, subject to all applicable legal and regulatory requirements, be issued in Tranches or Series comprising either Notes in bearer form ("**Bearer Notes**") or Notes in registered form ("**Registered Notes**"), as specified in the relevant Final Terms. No single Tranche or Series of Notes offered in reliance on Rule 144A may include Bearer Notes.

Bearer Notes may be issued in the new global note form (a "**New Global Note**" or "**NGN**"), as set out in Part I and Part II of Schedule 1 to the Issuing and Paying Agency Agreement or, if not intended to be issued in NGN form, will be issued in classic global note form (a "**Classic Global Note**" or "**CGN**"), as set out in Part I and Part II of Schedule 2 to the Issuing and Paying Agency Agreement, as specified in the relevant Final Terms, or in such other form as the relevant parties may agree.

The NGN form has been introduced to allow for the possibility of Notes being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the Eurosystem, provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

Registered Notes

In the case of Registered Notes, the relevant Final Terms may specify that the Notes will be issued in global form ("**Global Registered Notes**") held in specified clearing systems, as described below, or in definitive form ("**Definitive Registered Notes**").

Global Registered Notes

If Notes are to be issued in the form of Global Registered Notes, the Issuer will deliver:

- (a) a Regulation S Global Registered Note; or
- (b) a Rule 144A Global Registered Note; or
- (c) an Unrestricted Global Registered Note and a Restricted Global Registered Note

(as each such term is defined below), subject to the Issuing and Paying Agency Agreement (as defined herein) in accordance with their respective terms and as specified in the relevant Final Terms.

Regulation S Global Registered Notes

In the case of a Series or Tranche of Registered Notes offered and sold solely outside the United States (as defined in Regulation S) in reliance on Regulation S, such Series or Tranche of Registered Notes may be represented by a Global Registered Note without interest coupons (a "Regulation S Global Registered Note"), which will be deposited on or about the closing date (the "Closing Date") for the relevant Series or Tranche with HSBC Bank plc as common depositary for Euroclear and/or Clearstream, Luxembourg and registered in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee for such common depositary. Interests in any Regulation S Global

Registered Note will be exchangeable (in circumstances described below under "Exchange and Transfer of Global Registered Notes for Definitive Registered Notes") for Definitive Registered Notes without any Rule 144A legend ("**Regulation S Definitive Registered Notes**").

Rule 144A Global Registered Notes

In the case of a Tranche of Registered Notes offered and sold solely in the United States (as defined in Regulation S) in reliance on Rule 144A, such Tranche of Registered Notes will be represented by a Global Registered Note without interest coupons (a "**Rule 144A Global Registered Note**"), which, unless otherwise provided in the applicable Final Terms, will be deposited on or about the Closing Date for the relevant Tranche with a custodian for DTC and registered in the name of Cede & Co. as nominee for DTC. Interests in any Rule 144A Global Registered Note will be exchangeable (in the circumstances described below under "Exchange and Transfer of Global Registered Notes for Definitive Registered Notes") for Definitive Registered Notes bearing a Rule 144A legend ("**U.S. Definitive Registered Notes**"). Rule 144A Global Registered Notes (and any U.S. Definitive Registered Notes issued in exchange therefor) will be subject to certain restrictions on transfer contained in such Rule 144A legend appearing on the face of such Note as set out in the relevant Final Terms under "Transfer Restrictions".

Unrestricted and Restricted Global Registered Notes

In the case of a Tranche of Registered Notes offered and sold both pursuant to Regulation S and in reliance on Rule 144A such Tranche of Registered Notes will be represented by two Global Registered Notes, each without interest coupons (in the case of Registered Notes forming part of such Tranche which are sold pursuant to Regulation S, an "**Unrestricted Global Registered Note**" and, in the case of Registered Notes forming part of such Tranche which are sold in reliance on Rule 144A, a "**Restricted Global Registered Note**").

The Unrestricted Global Registered Note will be deposited on or about the issue date for the relevant Tranche with, and registered in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee for, HSBC Bank plc, as common depositary for Euroclear and Clearstream, Luxembourg. A beneficial interest in the Unrestricted Global Registered Note may at all times be held only through Euroclear and Clearstream, Luxembourg. The Restricted Global Registered Note will, unless otherwise provided in the relevant Final Terms, be deposited on or about the issue date for the relevant Tranche with HSBC Bank USA, National Association as custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, DTC. In the circumstances described below under "Exchange and Transfer of Global Registered Notes for Definitive Registered Notes", interests in any Unrestricted Global Registered Note will be exchangeable for Regulation S Definitive Registered Notes and interests in any Restricted Global Registered Note will be exchangeable for U.S. Definitive Registered Notes and Regulation S Definitive Registered Notes. Restricted Global Registered Notes (and any U.S. Definitive Registered Notes issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Notes as will be set out in the relevant Final Terms under "Transfer Restrictions".

Each Unrestricted Global Registered Note and each Restricted Global Registered Note will have an ISIN number and a CUSIP number.

Exchange of Interests in Unrestricted and Restricted Global Registered Notes; Transfers within and between DTC, Clearstream, Luxembourg and Euroclear

On or prior to the 40th day after the later of the commencement of the offering of the relevant Tranche and the issue date for that Tranche, a beneficial interest in the relevant Unrestricted Global Registered

Note may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Restricted Global Registered Note only upon receipt by the Registrar (as defined in the Issuing and Paying Agency Agreement) of a written certification from the transferor (in the applicable form provided in the Issuing and Paying Agency Agreement) to the effect that such transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Restricted Global Registered Note, as will be set out in the relevant Final Terms under "Transfer Restrictions".

Beneficial interests in a Restricted Global Registered Note may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Unrestricted Global Registered Note, whether before, on or after such 40th day, only upon receipt by the Registrar of a written certification from the transferor (in the applicable form provided in the Issuing and Paying Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act (if available) or to the Issuer or its affiliates.

Any beneficial interest in either the Restricted Global Registered Note or the Unrestricted Global Registered Note relating to any Series that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Registered Note relating to such Series will, upon transfer, cease to be a beneficial interest in such Global Registered Note and become a beneficial interest in the other Global Registered Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Registered Note for as long as it remains such an interest.

Owner of Global Registered Notes and Payments

Subject to certain provisions of the Issuing and Paying Agency Agreement relating to directions, sanctions and consents of Holders of Registered Notes and to meetings of Holders of Notes, so long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depositary is the registered owner or holder of a Global Registered Note, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Registered Note for all purposes under the Issuing and Paying Agency Agreement and the Notes. Payments of principal, interest and additional amounts, if any, pursuant to Condition 8, on Global Registered Notes will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Registrar, or any Paying Agent or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Registered Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Exchange and Transfer of Global Registered Notes for Definitive Registered Notes

In the case of Rule 144A Global Registered Notes or Restricted Global Registered Notes held through DTC, beneficial interests in a Rule 144A Global Registered Note or a Restricted Global Registered Note will be exchangeable for U.S. Definitive Registered Notes: (i) if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Restricted Global Registered Note or ceases to be a "clearing agency" registered under the

Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depository; or (ii) if the Issuer, at its option, elects to terminate the book-entry system through DTC; or (iii) if an Event of Default occurs as set out in Condition 11; or (iv) if so specified in the relevant Final Terms, if the holder of the relevant Rule 144A Global Registered Note or Restricted Global Registered Note requests that such interest be exchanged for U.S. Definitive Registered Notes; or (v) at the option of the Issuer, if the Issuer, any Paying Agent or the Registrar, by reason of any change in, or amendment to, the laws of the United Kingdom, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form.

Beneficial interests in a Regulation S Global Registered Note or an Unrestricted Global Registered Note will be exchangeable, in whole but not in part, for Regulation S Definitive Registered Notes and, if held through Euroclear or Clearstream, Luxembourg, pursuant to the relevant Final Terms, beneficial interests in a Rule 144A Global Registered Note or a Restricted Global Registered Note will be exchangeable for U.S. Definitive Registered Notes: (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (ii) the Issuer, at its option, elects to terminate the book-entry system through Euroclear and Clearstream, Luxembourg; or (iii) the Notes become immediately repayable in accordance with Condition 11; or (iv) if so specified in the Final Terms, the Holder of such Global Registered Note requests that such interest be exchanged for a Regulation S Definitive Note; or (v) at the option of the Issuer, if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction which would not be suffered were the Notes in definitive form (and, in the case of Partly Paid Notes, the Issuer may elect to effect such exchange in part only).

In such circumstances, (a) the Registrar will be required to notify all Holders of interests in the relevant Global Registered Notes registered in the name of DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depository, as the case may be, of the availability of Definitive Registered Notes and (b) the Issuer will, at the cost of the Issuer, cause sufficient Regulation S Definitive Registered Notes and/or U.S. Definitive Registered Notes, as the case may be, to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Holders. A person having an interest in the relevant Global Registered Note must provide the Registrar with:

- (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver the relevant Definitive Registered Note; and
- (ii) in the case of a Rule 144A Global Registered Note or a Restricted Global Registered Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. U.S. Definitive Registered Notes issued in exchange for a beneficial interest in a Rule 144A Global Registered Note or a Restricted Global Registered Note will bear the legends applicable to transfers pursuant to Rule 144A (as set out in the relevant Final Terms under "Transfer Restrictions").

If an Unrestricted Global Registered Note relating to a Series or (if issued in Tranches) Tranche of Notes of which the Restricted Global Registered Note forms a part has, pursuant to its terms, been exchanged in whole, but not in part, for Regulation S Definitive Registered Notes, beneficial interests in the Restricted Global Registered Note may be transferred to a person who wishes to take delivery thereof in the form of a Regulation S Definitive Registered Note. Such Regulation S Definitive

Registered Notes shall be registered in such name(s) as DTC, Euroclear or Clearstream, Luxembourg, as applicable, shall direct in writing.

Upon (i) notification to the Registrar by the Custodian that the appropriate debit entry has been made in the account of the relevant participant of DTC and (ii) receipt by the Registrar of a certificate, in the form scheduled to the Issuing and Paying Agency Agreement, given by the transferee of the beneficial interest in the Restricted Global Registered Note and stating that the transfer of such interest has been made in compliance with the transfer restrictions applicable to the Notes, and pursuant to and in accordance with Regulation S under the Securities Act, the Issuer shall procure that the Registrar will (against presentation by DTC or HSBC Bank USA, National Association, as custodian, of the Restricted Global Registered Note at the specified office of the Registrar or the Transfer Agent, all in accordance with the provisions of the Issuing and Paying Agency Agreement), decrease the aggregate principal amount of Notes registered in the name of the holder of, and represented by, the Restricted Global Registered Note and shall, without charge, procure, in exchange therefor, the delivery, within five Banking Days of the receipt by the Registrar of the Restricted Global Registered Note of the notification and certification referred to in paragraphs (i) and (ii) above, and registration information required to authenticate and deliver such Regulation S Definitive Registered Notes, of an equal aggregate principal amount of duly authenticated and completed Regulation S Definitive Registered Notes.

The holder of a Registered Note may transfer such Registered Note in accordance with the provisions of Condition 1 of the Terms and Conditions of the Notes.

The holder of a Definitive Registered Note may transfer such Note by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of U.S. Definitive Registered Notes issued in exchange for beneficial interests in a Rule 144A Global Registered Note or a Restricted Global Registered Note bearing the legend referred to in the relevant Final Terms under "Transfer Restrictions", or upon specific request for removal of the legend on a U.S. Definitive Registered Note, the Issuer will only deliver U.S. Definitive Registered Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend nor the restriction on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

The Registrar will not register the transfer of or exchange of interests in a Global Registered Note for Definitive Registered Notes for a period of 15 calendar days preceding the due date for any payment in respect of the Notes.

With respect to the registration of transfer of any U.S. Definitive Registered Notes, the Registrar will register the transfer of any such U.S. Definitive Registered Notes if the transferor, in the form of transfer on such U.S. Definitive Registered Notes, has certified to the effect that such transfer is (i) to persons who the transferor reasonably believes to be qualified institutional buyers within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction, (ii) in accordance with Regulation S, (iii) pursuant to an exemption from Rule 144 under the Securities Act (if available) or (iv) to the Issuer or its affiliates.

Regulation S Definitive Registered Notes may be exchangeable for or transferable to a person wanting to take delivery thereof in the form of interests in a Restricted Global Registered Note, and U.S. Definitive Registered Notes may be transferable to a person wanting to take delivery thereof in the form

of interests in an Unrestricted Global Registered Note, in each case, upon receipt by the Registrar of a duly completed certificate in the form of Schedule 7 to the Issuing and Paying Agency Agreement and in accordance with the requirements of the Issuing and Paying Agency Agreement.

Bearer Notes

Bearer Notes will be issued in accordance with the provisions of United States Treasury Regulation §1.163-5(c)(2)(i)(D) ("**TEFRA D**") unless the relevant Final Terms provides that such Notes will be issued in accordance with the provisions of the United States Treasury Regulation §1.163-5(c)(2)(i)(C) ("**TEFRA C**") or as such Final Terms may otherwise provide.

Except as otherwise provided in the relevant Final Terms, each Series or Tranche of a Series may at issue be represented by one or more Temporary Global Notes, which will be delivered on or prior to the Issue Date to a common depositary or a Common Safe-keeper acting as an agent for Euroclear and/or Clearstream, Luxembourg and/or such other clearing system or depositary as may be agreed between the Issuer and the Dealer set out in the relevant Final Terms.

Interests in a Temporary Global Note will be exchangeable (i) not earlier than forty days after the date of issue of the Notes (the "**Exchange Date**") and upon certification as to non-U.S. beneficial ownership (as described below) for interests in a Permanent Global Note in bearer form and in substantially the form (subject to completion and amendment and as supplemented or varied in accordance with the relevant Final Terms) scheduled to the Issuing and Paying Agency Agreement or (ii) if so set out in the relevant Final Terms, for Notes in definitive bearer form ("**Definitive Notes**") and in substantially the form (subject to completion and amendment and as supplemented or varied in accordance with the relevant Final Terms) scheduled to the Issuing and Paying Agency Agreement.

For purposes of complying with TEFRA D, Bearer Notes may not be beneficially held by a United States person. "**United States person**" means any person who is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organised under the laws of the United States or any political subdivision thereof or therein or (iii) an estate or trust the income of which is subject to United States taxation regardless of its source.

The forms of Global Note will contain provisions applicable to the Notes represented thereby, some of which may modify the effect of the Conditions of the Notes. Certain of these are summarised in this section.

For so long as a Series of Notes (or any part thereof) is represented by a Global Note, each person who has for the time being a particular principal amount of the Notes of such Series so represented credited to his securities account in the records of Euroclear or Clearstream, Luxembourg or such other clearing system or depositary as set out in the relevant Final Terms shall be treated as the Noteholder in respect of that principal amount of the relevant Series for all purposes other than for the purposes of payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Issuing and Paying Agency Agreement (and the expressions "**Noteholder**" and "**Holder**" of the Notes and related expressions shall be construed accordingly). Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or of such other clearing system or depositary, as the case may be.

In respect of NGNs, each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note

(each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note. Each payment so made in respect of Notes when represented by a Permanent Global Note will discharge the Issuer's obligation in respect thereof and the Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of the relevant clearing systems and shall seek confirmation from the Common Service Provider that Euroclear and Clearstream, Luxembourg have made appropriate entries in their records.

The records of the relevant clearing systems which reflect the amount of Noteholders' interests in the Notes shall be conclusive evidence of the nominal amount of Notes represented by the Global Notes.

Principal and interest (if any) payable with respect to a Temporary Global Note or a Permanent Global Note will be paid to Euroclear and/or Clearstream, Luxembourg and/or such other clearing system or depositary as set out in the relevant Final Terms with respect to that portion of such Global Note which is held for its account (subject, in the case of a Temporary Global Note, to the certifications as provided therein). Each of Euroclear and/or Clearstream, Luxembourg and/or such other clearing system or depositary will in such circumstances credit the principal or, as the case may be, interest in respect of such Global note to the persons credited in its records with an interest in such Global Note.

An exchange of a Temporary Global Note for Definitive Notes or, as the case may be, a Permanent Global Note will be made only on or after the Exchange Date (as set out in the relevant Final Terms) and provided certification as to the beneficial ownership thereof as required by the U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing system or depositary) has been received. An exchange for Registered Notes will be made at any time after the Exchange Date without any requirement for certification, subject as set out in the relevant Global Note or Final Terms.

The bearer of any Temporary Global Note shall not (unless, upon due presentation of such Temporary Global Note for exchange (in whole or in part) for a Permanent Global Note or for delivery of Definitive Notes, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Notes represented by such Temporary Global Note which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

If any date on which a payment of interest is due on the Notes of a Tranche occurs whilst any of the Notes of that Tranche are represented by a Temporary Global Note, the related interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by the U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing system or depositary) has been received by Euroclear or Clearstream, Luxembourg or any other relevant clearing system or depositary. Payments of amounts due in respect of a Permanent Global Note will be made through any of Euroclear or Clearstream, Luxembourg or any other relevant clearing system or depositary without any requirement for certification.

Interests in a Permanent Global Note will be exchanged, at the cost and expense of the Issuer, by the Issuer in whole (but not, subject to (b) below, in part only), for Definitive Notes (a) at the option of the holder of such Permanent Global Note, for Definitive Notes, (i) if the Notes of the relevant Series become immediately repayable in accordance with Condition 11, or (ii) if any of Euroclear or Clearstream, Luxembourg or any other relevant clearing system or depositary is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so, or (b) at the option of the Issuer, if the Issuer would suffer a material disadvantage in respect of the notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction which would not be suffered were the Notes in definitive form or, as the case may be, in registered form (and, in the case of partly paid Notes, the Issuer may elect to effect such exchange in part only).

The Issuer may, at any time in writing, waive or limit its right to exchange a Permanent Global Note for Definitive Notes in the circumstances described above, where the Issuer at its sole discretion considers such limitation or waiver to be desirable in respect of a particular Series of Notes.

Definitive Bearer Notes will, if interest-bearing and if so specified in the relevant Final Terms, have interest coupons ("**Coupons**") and, if applicable, a talon for further Coupons attached. All Definitive Bearer Notes will, if the principal thereof is repayable by instalments, have endorsed thereon a grid for recording the payment of principal.

Following redenomination of the Notes pursuant to Condition 9:

- (i) if Notes are required to be issued in definitive form, they shall be issued at the expense of the Issuer in the denominations of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders; and
- (ii) the amount of interest due in respect of Notes represented by the Temporary Global Note and the Permanent Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest euro 0.01.

All notices to the Holders of Notes or the Coupons appertaining thereto will be valid, in the case of Notes in global form, if delivered to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, depositary or common safekeeper (as may be agreed between the Issuer and the Dealer) for communication by them to the persons shown in their respective records as having interests therein; *provided that*, in each case, in the case of Notes that have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, the rules of such listing authority, stock exchange and/or quotation system have been complied with. Any such notice shall be deemed to have been given on the date of such delivery or, if the Notes admitted to listing, trading and/or quotation and publication is required under the applicable rules of the relevant listing authority, stock exchange and/or quotation system, on the date of publication or, if published more than once, on the date of the first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

Holders of any Coupons appertaining to Bearer Notes will be deemed for all purposes to have notice of the contents of any notice given to the Holders of such Bearer Notes in accordance herewith.

PART C - EQUITY-LINKED NOTES AND CASH EQUITY NOTES

PRODUCT DESCRIPTION

Notes issued pursuant to the Programme may include Equity-Linked Notes and Cash Equity Notes, being Notes in relation to which the interest rate and/or the redemption amount payable at maturity is linked to, or to the performance over a defined period of, a security or basket of securities and may include details of the security or basket of securities to which Equity-Linked Notes or Cash Equity Notes are linked, the ISIN (international security identification number) or other security identification code thereof and the page(s) of Bloomberg, the Reuters Service and/or other source where information about the past and the future performance of such security or securities can be obtained will be specified in the Final Terms. Equity-Linked Notes and Cash Equity Notes may include:

- (a) Notes in relation to which the interest amount and/or the redemption amount payable at maturity is linked to the performance or percentage change in the share price of a single share in a selected corporate entity (or other security), or the value of the basket of shares in selected corporate entities (other such securities) over a defined period by way of a formula specified in the Final Terms;
- (b) Notes in relation to which the Noteholder has a right (exercisable within a certain period or on a certain date) to exchange the principal amount of the Notes for a specified quantity of securities in one or more selected corporate entities (or other securities); and/or
- (c) Notes in relation to which the Issuer has a right (exercisable within a certain period or on a certain date) to exchange the principal amount of the Notes for an equivalent value of securities in one or more selected corporate entities (or other securities).

EQUITY-LINKED AND CASH EQUITY CONDITIONS

The terms and conditions of Equity-Linked Notes and Cash Equity Notes shall consist of the "Terms and Conditions of the Notes" set out in "Part B - Information about the Notes generally" of this Base Prospectus and any additional terms and conditions specified in the Final Terms.

Auto Callable Notes

Equity-Linked Notes and Cash Equity Notes may include Notes referred to as "**Auto Callable Equity-Linked Notes (interest bearing)**" and "**Auto Callable Equity-Linked Notes (non-interest bearing)**".

Auto Callable Equity-Linked Notes (interest bearing)

Unless redeemed prior to maturity, Auto Callable Equity-Linked Notes (interest bearing) bear interest payable annually on scheduled interest payment dates at a specified rate and are linked to the performance of a Reference Asset as determined by the Calculation Agent. The performance of the Reference Asset on particular dates may result in the redemption of Auto Callable Equity-Linked Notes (interest bearing) prior to their scheduled maturity at a premium to their nominal amount. The performance of the Reference Asset will also determine the basis for redemption of Auto Callable Equity-Linked Notes (interest bearing) at their scheduled maturity. If the Calculation Agent determines on the Valuation Date that the Final Price or Closing Price (as defined in the relevant Final Terms) of the Reference Asset is greater than the Barrier Level (as defined in the relevant Final Terms) of such Reference Asset, Auto Callable Equity-Linked Notes (interest bearing) will be redeemed on their scheduled maturity at a premium to their nominal amount. Otherwise Auto Callable Equity-Linked Notes (interest bearing) will be redeemed at an amount less than their nominal amount and equal to the product of such nominal amount and the performance of the Reference Asset during the relevant period

plus a specified margin, as determined by the Calculation Agent. Auto Callable Equity-Linked Notes (interest bearing) are also redeemable prior to their scheduled maturity in certain circumstances at an amount determined by HSBC Bank plc as Calculation Agent which may be less than their nominal amount.

Terms relating to such early redemption and basis for redemption at maturity may be included in the applicable Final Terms in or substantially in the following form (the number of Early Release Dates, and any figures specified in such form, being for illustrative purposes only):

"[1] Early Redemption

Unless the Notes have been previously redeemed, or purchased and cancelled in accordance with the Conditions, the Issuer may have to redeem all (but not some only) of the Notes on the relevant Early Redemption Date in accordance with the provisions below.

- [1].1 If on the First Early Release Date, the Release Price is [greater than/greater than or equal to] *[the Initial Price/specify other relevant price or value if relevant]*, the Issuer shall redeem the Notes on the First Early Redemption Date at *[specify amount, e.g. 105 per cent. of the Nominal Amount]*.
- [1].2 If on the Second Early Release Date, the Release Price is [greater than/greater than or equal to] *[the Initial Price/specify other relevant price or value if relevant]*, the Issuer shall redeem the Notes on the Second Early Redemption Date at *[specify amount, e.g. 110 per cent. of the Nominal Amount]*.

[2] Final Redemption

- [2].1 If, on the Valuation Date, the Calculation Agent determines that the Final Price is greater than or equal to the Initial Price, the Issuer shall redeem the Notes by paying on the Maturity Date an amount in the Specified Currency in respect of each Note equal to *[specify amount, e.g. 115 per cent. of the Nominal Amount]*.
- [2].2 If, on the Valuation Date, the Calculation Agent determines that the Final Price is less than the Initial Price but greater than the Barrier Level, the Issuer shall redeem the Notes by paying on the Maturity Date an amount in the Specified Currency in respect of each Note equal to *[specify amount, e.g. 90 per cent. of the Nominal Amount]*.
- [2].3 Subject to the other provisions of these Final Terms and the Conditions, if the Calculation Agent determines on the Valuation Date that the Final Price is less than or equal to the Barrier Level, the Issuer shall redeem the Notes by paying on the Maturity Date an amount in the Specified Currency in respect of each Note determined by the Calculation Agent in accordance with the following formula:

$$[\text{specify Denominati on}] \times \left[\left[100\% \times \left(\frac{\text{Final Pr ice}}{\text{Initial Pr ice}} \right) \right] [+[\text{specify } \%, \text{ if relevant }] \right],$$

and Condition 6(a) shall not apply.

[3] Additional Definitions

In these Final Terms:

"Barrier Level" means *[specify level]* per cent. of the Initial Price.

["**Basket Value**" means, subject to the Conditions *[include formula for defining Basket Value]*]

"**Early Redemption Date**" means each of *[specify date]* (the "**First Early Redemption Date**") and *[specify date]* (the "**Second Early Redemption Date**") or if such date is not a Scheduled Trading Day the next following Scheduled Trading Day.

"**Early Release Date**" means each of *[specify date]* (the "**First Early Release Date**") and *[specify date]* (the "**Second Early Release Date**"). The Early Release Dates shall be subject to Condition 10 as if each reference to "Valuation Date" in such Condition was deemed to be a reference to "Early Release Date". If, pursuant to Condition 10, an Early Release Date is postponed until *[specify date]* or *[specify date]* respectively and either such day is not a Scheduled Trading Day or is a Disrupted Day, such date shall nevertheless be deemed to be the Early Release Date and the Release Price shall be the price determined by the Calculation Agent in its sole and absolute discretion.

["**Initial Price**" means, subject to the Conditions, the price per Security on the Exchange at the Valuation Time on the Strike Date, as determined by the Calculation Agent.]

"**Release Price**" means, with respect to an Early Release Date and subject to the Conditions, the *[price per Security on the Exchange Basket Values]* at the Valuation Time on such Early Release Date, as determined by the Calculation Agent.

["**Strike Date**" means *[specify date]*.]"

Auto Callable Equity-Linked Notes (non-interest bearing)

Auto Callable Equity-Linked Notes (non-interest bearing) do not bear interest and are linked to the performance of the Reference Asset as determined by the Calculation Agent. The performance of the Reference Asset on particular dates may result in the redemption of Auto Callable Equity-Linked Notes (non-interest bearing) prior to their scheduled maturity at a premium to their nominal amount. The performance of the Reference Asset will also determine the basis for redemption of Auto Callable Equity-Linked Notes (non-interest bearing) at their scheduled maturity and whether any Early Redemption (as may be specified in the relevant Final Terms) has occurred. Auto Callable Equity-Linked Notes (non-interest bearing) will be redeemed on their scheduled maturity at a premium to their nominal amount if the Final Price or Closing Price (as defined in the relevant Final Terms) is not less than the Initial Price (as defined in the relevant Final Terms). Provided that an Early Redemption has not occurred, if the Final Price or Closing Price is less than the Initial Price (the "**Final Difference**") Auto Callable Equity-Linked Notes (non-interest bearing) may be redeemed at a reduced premium, at their nominal amount or at an amount which is less than their nominal amount, depending on the amount of the Final Difference. Auto Callable Equity-Linked Notes (non-interest bearing) are also redeemable prior to their scheduled maturity in certain circumstances at an amount determined by the Calculation Agent which may be less than their nominal amount.

Terms relating to such early redemption and basis for redemption at maturity may be included in the applicable Final Terms in or substantially in the following form (the number of Early Release Dates, and any figures specified in such form being for illustrative purposes only):

"[1] **Early Redemption**

Unless the Notes have been previously redeemed, or purchased and cancelled in accordance with the Conditions, the Issuer may have to redeem all (but not some only) of the Notes on the relevant Early Redemption Date in accordance with the provisions below.

[1].1 If, on the First Early Release Date, the Release Price is [greater than/greater than or equal to] the Initial Price, the Issuer shall redeem the Notes on the First Early Redemption Date at [specify amount, e.g. [105] per cent. of the nominal amount].

[1].2 If, on the Second Early Release Date, the Release Price is greater than or equal to the Initial Price, the Issuer shall redeem the Notes on the Second Early Redemption Date at [specify amount, e.g. [110] per cent. of the nominal amount].

[2] **Final Redemption**

[2].1 Unless the Notes have previously been redeemed or purchased and cancelled, if the Calculation Agent determines that the Final Price is greater than or equal to the Initial Price, the Issuer shall redeem the Notes at [specify amount, e.g. [115] per cent. of the nominal amount] on the Maturity Date.

[2].2 Unless the Notes have previously been redeemed or purchased and cancelled, if the Calculation Agent determines that the Final Price is less than the Initial Price but greater than or equal to [specify amount, e.g. [105] per cent. of the Initial Price], the Issuer shall redeem the Notes at their nominal amount on the Maturity Date.

[2].3 Subject to the other provisions of these Final Terms and the Conditions, if the Final Price is less than [specify amount, e.g. [85] per cent. of the Initial Price], the Issuer shall redeem the Notes on the Maturity Date by paying an amount in [specify currency] determined by the Calculation Agent in accordance with the following formula:

$$[\text{specify Denomination}] \times \left[[100]\% + \min \left[0; \frac{\text{Final Price} - ([85]\% \times \text{Initial Price})}{[85]\% \times \text{Initial Price}} \right] \right],$$

and Condition 6(a) shall not apply.

[3] **Additional Definitions**

In these Final Terms:

"**Basket Value**" means [include formula for defining Basket Value].

"**Early Release Date**" means each of [specify date] (the "**First Early Release Date**"), and [specify date] (the "**Second Early Release Date**"). The Early Release Dates shall be subject to Condition 10 as if each reference to "Valuation Date" in such Condition was deemed to be a reference to "Early Release Date". If any of such days is not a Scheduled Trading Day or is a Disrupted Day, such date shall nevertheless be deemed to be the Early Release Date and the Release Price shall be the price determined by the Calculation Agent in its sole and absolute discretion.

"**Early Redemption Date**" means each of [specify date] (the "**First Early Redemption Date**") and [specify date] (the "**Second Early Redemption Date**") or if such date is not a Scheduled Trading Day the next following Scheduled Trading Day.

"**Initial Price**" means [specify amount].

"**Release Price**" means, subject to the Conditions, the [price per Security on the Exchange/Basket Value] at the Valuation Time on the relevant Early Release Date, as determined by the Calculation Agent."

Exchangeable Notes

Equity-Linked Notes may include terms providing for the exchange of such Notes for a Reference Asset at the option of Noteholders and/or automatically in certain events (which may include the price of the specified Security or, as the case may be, value for the relevant Basket on one or more dates falling prior to the scheduled Redemption Date being, as specified in the applicable Final Terms, "greater than", "greater than or equal to", "equal to", "less than or equal to" or "less than" the Strike Price or such other price or value as may be specified in the applicable Final Terms). Such terms may be included in the applicable Final Terms in or substantially in the following form (any figures specified in such form being for illustrative purposes only):

"[1] Interpretation

[1].1 Definitions: As used herein:

["**Automatic Exchange Date**" means [*specify date*] (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day);]

["**Basket** " means [*include definition specifying reference numbers of Securities comprised in the Basket*];]

"**Board Lot**" means (i) the applicable minimum board lot for the trading of the Securities on the Exchange as from time to time specified by the Exchange or (ii), when no such minimum board lot exists, one Security;

"**Exchange Amount**" means, in respect of any Note, the Number of [Securities/Baskets] together with any Fractional Share Amount[s] to which the Noteholder may be entitled in accordance with paragraphs [2] (*Final Redemption Amount and Physical Settlement*) and [3] (*Determination of Exchange Amount*) below;

"**Exchange Date**" means the [*third*] Clearance System Business Day following the relevant Valuation Date;

"**Exchange Event**" means [either (i)] the delivery by the Noteholder on any day during the Exchange Period of an Exercise Notice to the Issuer by which the Noteholder exercises its Exchange Right [or (ii) the occurrence of an Automatic Exchange Event (as defined in paragraph [2].2 (*Final Redemption Amount and Physical Settlement - Physical Settlement*)) on the Automatic Exchange Date];

"**Exchange Period**" means the period beginning on and including the Issue Date and ending on and including the close of business (in the city of the Specified Office of the Calculation Agent) on [*specify date*]/if applicable the Automatic Exchange Date].

"**Exchange Price**" means [*specify price*]/"**Exchange Value**" means [*specify value*].

"**Exchange Ratio**" means [*specify number*] Securities/Baskets per Note of [*specify amount*] Specified Denomination;

"**Exchange Right**" means the Noteholder's right to exchange the Note for [Securities/Baskets] during the Exchange Period;

"**Exercise Date**" means any day during the Exchange Period on which the Noteholder initiates an Exchange Right by sending an Exercise Notice to the Issuer;

"**Exercise Notice**" means the notice from the Noteholder to the Issuer by which the Noteholder exercises its Exchange Right, specifying the reference of the Notes (*Issue of [specify title of Notes]*), the number of Notes and the aggregate principal amount of Notes in respect of which the Exchange Right is exercised; any Exercise Notice shall be deemed delivered to the Issuer when sent by fax to the Calculation Agent (Fax number: *[specify fax number]*, attention: *[specify name or title]*) or by mail to its Specified Office;

"**Fractional Share Amount**" has the meaning given in paragraph [3].2 (*Fractional Share Amount*);

"**Number of [Securities/Baskets]**" means, in respect of any Note, the number of [Securities/Baskets] to which a Noteholder may be entitled in accordance with paragraphs [2] (*Final Redemption Amount and Physical Settlement*) and [3] (*Determination of Exchange Amount*);

"**Official Closing Price**" means, in relation to the Securities and any particular Scheduled Trading Day, the price of the Securities at the Valuation Time on the Exchange on that Scheduled Trading Day, as determined by the Calculation Agent/ "**Official Closing Value**" means [include definition based on respective prices of the Securities comprising the Basket at the Valuation Time on the relevant Exchange on the relevant Scheduled Trading Day as determined by the Calculation Agent];

"**Physical Settlement**" has the meaning given in paragraph [2].2 (*Final Redemption Amount and Physical Settlement - Physical Settlement*);

"**Specified Office**" means the *[specify office]*, or any other office of the Calculation Agent, from time to time notified to the Noteholders by the Calculation Agent as its specified office;

"**Strike Price**" means *[specify price]* per Security;

"**Trade Date**" means *[specify date]*;

"**Valuation Date**" means, subject to paragraph 7 (*Disrupted Days and Postponement*), [either] the *[fifth]* Scheduled Trading Day following the Exercise Date (if applicable) [or the Automatic Exchange Date] (or, if [any] such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day);

all as calculated or determined, if necessary, by the Calculation Agent.

[1].2 **Construction:** In this Annex each reference to a paragraph shall be construed as a reference to a paragraph of this Annex.

[1].3 **The Conditions:** In the event of any inconsistency between the Conditions and the provisions of this Annex, the provisions of this Annex shall prevail.

[2] **Final Redemption Amount and Physical Settlement**

[2].1 **Final Redemption Amount:** Unless previously redeemed or purchased and cancelled, or Physical Settlement applies, each Note shall be redeemed on the Maturity Date at par.

[2].2 **Physical Settlement:** In respect of any Note, physical delivery of the Number of [Securities/Baskets] and the Fractional Share Amount (if any) ("**Physical Settlement**") applies if:

[2].2.1]at any time during the Exchange Period, the relevant Noteholder delivers an Exercise Notice in accordance with the provisions of this Annex]; or

[2].2.2 on the Automatic Exchange Date, the Official Closing [Price/Value] is above the Exchange Price (an "**Automatic Exchange Event**").].

[2].3 **Payment/Exchange:** If Physical Settlement applies in respect of any Note, the right of the relevant Noteholder to repayment of all outstanding amounts shall cease and in consideration and in exchange therefor the Issuer shall deliver the relevant Exchange Amount to or to the order of such Noteholder in accordance with, and subject to, the provisions of this Annex.

3 **Determination of Exchange Amount**

3.1 **Number of [Securities/Baskets]:** If Physical Settlement applies, each Noteholder shall receive a Number of [Securities/Baskets] determined by the Calculation Agent [to be equal to the product of the Exchange Ratio and the number of Notes to be exchanged/] in accordance with the following formula¹⁷:

$[Cr * Ma]$

Where:

"Cr" means the product of the Exchange Ratio and the number of Notes to be exchanged;

"Ma" means the Dividend Adjustment Multiplier on the relevant Valuation Date which has a value equal to 1.00 on the Trade Date provided that:

- (i) If a Dividend Amount (cash ordinary dividend only) declared on a relevant Ex-Dividend Date during the Term of the Notes is less than or greater than Expected Net Dividend Amount per Security on such relevant Ex-Dividend Date (as outlined below); or
- (ii) If any other Dividend Amount is declared on a relevant ex-dividend date (other than on a relevant Ex-Dividend Date) during the Term of the Notes,

in either case as determined by the Calculation Agent (a "**Dividend Mismatch Event**"), then the Calculation Agent shall notify the Issuer and the Noteholder of:

- (a) the occurrence of a Dividend Mismatch Event;
- (b) the consequences of such Dividend Mismatch Event which shall be determined by the Calculation Agent in its sole and absolute discretion and which may include an adjustment to the, Exchange Ratio or any other variable relevant to the redemption, settlement or payment terms of the Notes to account for the Dividend Mismatch Event (each an "**Adjustment**"); and
- (c) the effective date of such Adjustment as determined by the Calculation Agent in its sole and absolute discretion.

Where:

¹⁷ The following formula and related definitions are provided for illustrative purposes only and relating to a single share.

"Dividend Amount(s)" means, either (a) any cash dividend per Security (excluding any extraordinary dividends and any other form of non-cash dividend) actually received by the Hedging Party during the Term of Notes or (b) any ordinary scrip dividend per Security delivered by the issuer of the Security to holders of record during the Term of Notes;

"Ex-Dividend Date" means the dates as set out in the table below:

Ex-Dividend Date	Expected Net Dividend Amount (USD)
[specify dates]	[specify expected Net Dividend Amounts are USD amounts]

"Expected Net Dividend Amount" means, in respect of an Ex-Dividend Date, an amount in the Specified Currency as set out in accordance with the corresponding figure in the right-hand column of the table above;

"Hedging Party" means the Issuer or any counterparty to the Issuer in relation to any hedge(s) to the issue of the Notes, or any of affiliate or subsidiary of the Issuer or the Issuer's counterparty; and

"Term" means any day during the period from and including the Trade Date to and excluding the Valuation Date./the quantity of any Security comprised in the Number of Baskets]

- [3].2 **Fractional Share Amount:** In circumstances where the [Number of Securities/the quantity of any Security comprised in the Number of Baskets] is not equal to an integral multiple of the relevant Board Lot, the Issuer may, subject to the terms herein, pay to the Noteholder a cash payment in [specify currency] (the **"Fractional Share Amount"**) determined by the Calculation Agent in accordance with the following formula:

$$(A - B) \times C$$

Where:

"A" means the [Number of Securities/the quantity of the relevant Security comprised in the Number of Baskets];

"B" means the [Number of Securities/the quantity of the relevant Security comprised in the Number of Baskets] as rounded down to the nearest integral multiple of the relevant Board Lot;

"C" means the Official Closing Price of the [relevant] Security on the relevant Valuation Date.

Unless the amount of any such Fractional Share Amount is of a *de minimis* amount, in which case the Noteholder shall not receive anything in respect of the Securities comprised in the Number of [Securities/Baskets] which are not equal to an integral multiple of the relevant Board Lot.

Upon the occurrence of an Exchange Event, the Calculation Agent shall, as soon as practicable after the relevant Valuation Date, give notice to the Issuer of the relevant Exchange Amount.

- [3].3 **Notice:** If Physical Settlement applies the Calculation Agent shall, as soon as practicable after the relevant Valuation Date, give notice to the Issuer of the relevant Exchange Amount.

- [4] **Settlement**

[4].1 **Delivery on the Exchange Date:** If Physical Settlement applies the Issuer, which may be through the Calculation Agent, shall deliver the Exchange Amount to the relevant Noteholder through the Clearance System on the relevant Exchange Date, subject as provided in this paragraph [4] and paragraph [5] (*Exchange*).

[4].2 **Settlement Disruption:** If a Settlement Disruption Event prevents the Issuer from effecting delivery of any Securities on the day on which it would otherwise have effected delivery, the Issuer shall instead pay the relevant Fractional Share Amount (if any) comprised in the Exchange Amount on the Exchange Date and effect delivery of the [Number of Securities/remaining Securities comprised in the Number of Baskets] comprised in the Exchange Amount on the first succeeding day on which delivery of the Securities can take place through the relevant Clearance System unless a Settlement Disruption Event prevents the Issuer from delivering such Securities on each of the 10 Clearance System Business Days immediately following the original date on which the Issuer would, but for the Settlement Disruption Event, have effected delivery thereof. In that case:

[4].2.1 if the Calculation Agent determines that the Securities can be delivered in any other commercially reasonable manner, then delivery of the [Number of Securities/remaining Securities comprised in the Number of Baskets] comprised in the Exchange Amount shall be effected on the first day on which settlement of a sale of Securities executed on that tenth Clearance System Business Day customarily would take place using such other commercially reasonable manner of delivery of the Securities (which other manner of delivery will be deemed the Clearance System for the purposes of delivery of the relevant Securities); or

[4].2.2 if the Calculation Agent determines that the Securities cannot be delivered in any other commercially reasonable manner, then delivery of the [Number of Securities/remaining Securities comprised in the Number of Baskets] comprised in the Exchange Amount will be postponed until such day as the Calculation Agent determines that it can be effected through the Clearance System or in any other commercially reasonable manner.

[4].3 **Manner of delivery:** For the avoidance of doubt, the Issuer makes no representation that the Securities [comprising the Basket] will be deliverable in any particular manner or to any particular Noteholder. Furthermore, the Issuer will not be obliged to procure the issue of new Securities for the purposes of satisfying the obligations of the Issuer under this paragraph [4].

[5] **Exchange**

[5].1 **Procedure for exchange:** If Physical Settlement applies, in order to receive the Exchange Amount to which it is entitled each Noteholder must promptly:

[5].1.1 complete, execute and deposit at the Noteholder's own expense during normal business hours at the Calculation Agent's Specified Office any documents which may be required by any of (a) the laws of England, (b) the jurisdiction in which the Calculation Agent's Specified Office is then located or (c) the jurisdiction in which the Underlying Company is incorporated to effect delivery of the Exchange Amount to, or to the order of, the Noteholder;

[5].1.2 transfer its Notes together with any amount to be paid by the Noteholder pursuant to this paragraph [5] and/or under paragraph [6] (Expenses and taxes) to the account of the Calculation Agent with Euroclear and/or Clearstream, Luxembourg;

- [5].1.3 provide to the Calculation Agent and the Issuer in writing details of the accounts with the Clearance System to which the Issuer is to deliver the Exchange Amount and/or any other details which may be necessary in order to effect delivery of the Securities and, where applicable, any cash pursuant to paragraph [5].1.2; and
 - [5].1.4 represent in writing, delivered to the Calculation Agent, that at the time of exercising their Exchange Right and further at the time of complying with paragraphs [5].1.1 to [5].1.3 such Noteholder or, if different, the person who has the beneficial interest in that Note, is not, and is not acting for the account or benefit of, a US person in the United States (within the meaning of Regulation S under the United States Securities Act of 1933 ("**Regulation S**")) and it, or such person, purchased such Note, or the beneficial interest therein, in a transaction made in accordance with Rule 903 or Rule 904 of Regulation S.
- [5].2 **Failure to give U.S. certification:** If the Noteholder is unable or otherwise fails to satisfy paragraph [5].1.4, the Noteholder may transfer its Note or, the holder of a beneficial interest therein may transfer the beneficial interest therein, subject to compliance with all applicable selling restrictions (as described in the Prospectus and/or elsewhere in these Final Terms) and with any applicable laws.
- [5].3 **Failure to satisfy conditions for exchange:** If:
- [5].3.1 Physical Settlement applies; and
 - [5].3.2 a Noteholder fails to take any of the actions referred to in paragraphs [5].1.1 to [5].1.4 within [20] Scheduled Trading Days after and including the Valuation Date,
- then the Issuer shall be entitled to sell those Securities which it otherwise would have been obliged to deliver, and to pay the proceeds from such sale (calculated in accordance with paragraph [5].4 (*Exchange - Proceeds of sale*)) to the Noteholder.
- [5].4 **Proceeds of sale:** For the purposes of paragraph [5].3 (*Exchange - Failure to satisfy conditions for exchange*), the proceeds of sale of any Securities shall be the amount which the Issuer or the Calculation Agent on its behalf actually receives as consideration for the sale of the relevant Securities together with any amounts paid by the relevant Noteholder pursuant to paragraph [5].1.2 and/or pursuant to paragraph [6] (*Expenses and taxes*), provided that the Issuer shall not be obliged to pay to the Noteholder any amount, calculated by the Calculation Agent, which is in excess of the amount for which such Securities could have been sold on the Exchange Date (together with any amounts paid by the relevant Noteholder pursuant to paragraph [5].1.2 and/or pursuant to paragraph [6] (*Expenses and taxes*), but after deduction of the expenses and taxes in respect of such sale).
- [6] **Expenses and taxes**
- As conditions precedent to exchange of any Note, the relevant Noteholder must pay to the Calculation Agent all stamp, issue, registration, transfer or other taxes and duties, including withholding taxes (if any) arising on exchange which may be determined by the Calculation Agent to be payable:
- [6].1 in the country in which the Calculation Agent's Specified Office is situated; or
 - [6].2 in any other jurisdiction as a result of the issue or delivery of Securities or any other property or cash upon exchange to or to the order of the exchanging Noteholder.

[7] **Disrupted Days and Postponement**

- [7].1 **Valuation Date:** The provisions of Condition 10(e) shall apply subject as mentioned in this paragraph [7].
- [7].2 **Delayed valuation:** If, by reason of any Disrupted Days the Valuation Date falls on, after or less than one Business Day before the Exchange Date or the Maturity Date, as the case may be, payment of principal and interest (if any) or the Exchange Amount, as the case may be, on the Notes otherwise due on the Maturity Date shall be postponed until the Valuation Date has been ascertained, notice has been given to the Issuer in accordance with paragraph [3].3 (*Determination of Exchange Amount - Notice*) and the Issuer has had a reasonable opportunity to effect any such payment.
- [7].3 **Risk of any postponement:** The risk of any postponement of payment of the principal and/or interest (if any) due to the occurrence of a Disrupted Day shall be borne by the Noteholders, and no Noteholder shall be entitled to any payment or compensation whatsoever, in respect of such postponement or of any loss suffered or incurred by such Noteholder by reason of such postponement.

[8] **Rights Arising on Exchange**

- [8].1 **Dividends:** Securities issued on exchange of a Note will be fully paid up and will rank pari passu in all respects with all other fully paid Securities of the same class outstanding on the Exchange Date, subject as provided in paragraph [8].2 (*Rights Arising on Exchange - Pre-Exchange Date Dividends*) and paragraph [8].3 (*Rights Arising on Exchange - Voting rights*), will be entitled to all rights, distributions or payments in respect of such Securities with effect from and including the Exchange Date.
- [8].2 **Pre-Exchange Date dividends:** The exchanging Noteholder will not be entitled to receive any dividend or other distribution declared, paid or made, or any rights granted, on any Securities if the date on which the Securities are first traded on the Exchange ex such dividend, distribution or rights falls on or before the Exchange Date.
- [8].3 **Voting rights:** The exchanging Noteholder will not be entitled to any voting rights accruing to shareholders for which the record date for determining entitlement to voting rights precedes the Exchange Date."

Variable Interest Amount

Equity-Linked Notes and Cash Equity Notes may include terms providing for the payment of interest linked to the price or performance of one or more relevant Securities determined as specified in the applicable Final Terms and by reference to a formula or otherwise. The calculation of such interest may take into account the price or performance of a Security against a specified benchmark and/or (where the Notes relate to a Basket of Securities) relative to the price or performance of one or more other Securities comprised in the Basket. Such terms may be included in the applicable Final Terms in or substantially in the following form (any figures specified in such form being for illustrative purposes only):

"[1] **Interest**

In respect of each Note, the amount of interest payable on each Interest Payment Date shall be an amount in [specify currency] (the "Interest Amount") determined by the Calculation Agent as

of the Valuation Date falling immediately prior to such Interest Payment Date in accordance with the following formula:

$$[specify amount] \times [Max [specify min \%, if relevant] \% ; [specify benchmark] \% - (BO_j - WO_j)]]$$

where

"k" denotes each Security in the Basket, 1 to [specify number of indices].

"BO_j" means, in respect of each Valuation Date_j, a value determined by the Calculation Agent in accordance with the following formula:

$$\text{Max}_{k=1 \text{ to } 5} \left(\frac{S_j^k - S_{\text{initial}}^k}{S_{\text{initial}}^k} \right)$$

"WO_j" means, in respect of each Valuation Date_j, a value determined by the Calculation Agent in accordance with the following formula:

$$\text{Min}_{k=1 \text{ to } 5} \left(\frac{S_j^k - S_{\text{initial}}^k}{S_{\text{initial}}^k} \right)$$

where

"S_{initial}^k" means, in respect of each Security_k, [identify relevant level].

"S_j^k" means, in respect of each Security_k and Valuation Date_j and subject to Condition 10 and paragraph 40 (Valuation Date(s)) of these Final Terms, the price of per Security on the Exchange at the Valuation Time on such Valuation Date_j, as determined by the Calculation Agent."]

Variable Redemption Amount

Equity-Linked Notes and Cash Equity Notes may include terms providing for the payment of a Redemption Amount linked to the price or performance of one or more relevant Securities determined as specified in the applicable Final Terms and by reference to a formula or otherwise. Such Redemption Amount may vary according to whether the price of the specified Security or, as the case may be, value for the relevant Basket on one or more dates falling prior to the scheduled Redemption Date is greater than, greater than or equal to, equal to, less than or equal to or less than the Strike Price or such other price or value as may be specified in the applicable Final Terms. Such terms may be included in the applicable Final Terms in or substantially in the following form (any figures specified in such form being for illustrative purposes only):

[1] Final Redemption

Unless the Notes have been previously redeemed, or purchased and cancelled in accordance with the Conditions:

- [].1 If the Calculation Agent determines that the Closing Price is [greater than/greater than or equal to] the Initial Price, the Issuer shall redeem the Notes at [specify amount, e.g. [110] per cent. of their Nominal Amount] on the Maturity Date.

- [].2 If the Calculation Agent determines that the Closing Price is [equal to or] less than the Initial Price but greater than [or equal to] [[] per cent. of the Initial Price/other amount - specify], the Issuer shall redeem the Notes at [*specify amount, e.g. their Nominal Amount*] on the Maturity Date.
- [].3 Subject to the other provisions of this Pricing Supplement and the Conditions, if the Closing Price is [equal to or] less than [[] per cent. of the Initial Price, the Issuer shall redeem the Notes on the Maturity Date by paying an amount in [specify currency] determined by the Calculation Agent in accordance with the following formula:

$$[\textit{specify amount}] \times \left[[\textit{specify \%}] + \min \left[0; \frac{\textit{Closing Price} - ([\textit{ } \%] \times \textit{Initial Price})}{[\textit{ } \%] \times \textit{Initial Price}} \right] \right],$$

and Condition 6(a) shall not apply.

- [].4 As used herein:

"**Basket Value**" means, subject to the Conditions, [*include formula for defining Basket Value*].

"**Closing Price**" means, subject to the Conditions, the [price per Security on the Exchange/Basket Value] at the Valuation Time on the Valuation Date, as determined by the Calculation Agent.

"**Initial Price**" means [*specify price or value*]."

Reverse Convertible

Equity-Linked Notes and Cash Equity Notes may include terms providing that in certain circumstances linked to the price or performance of a Reference Asset determined as specified in the applicable Final Terms, and at the election of the Issuer, the Notes will be redeemed by the Issuer delivering, or procuring delivery, to the Noteholders of the relevant Securities or, as the case may be, Securities comprising the relevant Basket. Such terms may also provide that in such circumstances the Issuer may elect to redeem the Notes on an alternative cash payment basis, in an amount (which may be calculated on a formula basis) linked to such price or performance. Such terms may be included in the applicable Final Terms in or substantially in the following form (any figures specified in such form being for illustrative purposes only):

"[1] Final Redemption

[1].1 Election of Settlement

Subject to the other provisions of these Final Terms and the Conditions, if the Calculation Agent determines on the Valuation Date that [(a)] the Closing Price is less than [the Strike Price] [and that (b) a Trigger Event has occurred during the Barrier Period], the Issuer shall (i) if the Issuer so elects, redeem the Notes by delivering, or procuring the delivery of, the Securities Transfer Amount and paying, or procuring the payment of, any Residual Cash Amounts to (or for the account of) the Noteholders in accordance with the following provisions of this paragraph ("**Physical Settlement**") or (ii) if the Issuer does not elect Physical Settlement, redeem the Notes by paying on the Maturity Date an amount (the "**Alternative Cash Redemption Amount**") in the Specified Currency in respect of each Note determined by the Calculation Agent in accordance with the following formula:

$$[\text{specify amount}] \times \left[[]\% + \frac{\text{Closing Price} - \text{Initial Price}}{\text{Initial Price}} \right],$$

and Condition 6(a) shall not apply.

[1].2 *Redemption*

[1].2.1 If, on the Valuation Date, the Calculation Agent determines that the Closing Price is [greater than or equal to] [the Strike Price], the Issuer shall redeem the Notes by paying on the Maturity Date an amount in the Specified Currency in respect of each Note equal to [specify amount, e.g. [105] per cent. of par].

[1].2.2 If, on the Valuation Date, the Calculation Agent determines that [(a)] the Closing Price is [less than] [the Strike Price] [and that (b) a Trigger Event has not occurred during the Barrier Period,] the Issuer shall redeem the Notes on the Maturity Date at [specify amount, e.g. [100] per cent. of par].

[1].3 *Notice of Election of Settlement*

Notice of any such election of Physical Settlement will be given by or on behalf of the Issuer (a) to the Noteholders in accordance with Condition 14(a) no later than the first day following the Valuation Date on which Euroclear and Clearstream, Luxembourg are open for business and (b) to the Principal Paying Agent, Euroclear and/or Clearstream, Luxembourg no later than the Payment Business Day following the Valuation Date.

[].4 *Transfer Notice*

- (a) Each Noteholder shall, on or before the date three calendar days before the Maturity Date (or such earlier date as the Issuer shall determine is necessary for the Issuer, the Paying Agents, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system to perform their respective obligations hereunder and notify to the Paying Agents and the Noteholders) send to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, in accordance with its then applicable operating procedures, and copied to the Principal Paying Agent, a Transfer Notice.
- (b) A Transfer Notice, once delivered to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, shall be irrevocable and may not be withdrawn without the consent in writing of the Issuer. A Noteholder may not transfer any Note which is the subject of a Transfer Notice following delivery of such Transfer Notice to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system. A Transfer Notice shall only be valid to the extent that Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system have not received conflicting prior instructions in respect of the Notes which are the subject of the Transfer Notice.
- (c) Failure properly to complete and deliver a Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided shall be made by the Principal Paying Agent and shall be conclusive and binding on the Issuer and the Noteholder.
- (d) The Principal Paying Agent shall promptly on the local banking day following receipt of a Transfer Notice send a copy thereof to the Issuer or such person as the Issuer may previously have specified.

[1].5 *Delivery obligation*

- (a) Where the Issuer has elected Physical Settlement, and subject to the other provisions of these Final Terms and the Conditions, the Issuer shall discharge its obligation to redeem the Notes by delivering, or procuring the delivery of, the Securities Transfer Amount on the Settlement Date to the Clearance System for credit to the account with the Clearance System specified in the Transfer Notice of the relevant Noteholder.
- (b) The amount of Securities to be delivered to or for the account of each Noteholder shall be an amount of Securities equal to the number of Notes in respect of which such Noteholder is the holder as specified in the relevant Transfer Notice multiplied by the Securities Transfer Amount Provided, however, that if a Noteholder would become entitled to a number of Securities which is not equal to a board lot of the Securities at such time, as determined by the Calculation Agent, or an integral multiple thereof, then the Noteholder's entitlement to delivery of [such] Securities shall be rounded down to the nearest whole [relevant] Security.
- (c) In relation to each Noteholder, the Calculation Agent shall calculate the Residual Amount and the Residual Cash Amount [with respect to each relevant Security]. The Residual Cash Amount [or the aggregate of the Residual Cash Amounts if a Residual Amount is determined with respect to more than one Security,] shall be paid by the Issuer to the relevant Noteholder on the Settlement Date.
- (d) Each Noteholder shall be required as a condition of its entitlement to delivery of Securities in respect of any Notes to pay all Transfer Expenses in respect of such Notes.
- (e) After delivery to or for the account of a Noteholder of the relevant Securities Transfer Amount and for such period of time as the transferor or its agent or nominee shall continue to be registered in any clearing system as the owner of the Securities comprised in such Securities Transfer Amount (the "**Intervening Period**"), none of such transferor or any agent or nominee for the Issuer or such transferor shall (i) be under any obligation to deliver to such Noteholder or any other person any letter, certificate, notice, circular, dividend or any other document or payment whatsoever received by the Issuer or such transferor, agent or nominee in its capacity as holder of such Securities, (ii) be under any obligation to exercise any rights (including voting rights) attaching to such Securities during the Intervening Period, or (iii) be under any liability to such Noteholder or any other person in respect of any loss or damage which the Noteholder or any other person may sustain or suffer as a result, whether directly or indirectly, of the Issuer or such transferor, agent or nominee being registered in such clearing system during such Intervening Period as legal owner of such Securities.
- (f) All dividends on Securities to be delivered will be payable to the party that would receive such dividends according to market practice for a sale of the Securities executed on the Notional Sale Date to be delivered in the same manner as such Securities. Any such dividends will be paid to or for credit to the account specified by the Noteholder in the relevant Transfer Notice. No right to dividends on the Securities will accrue to Noteholders prior to the Notional Sale Date.

[1].6 *Additional Definitions*

As used herein:

"**Barrier Period**" means the period from and including [the Strike Date] to the Valuation Time on the Valuation Date.

["**Basket Value**" means subject to the Conditions, *[include formula for defining Basket Value]*].

"**Closing Price**" means, subject to the Conditions, the [price per Security on the Exchange/Basket Value] at the Valuation time on the Valuation Date, as determined by the Calculation Agent.

"**Initial Price**" means *[specify price]*.

"**Notional Sale Date**" has the meaning set out in the definition of Settlement Date below.

"**Residual Amount**" means, in relation to a Noteholder and a Note, the fraction of a Security rounded down pursuant to paragraph [1].5, as determined by the Calculation Agent.

"**Residual Cash Amount**" means, with respect to a Residual Amount, the product of such Residual Amount and the Closing Price.

"**Settlement Cycle**" means the period of Clearance System Business Days following a trade in the relevant Security on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

"**Settlement Date**" means, where the Note is to be redeemed by Physical Settlement, the date which is the later of (a) the Maturity Date and (b) the date that falls one Settlement Cycle [(being the longest Settlement Cycle for any Security comprised in the Basket)] after the Scheduled Trading Day following the Valuation Date (the "**Notional Sale Date**") (or if such day is not a Clearance System Business Day, the next following Clearance System Business Day), subject to the provisions of Conditions 10[(e), (f), (g) and (h)].

"**Strike Date**" means *[specify date]*.

"**Strike Price**" means *[specify amount]*.

"**Transfer Expenses**" means, with respect to the Note, all stamp, transfer, registration and similar duties and all expenses, scrip fees, levies and registration charges payable on or in respect of or arising on, or in connection with, the purchase or transfer, delivery or other disposition by the transferor to or to the order of the relevant Noteholders of any Securities.

["**Trigger Event**" means the [price per Security/Basket Value] at any time during the regular trading session of the Exchange on any Exchange Business Day during the Barrier Period, as determined by the Calculation Agent, is equal to or less than the Trigger Level.]

["**Trigger Level**" means *[specify price]*"]

PART D - SPICE NOTES

Product Description

Equity-Linked Notes issued pursuant to the Programme may include Notes referred to as "Securities Participating in Indian Company Equity", "**SPICE Notes**" or "**SPICES**", being Notes linked to specific securities issued by one or more underlying companies. The securities to which SPICE Notes are linked (the relevant "**Securities**") will be securities which are, or are expected on issue to be, listed and/or admitted to trading on one or more stock exchanges in India. The name of the issuer of such Securities (the relevant "**Underlying Company**"), the securities identification code thereof and an indication of the page(s) of the Reuters Service and/or other source where information about the past and the future performance of such Securities and their volatility can be obtained will be specified in the relevant Final Terms. Save as otherwise specified in the relevant Final Terms, each such Security confers on its holder: (1) the right to participate in and vote at ordinary and extraordinary meetings of shareholders of the Underlying Company which is the issuer of such Security; (2) the right to one vote only in respect of ordinary and extraordinary meetings of shareholders of such Underlying Company; (3) the right to participate in dividends declared by such Underlying Company; and (4) the right to participate in any distributions on a winding up of such Underlying Company.

The Notes reflect the risks of a direct investment in Indian equity by a Foreign Institutional Investor ("**FII**"), which may be evidenced by investments by an affiliate of the Issuer that is registered as an FII or any successor to such affiliate (each such affiliate, an "**FII Affiliate**"), and FIIs generally. The effect of such risks on the SPICES will always be calculated in the sole and absolute discretion of the Calculation Agent. Certain of the risks are outlined above in Part A under "Risk Factors - Risk Factors Relating to SPICES", though these are not exhaustive. Investors should conduct their own investigation of the risks involved in a direct investment in Indian equity by an FII and investment in Indian Rupee and form their own view based on such investigations. In certain circumstances, the entire investment of a Holder of SPICES (a "**SPICE Holder**") may be at risk and they may receive nothing on redemption except the minimum amount of 0.03% of the issue price per SPICE.

Disclosure of information concerning the terms of and parties to offshore derivative instruments including the Notes has to be made by FIIs on an ongoing basis in accordance with the requirements of the Securities and Exchange Board of India ("**SEBI**"). SEBI has issued two circulars relating to transactions involving the issuance of offshore derivative instruments by registered FIIs. Circular No. IMD/CUST/8/2003 dated August 8, 2003 (the "**2003 Circular**") requires FIIs to provide and report information to SEBI relating to such transactions including beneficiaries and Circular No. IMD/CUST/02/2004 dated January 26, 2004 (the "**2004 Circular**") directs FIIs to ensure that those receiving the benefit of such transactions are regulated entities or persons. Thereafter, SEBI issued another circular on February 19, 2004 (Circular No. IMD/CUST/13/2004) clarifying certain entities to be deemed as regulated entities for the purpose of the 2004 Circular. Subsequently, SEBI vide its circular No. IMD/CUST/15/2004 issued on April 2, 2004, modified the reporting requirements prescribed in the 2003 Circular. The Issuer will provide information required under the 2003 Circular and the 2004 Circular and any subsequent circulars or ad-hoc requests from SEBI to an FII Affiliate for onward transmission to SEBI periodically and as otherwise required by them.

Each holder of any SPICES represents and agrees, as a condition of acquiring or holding such SPICES: (i) that the Issuer is authorised to provide information regarding the holder and the SPICES to any FII Affiliate for onward transmission to SEBI and/or any Indian governmental or regulatory authority as required under applicable Indian regulations and/or as requested by any Indian governmental or regulatory authority from time to time; (ii) that such holder will provide the Issuer with such additional information that the Issuer and/or the HSBC FII deems necessary or appropriate in order to comply

with regulations or requests of any Indian governmental or regulatory authority from time to time; (iii) that the SPICEs are not being purchased for the benefit or account of, or pursuant to or in connection with any back-to-back transactions with (a) a Person Resident in India as that term is used in the Foreign Exchange Management Act 1999 or, (b) a "Non-Resident-Indian", a "Person of Indian Origin" or an "Overseas Corporate Body", as such terms are used in the Foreign Exchange Management (Deposit) Regulations 2000 as notified by the Reserve Bank of India or (iii) any entity or person that is not regulated (as such term is used in the Securities and Exchange Board of India (Foreign Institutional Investors Amendment) Regulations 2004) (each, a "**Restricted Entity**"); (iv) that such holder is not a Restricted Entity; (v) that such holder will not, directly or indirectly, sell, transfer or otherwise dispose of any SPICEs to or for the benefit or account of any Restricted Entity; and (vi) that such holder is not currently the subject of any investigation or enquiry by SEBI or any other Indian governmental or regulatory authority in connection with a failure to disclose information relating to such holder or to an offshore transaction linked to underlying Indian securities.

An investment in the SPICEs is speculative and entails risks not associated with a similar investment in fixed or floating rate securities, including the risk of a total or partial loss of their investment, subject only to a minimum amount of 0.03% of the principal amount being payable if the SPICEs are redeemed at scheduled maturity. Prospective investors considering acquiring any SPICEs should understand the risks of transactions involving the SPICEs and should reach an investment decision only after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of the SPICEs in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives) and the information contained in this document.

Unless otherwise specified in the applicable Final Terms, each SPICE relates to one Security of the relevant Underlying Company. Assuming the SPICEs are redeemed at scheduled maturity and without adjustment, payments on each SPICE will comprise amounts linked to dividends or distributions (if any) on a Security and, on redemption and subject to a minimum amount of 0.03% of the issue price per SPICE, an amount equal to the net proceeds per Security (defined as the Net Realisable Price) which an FII Affiliate realises or would be able to realise from a disposal of Securities on or after a date scheduled to occur one week before redemption, in each case converted from Indian Rupees into the Specified Currency at exchange rates available to an FII Affiliate. Accordingly the amount payable on redemption of the SPICEs, and the value of the SPICEs, is dependent on the future realisable value of the Securities and future exchange rates.

Legends

IRS CIRCULAR 230 NOTICE

THIS BASE PROSPECTUS AND THE ACCOMPANYING BASE PROSPECTUS SUPPLEMENTS AND 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 SUPPLEMENTAL OFFERING MEMORANDUM WAS WRITTEN AND PROVIDED BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE NOTES ADDRESSED HEREIN BY THE ISSUER AND/OR THE PLACEMENT AGENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER NEW HAMPSHIRE REVISED STATUTES ANNOTATED, CHAPTER 421-B ("RSA 421-B"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Certain U.S. Federal Income Tax Considerations

The following summary describes certain of the principal U.S. federal income tax consequences resulting from the purchase, ownership and disposition of the Notes. This summary does not purport to consider all the possible U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner of Notes. The summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed U.S. Treasury regulations promulgated thereunder, published rulings by the U.S. Internal Revenue Service ("IRS") and court decisions, all in effect as of the date hereof, all of which authorities are subject to change or differing interpretations, which changes or differing interpretations could apply retroactively. This summary is limited to investors who purchase the Notes at initial issuance and hold the Notes as "capital assets" within the meaning of section 1221 of the Code (i.e., generally, property held for investment) and does not purport to deal with investors in special tax situations, such as financial institutions, tax exempt organisations, insurance companies, regulated investment companies, dealers in securities or currencies, persons purchasing Notes other than at original issuance, persons holding notes as a hedge against currency risks or as a position in a "straddle," "conversion transaction," or "constructive sale" transaction for tax purposes, or persons whose functional currency (as defined in section 985 of the Code) is not the U.S. dollar. The summary does not include any description of the tax laws of any state, local or foreign governments that may be applicable to the Notes or the holders thereof.

Prospective purchasers of the Notes should consult their own tax advisers concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note who or which is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or of any state thereof (including the District of Columbia), or (iii) any other person who is subject to U.S. federal income taxation on a net income basis with respect to the Notes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Note that is not a U.S. Holder. In the case of a holder of Notes that is a partnership for U.S. federal income tax purposes, each partner will take into account its allocable share

of income or loss from the Notes, and will take such income or loss into account under the rules of taxation applicable to such partner, taking into account the activities of the partnership and the partner.

Tax Treatment of U.S. Holders

There are no statutory provisions, regulations, published rulings or judicial decisions addressing the characterisation for U.S. federal income tax purposes of securities with terms that are substantially the same as those of the Notes. Accordingly, the proper U.S. federal income tax treatment of the Notes is uncertain. Under one approach, the Notes would be treated as pre-paid cash-settled forward contracts with respect to the Securities. The Issuer intends to treat the Notes consistent with this approach and, pursuant to the terms of the Notes, you agree to treat the Notes consistent with this approach. Except as otherwise provided in "—Alternative Characterisations and Treatments," the balance of this summary assumes that the Notes are so treated. U.S. Holders will not be eligible for U.S. foreign tax credits for foreign withholding or other taxes imposed on or with respect to the Underlying Company, the Securities, or dividends paid on the Securities.

Upon receipt of cash upon maturity, redemption, sale, exchange or other disposition of a Note, a U.S. Holder generally will recognise gain or loss equal to the difference between the amount realised on the maturity, redemption, sale, exchange or other disposition and the U.S. Holder's tax basis in the Note. A U.S. Holder's tax basis in the Note generally will equal the U.S. Holder's cost for the Note, except as discussed below under "—Treatment of Amounts in Respect of Dividends and Event Payments". Subject to the discussion below under "—Constructive Ownership Transaction," any such gain will constitute capital gain, and any loss will constitute capital loss. The deductibility of capital losses is subject to limitations.

Treatment of Amounts in Respect of Dividends and Event Payments

The treatment of amounts received in respect of Underlying Company dividends and Event Payments for U.S. federal income tax purposes is unclear. Under one approach, the amounts would generally be taxable to a U.S. Holder as ordinary income on the date received by a holder of the Securities. Under another approach, the amounts would not be taxable to a U.S. Holder when paid or received, but would reduce the U.S. Holder's tax basis in the Notes to the extent of the U.S. Holder's tax basis and, subject to the discussion below under "—Constructive Ownership Transaction," thereafter would be treated as capital gain. The treatment may depend upon whether the amount paid by the Underlying Company is treated as a dividend for U.S. federal income tax purposes. Other approaches are possible. Prospective investors should consult their tax advisers with respect to the U.S. federal income tax consequences to them of the amounts.

Constructive Ownership Transaction

If the Underlying Company is treated for U.S. federal income tax purposes as a "passive foreign investment company" (a "PFIC"), a U.S. Holder would likely be treated as having entered into a "constructive ownership transaction" with respect to the Securities. In this case, in general, under section 1260 of the Code, if a U.S. Holder has held the Notes for more than a year at the time of a sale, exchange or redemption of the Notes, and does not otherwise mark the Notes to market for federal income tax purposes, the U.S. Holder would be required to recognise any gain upon the sale, exchange or redemption as ordinary income and would be subject to an additional tax in the nature of an interest charge upon such gain. The interest charge is equal to the amount of interest that would have been imposed for an underpayment of federal income tax had the gain been included in the taxpayer's gross income during each year of the U.S. Holder's holding period for the Note at a rate equal to the applicable federal rate on the day the Notes are purchased compounded annually at a constant interest

rate. U.S. Holders should consult their tax advisers regarding the treatment of the Underlying Company as a PFIC and the possible consequences to them under section 1260 if the Underlying Company is so treated.

Alternative Characterisations and Treatments

Although the Issuer intends to treat each Note as a pre-paid cash-settled forward contract as described above, there are no statutory provisions, regulations, published rulings or judicial decisions addressing the characterisation of securities with terms that are substantially the same as those of the Notes, and therefore the Notes could be subject to some other characterisation or treatment for federal income tax purposes. For example, the Notes could be treated as representing an ownership interest in the Security for federal income tax purposes. In this case, if the Underlying Company is treated as a PFIC, or a controlled foreign corporation (a "CFC") with respect to a U.S. Holder, the U.S. Holder could be subject to the special and potentially adverse U.S. tax rules applicable to U.S. equity owners in PFICs or CFCs. Prospective investors in the Notes should consult their tax advisers regarding the possible treatment of the Underlying Company as a PFIC or CFC and their treatment in the event the Notes are treated as representing an interest in the Security.

Alternatively, the Notes could be treated as "contingent payment debt instruments" for federal income tax purposes. In this event, a U.S. Holder would be required to accrue original issue discount income, subject to adjustments, at the "comparable yield" of the Notes and any gain recognised with respect to the Notes generally would be treated as ordinary income. Prospective investors should consult their tax advisers as to the federal income tax consequences to them if the Notes are treated as debt instruments for federal income tax purposes.

In addition, certain proposed Treasury regulations require the accrual of income on a current basis for contingent payments made under certain "notional principal contracts." The preamble to the proposed regulations states that the "wait and see" method of accounting does not properly reflect the economic accrual of income on those contracts and requires current accrual of income for some contracts already in existence. While the proposed regulations do not apply to pre-paid forward contracts, the preamble to the proposed regulations indicates that similar timing issues exist in the case of pre-paid forward contracts. If the Internal Revenue Service (the "IRS") or the U.S. Treasury Department publishes future guidance requiring current economic accrual for contingent payments on pre-paid forward contracts, it is possible that a U.S. Holder could be required to accrue income over the term of the Notes.

Finally, other alternative federal income tax characterisations or treatments of the Notes are possible, and if applied could also affect the timing and the character of the income or loss with respect to the Notes.

Prospective investors in the Notes should consult their tax advisers as to the tax consequences to them of purchasing Notes, including any alternative characterisations and treatments.

Information Reporting and Backup Withholding

Distributions made on the Notes and proceeds from the sale of Notes to or through certain brokers may be subject to a "backup" withholding tax on "reportable payments" unless, in general, the noteholder complies with certain procedures or is an exempt recipient. Any amounts so withheld from distributions on the Notes generally would be refunded by the IRS or allowed as a credit against the noteholder's federal income tax, provided the noteholder makes a timely filing of an appropriate tax return or refund claim. Reports will be made to the IRS and to noteholders that are not exempt from the reporting requirements.

ERISA considerations relating to the SPICE 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, that it is not an "employee benefit plan" as defined in section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), whether or not subject to Title I of ERISA, a "plan" within the meaning of section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**"), whether or not subject to Section 4975 of the Code, or an entity part or all of whose underlying assets include the assets of any plan by reason of a plan's investment in such entity (within the meaning of U.S. Department of Labor Regulation section 2510.3-101 or otherwise).

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.

Pro Forma Final Terms For Spice Notes

Set out below is the form of Final Terms which will be completed for each Tranche of SPICE Notes issued under the Programme.

The terms and conditions of the SPICE Notes shall consist of the "Terms and Conditions of the Notes" set out in "Part B - Information about the Notes generally" of this Base Prospectus (the "**Base Conditions**") as amended or supplemented by the terms set out in the Final Terms (including the Annexes thereto) (the "**Final Terms**"), substantially in the form which is set out below (terms used in such provisions being deemed to be defined as such for the purposes of this Base Prospectus).

Any references to "this document" in the Pro Forma Final Terms of the SPICE Notes section of this Base Prospectus shall be deemed to refer to the Final Terms.

PRO FORMA FINAL TERMS OF THE SPICES

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc**Programme for the Issuance of Notes and Warrants**

Issue of [] [Underlying Company] (the
"Underlying Company") SPICES ("Securities Participating in Indian Company
Equity") due [] (the "Notes" or "SPICES")

PART A - CONTRACTUAL TERMS

The Notes reflect the risks of a direct investment in Indian equity by a Foreign Institutional Investor ("**FII**"), which may be evidenced by investments by FII Affiliates (as defined herein), and FIIs generally. The effect of such risks on the Notes will always be calculated in the sole and absolute discretion of the Calculation Agent. Certain of the risks are outlined in these Final Terms, though these are not exhaustive. Investors should conduct their own investigation of the risks involved in a direct investment in Indian equity by an FII and investment in Indian Rupee 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.

Disclosure of information concerning the terms of and parties to offshore derivative instruments including the Notes has to be made by FIIs on an ongoing basis in accordance with the requirements of the Securities and Exchange Board of India ("**SEBI**"). SEBI has issued two circulars relating to transactions involving the issuance of offshore derivative instruments by registered FIIs. Circular No. IMD/CUST/8/2003 dated August 8, 2003 (the "**2003 Circular**") requires FIIs to provide and report information to SEBI relating to such transactions including beneficiaries and Circular No. IMD/CUST/02/2004 dated January 26, 2004 (the "**2004 Circular**") directs FIIs to ensure that those receiving the benefit of such transactions are regulated entities or persons. Thereafter, SEBI issued another circular on February 19, 2004 (Circular No. IMD/CUST/13/2004) clarifying certain entities to

be deemed as regulated entities for the purpose of the 2004 Circular. Subsequently, SEBI vide its circular No. IMD/CUST/15/2004 issued on April 2, 2004, modified the reporting requirements prescribed in the 2003 Circular. The Issuer will provide information required under the 2003 Circular and the 2004 Circular and any subsequent circulars or ad-hoc requests from SEBI to an FII Affiliate for onward transmission to SEBI periodically and as otherwise required by them.

Each holder of any Notes represents and agrees, as a condition of acquiring or holding such Notes: (i) that the Issuer is authorised to provide information regarding the holder and the Notes to any FII Affiliate for onward transmission to SEBI and/or any Indian governmental or regulatory authority as required under applicable Indian regulations and/or as requested by any Indian governmental or regulatory authority from time to time; (ii) that such holder will provide the Issuer with such additional information that the Issuer and/or the HSBC FII deems necessary or appropriate in order to comply with regulations or requests of any Indian governmental or regulatory authority from time to time; (iii) that the Notes are not being purchased for the benefit or account of, or pursuant to or in connection with any back-to-back transactions with (a) a Person Resident in India as that term is used in the Foreign Exchange Management Act 1999 or, (b) a "Non-Resident-Indian", a "Person of Indian Origin" or an "Overseas Corporate Body", as such terms are used in the Foreign Exchange Management (Deposit) Regulations 2000 as notified by the Reserve Bank of India or (iii) any entity or person that is not regulated (as such term is used in the Securities and Exchange Board of India (Foreign Institutional Investors Amendment) Regulations 2004) (each, a "**Restricted Entity**"); (iv) that such holder is not a Restricted Entity; (v) that such holder will not, directly or indirectly, sell, transfer or otherwise dispose of any Notes to or for the benefit or account of any Restricted Entity; and (vi) that such holder is not currently the subject of any investigation or enquiry by SEBI or any other Indian governmental or regulatory authority in connection with a failure to disclose information relating to such holder or to an offshore transaction linked to underlying Indian securities.

1.
 - (i) Issuer HSBC Bank plc
 - (ii) Arranger(s): HSBC Bank plc
2.
 - (i) Series number: []
 - (ii) [Tranche number: []

(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Currency or currencies:
 - (i) of denomination: []
 - (ii) of payment: []
4. Aggregate Principal Amount [of Notes admitted to trading]¹⁸:
 - [(i)] Series: [] Notes (*specify currency amount*)

¹⁸ Delete for debt securities with a denomination per unit of less than EUR 50,000.

- [(ii)] Tranche: [] Notes (*specify currency amount*)
5. (i) Issue Price: [*currency amount*] per Note ([] per cent. of the Aggregate Principal Amount)
- (ii) Commission payable: [[] per cent./None]
- (iii) Selling concession: [[] per cent./None]
6. Denomination(s) [] per SPICE
(*Condition 1(b)*):
- The Notes are transferable in a minimum number of [] Notes (equivalent to a principal amount of []).
- Each SPICE relates to 1.000 Security of the Underlying Company.
7. (i) Issue Date: []
- (ii) Interest Commencement Date: Not applicable
8. Maturity Date: []
(*Condition 6(a)*)
9. Interest basis: Not applicable save that if any amount in
(*Conditions 3 to 5*) 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 [].
10. Redemption basis: Cash Equity Redemption.
(*Condition 6*)
11. Change of interest or redemption basis: Not applicable. As provided in the Annex, 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: Unsubordinated
(*Condition 2*)
- (ii) Date approval for issuance of Notes obtained: Not applicable
14. Method of distribution: Non-syndicated
- PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**
15. Fixed Rate Note provisions: Not applicable
(*Condition 3*)

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 an affiliate of the Issuer which is registered as an FII or any successor to such affiliate (an " FII Affiliate ") to enter into or to maintain appropriate hedging is materially impaired or restricted for whatever reason or that FIIs generally are impeded in their ability freely to purchase, hold or sell Indian equities (including, without limitation, the Securities) or Indian Rupees or freely to transfer or convert Indian Rupees 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 the Annex 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): (Condition 6(d))	Not applicable
23.	Final redemption amount of each Note: (Condition 6(a))	See the Annex hereto. For the purpose of these Final Terms, " Redemption Percentage " shall be [] 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: (Condition 6(a)) Not applicable
26. Early redemption amount: Yes
- (i) Early redemption amount (upon redemption for taxation reasons): (Condition 6(b)) In respect of each Note, the Realisable Sale Price as defined in the Annex hereto.
- (ii) Other redemption provisions: (Condition 6(i)) See the Annex hereto.

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes: (Condition 1(a))
- (i) Form of Notes: [Bearer/Registered]
- (ii) Bearer Notes exchangeable for Registered Notes: [Yes/No] *[Answer will be no where no Registered Notes or where the issue is wholly or partly a Rule 144A issue]*
28. New Global Note: [Yes/No]
29. If issued in bearer form: *[specify] [Notes may only be represented initially by a Permanent Global Note if these Final Terms specifies that TEFRA C rules apply]*
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: *[specify] [Notes may only be represented initially by a Permanent Global Note if these Final Terms specifies that TEFRA C rules apply]*
- (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: (Condition 1(a)) [Yes - specify/No]
- (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes: [Yes - specify/No]
- (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/No] *[N.B. This will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems - see provisions contained in Permanent Global Note]*
- (b) if the answer to (a) is yes, whether steel engraved plates will be used: [Yes/No/Not applicable]
- (vii) Definitive Notes to be in ICMA or successor's format: [Yes/No]
[N.B. The above comment also applies here]
- (viii) Issuer or Noteholder to pay costs of security printing: [Issuer/Noteholder/Not applicable]
30. Exchange Date for exchange of Temporary Global Note: [Specify]
31. Payments:
(Condition 8)
- (i) Method of payment: *[specify if other than by cheque or transfer to a designated account]*[Not applicable]
- (ii) Relevant Financial Centre Day: *[specify any additional places]*
32. Partly Paid Notes:
(Condition 1)
- If yes, specify number, amounts and dates for, and method of, payment of instalments of subscription monies and any further additional provisions (including forfeiture dates in respect of late payments of partly paid instalments)
33. Redenomination:
(Condition 9)
- (i) Redenomination: [Applicable/Not applicable]
- (ii) Exchange: [Applicable/Not applicable]
34. Other final terms: See the Annex hereto.

For the purpose of these Final Terms:

- (a) Any person (the "relevant person") shall be treated as "holding" Securities where the relevant person is registered as registered owner of such Securities in the Underlying Company's share register or where the registered owner of such Securities in the Underlying Company's share register is a custodian or agent and directly or indirectly the person for whose account those Securities are held is the relevant person. The terms "hold" and "holder" shall, in the context of holding Securities, be construed accordingly.
- (b) Where there is a dividend or distribution in respect of any Securities or any disposal or transfer of 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 10(b) does not apply only):

36. **Provisions for Cash Equity Notes and Equity-Linked Notes**
- (i) Securities: [] (ISIN [])
 - (ii) Underlying Company: []
 - (iii) Exchange(s): [Bombay Stock Exchange and the National Stock Exchange]
 - (iv) Cash Settlement Payment Date: See the Annex hereto
 - (v) 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 10(b)(iii) does not apply
 - (viii) Delivery Disruption Event:
(for Equity-Linked Notes only) Condition 10(b)(iv) does not apply
 - (ix) Potential Adjustment Event: Condition 10(g)(i) applies subject to paragraph 3 of the Annex hereto
 - (x) Extraordinary Event: Condition 10(g)(ii) applies subject to paragraph 3 of the Annex hereto
 - (xi) Conversion:
(for Notes relating to Government Bonds and debt securities only) Condition 10(g)(iii) does not apply
 - (xii) Corrections of prices: Condition 10(g)(iv) does not apply
 - (xiii) Additional Disruption Event: [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] *[other - give details]* [Not applicable]
37. **Additional provisions for Equity-Linked Notes:** Not applicable
38. **Provisions for Index-Linked Notes:** Not applicable
39. **For Equity-Linked and Credit-Linked Notes:** U.S. Federal Income Tax Considerations
40. **Valuation Date(s):** []. Condition 10(e)(i)(A) will end with the words "that is not a Disrupted Day" in the fourth line and the remainder of that paragraph shall be deleted.

41. **Valuation Time:** Actual closing time for the regular trading session of the relevant Exchange.
42. **Averaging Dates:** Not applicable
43. **Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes:** See the Annex hereto

DISTRIBUTION

44. (i) If syndicated, names, addresses and underwriting commitments of Relevant Dealer(s)/Lead Manager(s): *[Not applicable / HSBC Bank plc / other - give name]*
[Give addresses and underwriting commitments]⁸[Not applicable/other - give name]
- (ii) If syndicated, names, addresses and underwriting commitments of other Dealers/Managers (if any): *[Give addresses and underwriting commitments]⁸*
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
- (iii) Date of Subscription Agreement⁸: []
- (iv) Stabilising Manager (if any): *[Not applicable/give name]*
45. If non-syndicated, name [and address] ⁸ of Relevant Dealer: *[Not applicable/give name [and address]]⁸*
46. Total commission and concession: [] per cent. of the Aggregate Principal Amount⁸
47. Selling restrictions:
United States of America: *[For Bearer Notes: TEFRA C Rule/ TEFRA D Rule]*
[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)]
[Notes may 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) only in compliance with the provisions set forth under "Transfer Restrictions."]

Other:

No sales to Indian residents are permitted. The Notes shall be offered exclusively to individuals or legal entities who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which are regularly active in the financial markets in a professional manner).

The Notes may not be offered or sold to persons in Singapore other than under circumstances in which such offer or sale does not constitute an offer to the public in Singapore or an invitation to the public in Singapore to subscribe for or purchase shares in or debentures of or units of shares in or debentures of a corporation within the meaning of Part XIII of the Securities and Futures Act 2001 as amended.

48. Stabilisation:

[In connection with the issue of any Tranche of Notes under the Programme, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of

Notes.]**[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

[In offers of Notes pursuant to Rule 144A insert:

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each prospective purchaser of Notes offered in reliance on Rule 144A (a "**144A Offeree**"), by accepting delivery of these Final Terms and the accompanying Base Prospectus, will be deemed to have represented and agreed with respect to such Notes as follows:

- (a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited; and
- (b) such 144A Offeree agrees to make no photocopies of these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Notes in reliance on Rule 144A ("**Restricted Notes**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer, and (C) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A.
- (2) The purchaser understands that the Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.
- (3) The purchaser understands that the Rule 144A Global Registered Notes, the Restricted Global Registered Notes and any U.S. Definitive Registered Notes (as defined in "Summary of Provisions relating to the Notes while in Global Form" in the accompanying Base Prospectus)

issued in exchange for interests therein will bear a legend (the "**Rule 144A Legend**") to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 AS AMENDED (THE "**SECURITIES ACT**"), OR ANY U.S. STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) TO THE ISSUER OR ITS AFFILIATES."

In addition, each purchaser of Restricted Notes acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Before any interest in a Note represented by a Restricted Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note, it will be required to provide the Registrar with written certification as to compliance with the transfer restrictions referred to in sub-clause (2) and (3) of the legend set forth above. See "Summary of Provisions relating to the Notes While in Global Form" in the accompanying Base Prospectus.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Indices/share information*] has been extracted from [*insert name of source of information*]. 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 [*insert name of source of information*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

CONFIRMED

HSBC BANK PLC

By: _____
Authorised Signatory

PART B - OTHER INFORMATION**1. LISTING**

- (i) Listing [Application [will be/has been] made to admit the Notes to listing on the Official List of the Financial Services Authority. No assurance can be given as to whether or not, or when, such application will be granted/other (specify)/None]
- (ii) Admission to trading [Application [will be/has been] made for the Notes to be admitted to trading [on the Professional Securities Market/Gilt-Edged and Fixed Interest Market/other] with effect from []. No assurance can be given as to whether or not, or when, such application will be granted.] [Application has been made to have the Notes admitted to trading on the PORTAL System of the U.S. National Association of Securities Dealers.] [Not Applicable]
- [(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)]¹⁹*

2. RATINGS

- Ratings: [The long term senior debt of HSBC Bank plc has been rated:]
- [S&P: [•]]
 [Moody's: [•]]
 [[other]: [•]]
- [The Notes have not specifically been rated.]

3. [NOTIFICATION]

The [include name of competent authority in EEA home Member State] [has been requested to provided/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

¹⁹ Not required for debt securities with a denomination per unit of at least EUR50,000.

4. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE
[ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"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**

(i) Reasons for the offer []

[If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.]

(ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) Estimated total expenses: *[Include breakdown of expenses]²⁰*
(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

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 a direct investment in Indian equity by a Foreign Institutional Investor ("FII"), which may be evidenced by investments by FII Affiliates (as defined herein), and FIIs generally. The effect of such risks on the Notes will always be calculated in the sole and absolute discretion of the Calculation Agent. Certain of the risks are outlined in the Annex hereto, though these are not exhaustive. Investors should conduct their own investigation of the risks involved in a direct investment in Indian equity by an FII and investment in Indian Rupee and form their own view based on such

²⁰ Not required for debt securities with a denomination per unit of at least EUR50,000.

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]:

[]

[]

[Rights attached to the Security (BUT NOT THE NOTES)]

Each such share confers on its holder: (1) the right to participate in and vote at ordinary and extraordinary meetings of shareholders of the Underlying Company; (2) the right to one vote only in respect of ordinary and extraordinary meetings of shareholders of the Underlying Company (3) the right to participate in dividends declared by the Underlying Company; and (4) the right to participate in any distributions on a winding up of the Underlying Company.]

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

Not applicable

OPERATIONAL INFORMATION

10.	ISIN Code:	[]
11.	Common Code:	[]
12.	SEDOL:	[]
13.	New Global Note intended to be held in a manner which would allow Eurosystem eligibility:	Not applicable
14.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[None/specify]
15.	Delivery:	Delivery [against/free of] payment
16.	Settlement procedures:	[Eurobond/Medium Term Note/other - specify]
17.	Additional Paying Agent(s) (if any):	None
18.	Common Depositary:	HSBC Bank plc
19.	Agent Bank/Calculation Agent:	HSBC Bank plc
	— is Agent Bank to make calculations?	Yes

- | | | |
|-----|--|----------------------------|
| 20. | Notices:
(<i>Condition 14</i>) | Condition 14 is applicable |
| 21. | City in which specified office of Registrar to be maintained:
(<i>Condition 12</i>) | Not applicable |
| 22. | Tradeable amount: | Denomination |
| 23. | Other relevant Terms and Conditions: | See the Annex hereto |
| 24. | Other Final Terms: | See the Annex hereto |
| 25. | ERISA Considerations: | [] |

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 Securities ("**X**") equal to the total number of Securities to which the Notes outstanding relate.
 - (a) If the Calculation Agent is satisfied that an FII Affiliate held 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 FII Affiliate has in good faith sought to dispose of or otherwise realise such Securities (or if an FII Affiliate's holding of Securities exceeded X, X of them) through either or both of the Exchanges (in that FII Affiliate's absolute discretion), then the "**Aggregate Sale Price**" shall be the aggregate price at which that FII Affiliate effects the disposal or realisation of such 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 Securities held by an FII Affiliate ("**Y**") on the Determination Date was less than X and that on and from the Determination Date the FII Affiliate has in good faith sought to dispose of such Securities through either or both of the Exchanges (in that FII Affiliate's absolute discretion), the Calculation Agent shall:
 - (A) determine the average price per Security ("**M**") at which the FII Affiliate effected the disposal or realisation of Y number of 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 FII which was a holder of X number of Securities on the Determination Date would have been able to dispose of such Securities through either or both of the Exchanges (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 an FII Affiliate (and the disposal that for the purposes of sub-paragraph (c) the Calculation Agent determines that an FII would have been able

to effect) may be effected in one lot of 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 an FII Affiliate disposes of X number of Securities, the date on which, having completed such disposals, the Issuer has received the aggregate price in respect of them, and in other cases, the date on which an FII Affiliate (or, in the case of sub-paragraph (c), an FII) 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 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 Issuer or an FII Affiliate, as the case may be, actually entered into an exchange transaction to convert Indian Rupees 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 an FII Affiliate, adjusted to take into account the effect of any non-deliverable forward transaction ("**NDF transaction**") if such is entered into by the FII Affiliate 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 FII 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 an FII 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 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 FII Affiliate actually received the ASP Converted Amount in respect of an exchange transaction entered into on the ASP Receipt Date or on which an FII 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, Rupee 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 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 Rupee Receipt and Event Receipt into the Converted Amount respectively, the amount being determined by the Calculation Agent by reference to actual costs incurred by an FII Affiliate or, as the case may be, the costs which, in the determination of the Calculation Agent, would have been incurred by an FII.

"**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 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 an FII Affiliate held any Securities, the Calculation Agent shall determine the net aggregate amount of the cash dividend or distribution which such FII Affiliate 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 Securities so held by the FII Affiliate to give a per Security amount (the **"Rupee Receipt"**).

If the Calculation Agent is satisfied that on the Mark Date no FII Affiliate held any Securities, the Rupee Receipt shall be the net amount which, in the determination of the Calculation Agent, would have been received by an FII 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 FII would have received the Rupee 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 an FII Affiliate held any Securities, the Calculation Agent shall determine the net cash value of the dividend or distribution which the FII Affiliate actually received in respect of such holding after deduction of Costs and divide that net cash value by the number of Securities so held by the FII Affiliate to give a per Security amount (the **"Rupee Receipt"**).

If the Calculation Agent is satisfied that on the Mark Date no FII Affiliate held any Securities, the Rupee Receipt shall be the net cash value of the dividend or distribution which, in the determination of the Calculation Agent, would have been received by an FII 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 an FII Affiliate held any Securities on the Mark Date and that the FII Affiliate disposed of the relevant dividend or distribution received in respect of such Securities for cash on the date it received the same, the Calculation Agent shall have regard to the value at

which the FII Affiliate 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 FII Affiliate received the relevant dividend or distribution and disposed of the same for cash on the date of receipt, the date on which the FII Affiliate received the cash disposal proceeds and, in any other case, the date on which an FII 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.

The Rupee Receipt shall then be converted into the Specified Currency. If the Calculation Agent is satisfied that on the Receipt Date the FII Affiliate actually entered into an exchange transaction to convert Indian Rupees into the Specified Currency, the rate of exchange for the purposes of such conversion shall be the rate actually obtained by the Issuer, 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 FII who received a Rupee Receipt on the Receipt Date would have been able to convert the Rupee 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 FII Affiliate actually received the Converted Amount in respect of an exchange transaction entered into on the Receipt Date or on which an FII 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 10(e)(ii) or Condition 10(e)(iii) ("**Event Payment**"):

- (a) If an FII Affiliate held any 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 FII Affiliate 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 Securities so held by the FII Affiliate to give a per Security amount (the "**Event Receipt**").
- (c) If an FII Affiliate did not hold any 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 FII which was a holder of Securities on the Event Occurrence Date after deduction of Costs.

- (d) 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.
 - (e) 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 an FII Affiliate actually entered into an exchange transaction to convert Indian Rupees into the Specified Currency, the rate of exchange for the purposes of such conversion shall be the rate actually obtained by the FII Affiliate, 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 FII 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 FII Affiliate actually received the Converted Amount in respect of an exchange transaction entered into on the Event Receipt Date or on which an FII entering into an exchange transaction on the Event Receipt Date would have received the Converted Amount.
 - (f) Event 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 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 FII Affiliate or FIIs generally in the Securities is or is likely to be prevented, delayed or restricted by closure of the Exchange, suspension of trading in the 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

Indian Rupees for the Specified Currency or the transfer of the Specified Currency out of India, or the transfer of Indian Rupees within India, in each case when compared with the restrictions, prohibitions and delays existing on the Issue Date.

4.2 Indian Risks

Indian Investment

India is a politically turbulent but democratic country. Investments in Indian equity are usually volatile, and it should not be assumed that prices will always be available for the Securities. Information available on the Securities may be limited and not as reliable as would be the case in a more developed market.

The investor in the Notes is accepting these risks and the effect they may have on the amounts payable in respect of the Notes and the timing of any such payment and the Calculation Agent shall determine how they shall affect the amounts and the timing of any payments.

Market Access

Non-Indians ("**foreigners**") cannot generally invest directly in Indian equity. Application can be made for registration with the Securities and Exchange Board of India ("**SEBI**") as a Foreign Institutional Investor ("**FII**") under The Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995 so as to allow investment in Indian equities. Some FII Affiliates of the Issuer are registered as FIIs (though the Issuer is not).

FII registration is subject to 5 yearly review (and potential revocation) for each FII.

FII investments are substantially restricted and controlled. These restrictions, such as the maximum percentage holding of any single equity, are controlled by the SEBI, the Reserve bank of India ("**RBI**") and are also subject to the government of India Guidelines issues in this regard. Further, the operational mechanism for purchase, sale, settlement and movement of funds is restricted. For example, FIIs having an aggregate of securities which are worth Rs 10 crores or more, as on the latest Balance sheet date, shall settle their transactions only through dematerialised securities.

These restrictions may change from time to time, sometimes without notice.

The investor in these Notes will be subjected to the effect of equivalent restrictions and controls to those imposed on FIIs generally, and the FII Affiliates in particular, as determined by the Calculation Agent. These include limitations on the number of underlying Securities in respect of which the investor is expecting to receive an economic return, potential delays or even non-receipt of funds on sale of the Notes, taxes and charges generally levied on FIIs in buying and selling equity and limitations on the importation and withdrawal of funds. Where the Issuer disposes Securities or other assets payments to Noteholders calculated by reference to the price of such disposal will not be due unless or until the proceeds of disposal are received by the Issuer.

If FIIs become unable to invest directly in or alternatively hold equities (and no alternative route is established by SEBI) or FIIs are not allowed to sell or receive proceeds from the sale of such equities the Notes may, in the worst case, become worthless.

In the event that the FII is forced to sell part or all of the Securities due to an instruction from or policy change on the part of the RBI which prevents the FII Affiliate from holding Securities relating to the entire issue of Notes, the Issuer shall be entitled to take such measures, including calling for Early Redemption, as it shall, acting in good faith, think fit.

Settlement

To expedite the dematerialisation process and secure the investments of FIIs, FIIs are required to submit share certificates to the relevant registrar for the dematerialisation of any securities which are capable of dematerialisation. This can impose an additional constraint on FIIs, namely that they cannot sell securities they have purchased until they have been received, checked and dematerialised. This can take more than 2 weeks and may therefore affect the Realisable Sale Price, the secondary market price of the Notes or other determinations of the value of the Securities.

The settlement of transactions are carried out by Clearing Corporations/Clearing Houses. A further risk exists in DVP settlement that settlement simply fails as the counterparty to an equity trade does not deliver the Securities in such circumstances, after a reasonable period the FII may request the Custodian to insist that the broker square-up, that is either immediately deliver the certificates, deliver securities in dematerialised form or pay the excess of the present market value over the purchase price. Once again this risk can be substantially reduced by using Clearing House settlement.

If India should choose to renegotiate its taxation treaties or question the applicability of double taxation treaty relief relating to the jurisdiction in which an FII is incorporated, it could result in an adverse impact on the capital gains tax paid by the FII and any gain from purchase to sale would be subject to such a withholding prior to expatriation of the sale proceeds. Presently no capital gains tax is charged in India on disposal of Securities by FIIs incorporated in UAE or Mauritius.

The investor is deemed to accept the risk that if the double tax treaties between India and the UAE or India and Mauritius are renegotiated or disallowed so as to introduce capital gains tax on equities so as to be applicable to any FIIs incorporated in such jurisdictions and in particular, FII Affiliates, the Calculation Agent may determine that an amount equal to the charge which would have been suffered by such an FII should be reflected by a reduction in the Realisable Sale Price.

Timing and taxation issues - Under the Indian Companies Act, 1956, (the "**Indian Companies Act**") unless the board of directors ("**Board**") recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down by Section 205 of the Indian Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company calculated in accordance with the provisions of the Indian Companies Act or out of the profits of the company for any previous financial year(s) arrived at as laid down by the Indian Companies Act. Subject to certain conditions contained in the Indian Companies Act, dividend may also be payable out of moneys provided by the central or state government for payment of dividend in pursuance of a guarantee given by that government.

If so authorised by the articles of association of the issuer company, the shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the

Board. Dividends are generally declared as a percentage of the par value. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their shares as of the book closure or record date. In addition, the Board may declare and pay interim dividends. Under the Indian Companies Act, dividends can only be paid in cash (or stock) to shareholders listed on the register of shareholders on the date which is specified as the "record date" or "book closure date". No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of his/her shares is outstanding.

Any dividend declared is required to be deposited in a separate bank account within five days from the date of the declaration of such dividend. Dividends must be paid to the shareholders within 30 days from the date of the declaration and any dividend which remains unpaid or unclaimed after that period are required to be transferred within seven days of the expiry of the 30-day period (mentioned aforesaid) to a special unpaid dividend account held at a scheduled bank. The Issuer is required to transfer any money, which remains unpaid or unclaimed for seven years from the date of transfer to the unpaid dividend account, to the Investor Education and Protection Fund established by the Government of India pursuant to which no claim shall lie against the company or its directors or the Investor Education and Protection Fund.

The company declaring dividend is liable to pay a dividend distribution tax currently at the rate of 12.5% (plus surcharge at 10% on the dividend distribution tax and education cess at the rate of 2% on aggregate of dividend distribution tax and surcharge) on the total amount distributed as dividend. The effective dividend distribution tax is therefore 14.03%. Dividends in the hands of the recipients are exempted from tax.

The investors (who owned the Notes immediately prior to the ex-dividend date) may receive amounts reflecting the dividends some time after the Maturity Date of the Notes if payment of the dividends is delayed or some time after the dividend is paid (including after the Maturity Date of the Notes) if the amount of the dividend after conversion and transfer costs per Note is less than 1% of the then market value of a Note. Also, adjustments for dividends may be calculated with reference to the taxation of an FII Affiliate in respect of such dividends.

Dividends are occasionally announced but then subsequently not paid by Indian companies. Further there can be a significant delay (sometimes a number of months) between the marking of a share as ex-dividend at the Exchange and the payment of that dividend. Occasionally the dividends are of such modest magnitude that the costs of converting the Indian Rupees and transferring the payment offshore are significant relative to the dividend.

Additionally, where the domestic tax rate of the relevant FII Affiliate is lower than that of the Issuer's country of tax residency, the effective tax rate on dividends may be slightly higher.

The Noteholders (who owned the Notes immediately prior to the ex-dividend date) may receive amounts reflecting the dividends some time after the Maturity Date of the Notes if payment of the dividends is delayed or some time after the dividend is paid (including after the Maturity Date of the Notes) if the amount of the dividend after conversion and transfer costs per Note is less than 1% of the then market value of a Note. Also, adjustments for dividends may be calculated with reference to the taxation of an FII Affiliate in respect of such dividends.

PART E - INDEX-LINKED NOTES

PRODUCT DESCRIPTION

Notes issued pursuant to the Programme may include Index-Linked Notes, being Notes in relation to which the interest rate and/or the redemption amount payable at maturity is linked to the performance of one or more indices, by way of a specified formula or in such other manner as shall be specified in the Final Terms. Such indices may include, the Dow Jones Euro STOXX[®] 50 Index (Bloomberg Code: SX5E), the Standard & Poor's 500[®] Index (Bloomberg Code: SPX), the Nasdaq 100 Index (Bloomberg Code: NDX), the Nikkei 225[®] Index (Bloomberg Code: NKY), the FTSE[™] 100 Index (Bloomberg Code: UKY), the CAC40[®] Index (Bloomberg Code: CAC) or the SMI[®] Index (Bloomberg Code: SMI) or a combination of these or any other published indices.

The name of the relevant (or each) relevant index and the website of the relevant index sponsor page(s) of the Reuters Service and/or other source where information about such index can be obtained will be specified in the relevant Final Terms.

INDEX-LINKED CONDITIONS

The terms and conditions of Index-Linked Notes shall consist of the "Terms and Conditions of the Notes" set out in "Part B - Information about the Notes generally" of this Base Prospectus and any additional terms and conditions specified in the Final Terms.

Index-Linked Notes (interest bearing)

Notes issued pursuant to the Programme may include interest bearing Notes linked to the performance of an underlying index or basket of indices, referred to as "**Index-Linked Notes (interest bearing)**".

Index-Linked Notes (interest bearing) bear interest payable at maturity in arrear, which interest is linked to the performance of the Reference Asset as determined by the Calculation Agent. On maturity, Index-Linked Notes (interest bearing) will be redeemed at their nominal amount. Index-Linked Notes (interest bearing) are also redeemable prior to their scheduled maturity in certain circumstances at an amount determined by the Calculation Agent which may be less than their nominal amount.

Terms relating to such early redemption and basis for redemption at maturity may be included in the applicable Final Terms in or substantially in the following form (any figures specified in such form being for illustrative purposes only):

[1] Variable Coupon Amount

Unless previously redeemed, or purchased and cancelled in accordance with the Conditions, the amount of interest payable by the Issuer in respect of each Note on the Variable Coupon Interest Payment Date shall be an amount in the Specified Currency (the "**Variable Coupon Amount**") as determined by the Calculation Agent in accordance with the following formula:

$$[\text{specify Denomination}] \times [[80]\% \times \text{Max}] \left(0\%; \frac{S_{\text{best}} - S_{\text{initial}}}{S_{\text{initial}}} \right)$$

Where

$$S_{\text{best}} = \text{Max}_{i=1 \text{ to } 36} (S_i)$$

Where

"S_i" means, in respect of the [Index /Basket] and a Valuation Date_i (i=1 to [10]) and subject to Condition 10 and paragraph 40 (*Valuation Date(s)*) above, the [level of the Index/Basket Value] at the Valuation Time on such Valuation Date_i, as determined by the Calculation Agent;

"S_{initial}" means [*specify level*];

["Basket Value" means [*include formula for defining Basket Value*]."

Non-Interest Bearing Index-Linked Notes

Notes issued pursuant to the Programme may include non-interest bearing Notes linked to the performance of an underlying index or basket of indices, referred to as "**Non-Interest Bearing Index-Linked Notes**".

Non-Interest Bearing Index-Linked Notes do not bear interest and their redemption amount is linked to the performance of Index or the Basket as determined by the Calculation Agent. The performance of the Index or the Basket on particular dates may result in the redemption of Non-Interest Bearing Index-Linked Notes prior to their scheduled maturity at a premium to their nominal amount. The performance of the Index or the Basket will also determine the redemption amount of Non-Interest Bearing Index-Linked Notes at their scheduled maturity. Non-Interest Bearing Index-Linked Notes will be redeemed on their scheduled maturity at a premium to their nominal amount if the Final Index Level (as defined in the relevant Final Terms) as determined by the Calculation Agent is not less than the Initial Index Level (as defined in the relevant Final Terms). Otherwise, Non-Interest Bearing Index-Linked Notes will be redeemed at their nominal amount, if no Trigger Event (as defined in the relevant Final Terms) has occurred or, if a Trigger Event has occurred, at an amount (which may be less than their nominal amount) equal to the product of the nominal amount multiplied by the percentage decrease in value of the Index during the Observation Period (as defined in the relevant Final Terms) as determined by the Calculation Agent. Non-Interest Bearing Index-Linked Notes are also redeemable prior to their scheduled maturity in certain circumstances at an amount determined by the Calculation Agent which may be less than their nominal amount.

Terms relating to such early redemption and basis for redemption at maturity may be included in the applicable Final Terms in or substantially in the following form (the number of Early Release Dates, and any figures specified in such form being for illustrative purposes only):

"[1] Early Redemption

- [1].1 If, on the First Early Release Date, the Calculation Agent determines that the Release Index Level is greater than or equal to the Initial Index Level, the Issuer shall redeem the Notes on the First Early Redemption Date at [*specify amount, e.g. [105] per cent. of par*].
- [1].2 If, on the Second Early Release Date, the Calculation Agent determines that the Release Index Level is greater than or equal to the Initial Index Level, the Issuer shall redeem the Notes on the Second Early Redemption Date at [*specify amount, e.g. [110] per cent. of par*].

[2] Final Redemption

- [2].1 If, on the Valuation Date, the Calculation Agent determines that the Final Index Level is greater than or equal to the Initial Index Level, the Issuer shall redeem the Notes on the Maturity Date at [*specify amount, e.g. [115] per cent. of par*].

- [2].2 If, on the Valuation Date, the Calculation Agent determines that (a) the Final Index Level is less than the Initial Index Level and (b) a Trigger Event has not occurred, the Issuer shall redeem the Notes on the Maturity Date at *[specify amount, e.g. [100] per cent. of par]*.
- [2].3 Subject to the other provisions of these Final Terms and the Conditions, if, on the Valuation Date, the Calculation Agent determines that (a) the Final Index Level is less than the Initial Index Level and (b) a Trigger Event has occurred, the Issuer shall redeem the Notes on the Maturity Date by paying an amount in the Specified Currency in respect of each Note determined by the Calculation Agent in accordance with the following formula:

$$[\textit{specify Denomination}] \times \left[[100]\% + \frac{\text{Final Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}} \right]$$

[3] **Additional Definitions**

In these Final Terms:

"Basket Value" means *[include formula for defining Basket Value]*.

"Early Redemption Date(s)" means each of *[specify date]* (the **"First Early Redemption Date"**) and *[specify date]* (the **"Second Early Redemption Date"**) or if such date is not a Scheduled Trading Day the next following Scheduled Trading Day.

"Early Release Date(s)" means each of *[specify date]* (the **"First Early Release Date"**) and *[specify date]* (the **"Second Early Release Date"**). The Early Release Dates shall be subject to Condition 10 as if each reference to "Valuation Date" in such Condition was deemed to be a reference to "Early Release Date". If pursuant to Condition 10, any such date is postponed until *[specify date]* or *[specify date]* respectively and either such day is not a Scheduled Trading Day or is a Disrupted Day, such date shall nevertheless be deemed to be the Early Release Date and the Release Index Level shall be the [level of the Index/Basket Value] determined by the Calculation Agent in its sole and absolute discretion. If pursuant to Condition 10, the First Early Release Date is not a Scheduled Trading Day or is a Disrupted Day, such date shall nevertheless be deemed to be the Early Release Date and the Release Index Level shall be the [level of the Index/Basket Value] determined by the Calculation Agent in its sole and absolute discretion.

"Final Index Level" means, subject to the Conditions, the [level of the Index/Basket Value] on the Exchange at the Valuation Time on the Valuation Date, as determined by the Calculation Agent.

"Initial Index Level" means *[specify level]*.

"Observation Period" means the period from and including the Strike Date to and including the Valuation Time on the Valuation Date.

"Release Index Level" means, with respect to an Early Release Date and subject to the Conditions, the [level of the Index on the Exchange/Basket Value] at the Valuation Time on such Early Release Date, as determined by the Calculation Agent.

"Strike Date" means *[specify date]*.

"Trigger Event" means that the [level of the Index/Basket Value] at any time [during the regular trading session of the Exchange] on any Scheduled Trading Day during the Observation Period, as determined by the Calculation Agent, is equal to or less than the Trigger Level.

"Trigger Level" means *[specify level]*."

Puttable Index-Linked Variable Coupon Amount Notes

Notes issued pursuant to the Programme may include interest bearing puttable Notes linked to the performance of an underlying index or basket of indices, referred to as "**Puttable Index-Linked Variable Coupon Amount Notes**".

Unless redeemed prior to their maturity, Puttable Index-Linked Variable Coupon Amount Notes bear interest payable on scheduled interest payment dates at a specified fixed rate and/or specified variable rate with such specified variable rate linked to the performance of the Index or the Basket as determined by the Calculation Agent. Puttable Index-Linked Variable Coupon Amount Notes may be redeemed on specified exercise dates prior to their scheduled maturity at the option of Noteholders at their nominal amount. Puttable Index-Linked Variable Coupon Amount Notes are also redeemable prior to their scheduled maturity in certain circumstances at an amount determined by the Calculation Agent which may be less than their nominal amount. Otherwise, Puttable Index-Linked Variable Coupon Amount Notes will be redeemed on their scheduled maturity at their nominal amount.

Terms relating to such early redemption and basis for redemption at maturity may be included in the applicable Final Terms in or substantially in the following form (any figures specified in such form being for illustrative purposes only):

"[1] Noteholder's optional Redemption Amount (Put)

On any Exercise Date of a Put Option Period, each Noteholder shall be entitled to request from the Issuer the early redemption of the Notes held by him. In the case of the exercise by the Noteholder of his option to redeem the Notes on such Exercise Date (as defined below), the optional redemption amount (the "**Optional Redemption Amount**") payable, in respect of each Note, on the immediately following Put Option Date, shall be equal to [100] per cent. of par.

Where:

"**Exercise Date**" means with respect to a Put Option Period any Business Day of such Put Option Period on which the Noteholder has given an irrevocable and written notice of optional redemption of such Notes to the Paying Agent through Clearstream, Luxembourg or Euroclear (with a copy to the Calculation Agent) prior to noon (London time), in [the form set out in the Annex [3] or such other form][such form] as the Paying Agent may specify. Any notice received later than noon (London time) shall take effect on the following Business Day; such notice shall specify, inter alia:

- (i) the number of Notes being the subject of the optional redemption;
- (ii) the securities account with Clearstream, Luxembourg or Euroclear to be debited with the Notes to which the optional redemption relates;
- (iii) the cash account identification to be credited with the Optional Redemption Amount.

The period of 5 to 30 Business days' notice mentioned in Condition 6(d) will not apply.

The Paying Agent shall notify the Issuer of the delivery of such notice and such notification shall take place, if duly delivered as described above, on the Exercise Date.

"**Put Option Date**" means each of *[specify relevant dates]* or if such date is not a Scheduled Trading Day the next following Scheduled Trading Day.

"**Put Option Period**" means any period from and including one Put Option Date (or the Issue Date in respect of the first Put Option Period) to but excluding the fifth Business Day prior to the next Put Option Date.

[2] **Variable Coupon Amount**

Unless previously redeemed, or purchased and cancelled in accordance with the Conditions, the Variable Coupon Amount payable by the Issuer in respect of each Note on [specify date] shall be an amount in the Specified Currency as determined by the Calculation Agent in accordance with the following formula:

$$[\text{specify Denomination}] \times \text{Max} \left(0; \frac{I}{N} \sum_{j=1}^N \frac{S_j}{S_{\text{initial}}} - 100\% \right)$$

where

"N" denotes each Averaging Date, 1 to [specify number].

" S_{initial} " means, subject to the Conditions, the [level of the Index on the Exchange/Basket Value] at the Valuation Time on the Strike Date, as determined by the Calculation Agent.

" S_j " means, subject to Condition 10 and paragraph [39] above, the [level of the Index on the Exchange/Basket Value] at the Valuation Time on each relevant Averaging Date, as determined by the Calculation Agent.

["**Basket Value**" means *[include formula for defining Basket Value]*].

"**Strike Date**" means *[specify date]*."

Index disclaimers

Where a Series of Notes relates to any of the Indices specified in the table above, a statement regarding such Index will be included in the relevant Final Terms in or substantially in the form for such Index set out below.

STATEMENTS REGARDING THE DOW JONES EURO STOXX 50SM INDEX

The following statement is required by the licensor of the Dow Jones Euro STOXX[®] 50 Index:

STOXX Limited ("STOXX") and Dow Jones & Company, Inc. ("Dow Jones") have no relationship to the Issuer other than the licensing of the Dow Jones Euro STOXX[®] 50 Index and the related trademarks for use in connection with the Notes.

STOXX and Dow Jones do not:

- Sponsor, endorse, sell or promote the Notes.
- Recommend that any person invest in the Notes or any other securities.
- Have any responsibility or liability for or make any decisions about the timing, amount or pricing of Notes.
- Have any responsibility or liability for the administration, management or marketing of the Notes.

- Consider the needs of the Notes or the owners of the Notes in determining, composing or calculating the Dow Jones Euro STOXX[®] 50 Index or have any obligation to do so.

STOXX and Dow Jones will not have any liability in connection with the Notes. Specifically,

- **STOXX and Dow Jones do not make any warranty, express or implied and disclaim any and all warranty about:**
 - **The results to be obtained by the Notes, the owner of the Notes or any other person in connection with the use of the Dow Jones Euro STOXX[®] 50 Index, and the data included in the Dow Jones Euro STOXX[®] 50 Index;**
 - **The accuracy or completeness of the Dow Jones Euro STOXX[®] 50 Index and its data;**
 - **The merchantability and the fitness for a particular purpose or use of the Dow Jones Euro STOXX[®] 50 Index and its data;**
- **STOXX and Dow Jones will have no liability for any errors, omissions or interruptions in the Dow Jones Euro STOXX[®] 50 Index or its data;**
- **Under no circumstances will STOXX or Dow Jones be liable for any lost profits or indirect, punitive, special or consequential damages or losses, even if STOXX or Dow Jones knows that they might occur.**

The licensing agreement between the Issuer and STOXX is solely for their benefit and not for the benefit of the owners of the Notes or any other third parties.

STATEMENTS REGARDING THE STANDARD & POOR'S 500® INDEX (THE "S&P 500 INDEX")

The Notes are not sponsored, endorsed, sold or promoted by Standard & Poor's Corporation ("S&P"). S&P makes no representation or warranty, express or implied, to any Noteholders in respect of the Notes or any member of the public regarding the advisability of investing in securities generally or in the Notes in particular or the ability of the S&P 500 Index to track general stock market performance. S&P's only relationship with the Issuer is the licensing of certain trademarks and trade names of S&P and of the S&P 500 Index which is determined, composed and calculated by S&P without regard to the Issuer or the Notes.

S&P has no obligation to take the needs of the Issuer or any holders of the Notes into consideration in determining, composing or calculating the S&P 500 Index. S&P is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Notes to be offered or taken or in the determination or calculation of the equation by which the Notes are to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the Notes.

S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN AND S&P SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE ISSUER IN RESPECT OF THE NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

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STATEMENTS REGARDING THE NASDAQ-100 INDEX®

The Notes are not sponsored, endorsed, sold or promoted by The Nasdaq Stock Market, Inc. (including its affiliates) (Nasdaq, with its affiliates, are referred to as the *Corporations*). The Corporations have not passed on the legality or suitability of, or the accuracy or adequacy of descriptions and disclosures relating to, the Notes. The Corporations make no representation or warranty, express or implied to the owners of the Notes or any member of the public regarding the advisability of investing in securities generally or in the Notes particularly, or the ability of the NASDAQ-100 Index® to track general stock market performance. The Corporations' only relationship to the HSBC Bank plc (*Licensee*) is in the licensing of the NASDAQ-100®, NASDAQ-100 Index®, and Nasdaq® trademarks or service marks, and certain trade names of the Corporations and the use of the NASDAQ-100 Index® which is determined, composed and calculated by Nasdaq without regard to Licensee or the Notes. Nasdaq has no obligation to take the needs of the Licensee or the owners of the Notes into consideration in determining, composing or calculating the NASDAQ-100 Index®. The Corporations are not responsible for and have not participated in the determination of the timing of, prices at, or quantities of the Notes to be issued

or in the determination or calculation of the equation by which the Notes are to be converted into cash. The Corporations have no liability in connection with the administration, marketing or trading of the Notes.

THE CORPORATIONS DO NOT GUARANTEE THE ACCURACY AND/OR UNINTERRUPTED CALCULATION OF THE NASDAQ-100 INDEX® OR ANY DATA INCLUDED THEREIN. THE CORPORATIONS MAKE NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, OWNERS OF THE NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE NASDAQ-100 INDEX® OR ANY DATA INCLUDED THEREIN. THE CORPORATIONS MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE NASDAQ-100 INDEX® OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL THE CORPORATIONS HAVE ANY LIABILITY FOR ANY LOST PROFITS OR SPECIAL, INCIDENTAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES, EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

STATEMENTS REGARDING THE NIKKEI 225® INDEX (THE "NIKKEI INDEX")

The Nikkei Index is an intellectual property of Nihon Keizai Shinbun, Inc. ("NKS"). "Nikkei", "Nikkei Stock Average" and "Nikkei 225" are the service marks of NKS. NKS reserves all the rights, including copyright to the index.

The Notes are not in any way sponsored, endorsed or promoted by NKS. NKS does not make any warranty or representation whatsoever, express or implied, either as to the results to be obtained as to the use of the Nikkei Index or the figure as to which the Nikkei Index stands at any particular day or otherwise. The Nikkei Index is compiled and calculated solely by NKS. However, NKS shall not be liable to any person for any error in the Nikkei Index and NKS shall not be under any obligation to advise any person, including a Noteholder, of any error therein.

In addition, NKS gives no assurance regarding any modification or change in any methodology used in calculating the Nikkei Index and is under no obligation to continue the calculation, publication and dissemination of the Nikkei Index.

STATEMENTS REGARDING THE FTSE™ 100 INDEX

("FTSE") or by The London Stock Exchange plc (the "Exchange") or by The Financial Times Limited ("FT") and neither FTSE or Exchange or FT makes any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE™ 100 Index (the "Index") and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated solely by FTSE. However, neither FTSE or Exchange or FT shall be liable (whether in negligence or otherwise) to any person for any error in the Index and neither FTSE or Exchange or FT shall be under any obligation to advise any person of any error therein.

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STATEMENTS REGARDING THE CAC40® INDEX

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STATEMENTS REGARDING THE SMI® INDEX

These securities are not in any way sponsored, endorsed, sold or promoted by SWX Swiss Exchange and SWX Swiss Exchange makes no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the SMI® Index (the "**Index**") and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated solely by SWX Swiss Exchange. However, SWX Swiss Exchange shall not be liable (whether in negligence or otherwise) to any person for any error in the Index and SWX Swiss Exchange shall not be under any obligation to advise any person of any error therein.

The SMI® is a registered trademark of SWX Swiss Exchange and any use thereof is subject to a license fee.

PART F - CURRENCY-LINKED NOTES

PRODUCT DESCRIPTION

Notes issued pursuant to the Programme may include Currency-Linked Notes, being Notes in relation to which the interest rate and/or the final redemption amount payable at maturity is dependent on the performance of a particular underlying currency or group of currencies specified in the Final Terms. Generally, if the underlying currency in question appreciates in relation to the currency to which it is being compared, the interest rate and redemption amount will increase accordingly.

Details of the underlying currency or group of currencies and the page(s) of Bloomberg, the Reuters Service and/or other source where information about such underlying currency or group of currencies can be obtained will be specified in the relevant Final Terms.

CURRENCY-LINKED CONDITIONS

The terms and conditions of Currency-Linked Notes shall consist of the "Terms and Conditions of the Notes" set out in "Part B - Information about the Notes generally" of this Base Prospectus and any additional terms and conditions specified in the Final Terms.

1. FX Disruption Event

Notwithstanding the provisions of Condition 6(a)(i), if an FX Disruption occurs at any time on or prior to the Maturity Date:

- (a) the Calculation Agent shall notify the Issuer thereof and the Issuer shall as soon as practicable notify the Holders thereof in accordance with Condition 14 (*Notices*);
- (b) the Issuer shall redeem the Notes by payment in respect of each Note of the early redemption amount (determined in accordance with paragraph 26 of the Final Terms);
- (c) such redemption will occur as soon after the Maturity Date as the Calculation Agent determines, acting in good faith and in a commercially reasonable manner, that it is practical to calculate the early redemption amount and to effect payment of it (the date on which such payment is effected, the "**Final Maturity Date**"); and
- (d) to the extent that payment is made after the Maturity Date, the early redemption amount shall be increased by an amount, determined by the Calculation Agent, acting in good faith and in a commercially reasonable manner, equal to the amount of interest the Calculation Agent determines could reasonably and practically have been earned at then current market rates by a non-resident of [*specify country of the currency (the "Reference Currency") to which the Notes are linked and which not the Specified Currency*] on the early redemption amount from the Maturity Date to the day 2 Business Days prior to the Final Maturity Date.

For the purposes hereof:

"**FX Disruption**" means the occurrence of any event or condition (including any change in law or any government action) which in the determination of the Calculation Agent, acting in good faith and in a commercially reasonable manner, makes it impossible, illegal or impractical (i) to convert [*Reference Currency*] into [*Specified Currency*] through customary legal channels, (ii) for non-residents of [*specify country of Reference Currency*] to convert [*Reference Currency*] into [*Specified Currency*] on terms as favourable as those generally available to residents of

[specify country of Reference Currency], or (iii) for residents or non-residents of [specify country of Reference Currency] to transfer funds, including non-[Reference Currency] funds, from accounts inside [specify country of Reference Currency] to accounts outside [specify country of Reference Currency] or between accounts in [specify country of Reference Currency] or by or to non-residents of [specify country of Reference Currency].

2. **Non-deliverability of Specified Currency**

If, at the time any payment of principal, premium, interest and/or additional or other amounts, if any, in respect of the Notes is due (each a "**Required Payment**"), the Specified Currency is no longer (i) used by the government of [specify country of Specified Currency] for the payment of public and private debts or (ii) used for settlement of transactions by public institutions in [specify country of Specified Currency] or within the international banking community, or (iii) expected to be available, when any Required Payment is due as a result of circumstances beyond the control of the Issuer, the Issuer shall be entitled to satisfy its obligations in respect of such Required Payment by making such Required Payment in [Euro/U.S. Dollars] (the "**Alternative Payment Amount**"), on the basis of the relevant [[EUR/Specified Currency][USD/Specified Currency] bid-spot foreign exchange rate (expressed as the number of [Euro/U.S. Dollars] (or part thereof)) as at 12.30 p.m. ([New York] time) on the second Business Day in [New York] prior to the relevant date of payment, for which one [unit of the Specified Currency] could be purchased as quoted on the Reuters screen [specify in the Final Terms] (or its successor page for the purpose of displaying such rates) or, if such rate is not available on such second Business Day in [New York], on the basis of the rate most recently available prior to such second Business Day in [New York]. Any payment made under such circumstances in [Euro/U.S. Dollars] will constitute valid payment and will not constitute a default in respect of the Notes. The Issuer's communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained by the Issuer hereunder shall be at its sole discretion and shall (in the absence of manifest error, wilful default or bad faith) be conclusive for all purposes and binding on the Issuer, the Paying Agents, and the holders of the Notes or Coupons. By acceptance thereof, purchasers of the Notes will be deemed to have acknowledged and agreed and to have waived any and all actual or potential conflicts of interest that may arise as a result of the calculation of the Alternative Payment Amount by the Issuer.

3. **Provision for Final redemption amount of each Note**

Final redemption amount of each Note:
(Condition 6(a))

If, in the determination of the Calculation Agent, the final [Specified Currency/Reference Currency] Exchange Rate is less than or equal to [specify rate], then each Note will redeem on the Maturity Date at par.

If, in the determination of the Calculation Agent, the Final [Specified Currency/Reference Currency] Exchange Rate is greater than [specify rate], then each Note will redeem on the Maturity Date at an amount determined by the Calculation Agent in accordance with the following formula:

Denomination x [specify number] - ([specify number] x (Final [Specified Currency/Reference Currency] Exchange Rate / [specify number]))],

provided, however, that the final redemption amount shall never be less than zero.

For the purposes hereof:

"Expiration Date" means [specify date];

"Final [Specified Currency/Reference Currency] Exchange Rate" means the [Specified Currency/Reference Currency] Exchange Rate as of 12:00 noon (London time) on the Expiration Date, as determined by the Calculation Agent;

"[Reference Currency]" means the lawful currency of [Reference Currency Jurisdiction]; and

"[Specified Currency/Reference Currency] Exchange Rate" means the [Specified Currency/Reference Currency] exchange rate (expressed as a number of [Reference Currency] per [Specified Currency] 1.00) at 12 pm noon London time on the Expiration Date as determined by the Calculation Agent acting in good faith.

4. Instalment Note Provisions

Instalment Notes:
(Condition 6(a))

Applicable

(i) Instalment Amounts:

The Notes shall be redeemed in [specify number] instalments, each payable on an Instalment Payment Date as defined in (ii) below. The Instalment Amount payable on an Instalment Payment Date in respect of each Note shall be the sum of:

(a) an amount in [Reference Currency] determined by the Calculation Agent in accordance with the following formula:

(Denomination/[specify number equal to number of Observation Periods] x Conversion Strike x (n/N); and

(b) an amount in USD determined by the Calculation Agent in accordance with the following formula:

Denomination/[specify number] x (1 - (n/N)).

For these purposes:

"Conversion Strike" means [specify rate, as a number of Units of Reference Currency per 1 Unit of Specified Currency];

"Knock-Out Barrier" means [specify rate, as a number of Units of Reference Currency per 1 Unit of Specified Currency];

"n" means, in respect of an Observation Period, the total number of Relevant Observation Windows during such Observation Period;

"N" means, in respect of an Observation Period, the total number of Observation Windows during such Observation Period;

"Observation Period" means (a) in respect of Instalment Payment Date 1 the period from and including [specify time] on [specify date] to but excluding [specify time] on [specify date] ("**Observation Period 1**"), (b) in respect of Instalment Payment Date 2 the period from and including [specify time] on [specify date] to but excluding [specify time] on [specify date] ("**Observation Period 2**"), (c) in respect of Instalment Payment Date 3 the period from and including [specify time] on [specify date] to but excluding [specify time] on [specify date] ("**Observation Period 3**"), and (d) in respect of Instalment Payment Date 4 the period from and including [specify time] on [specify date] to but excluding [specify time] on [specify date] ("**Observation Period 4**");

"Observation Window" means each period specified in [Annex 1 to these Final Terms];

"Relevant Observation Window" means an Observation Window during which the [Specified Currency/Reference Currency] Exchange Rate is greater than the Knock-Out Barrier at all times during such Observation Window, as determined by the Calculation Agent;

"Spot Market" means the global spot foreign exchange market which, for these purposes, shall be treated as being open continuously from 5.00

a.m. Sydney time on a Monday in any week to 5.00 p.m. New York time on the Friday of such week; and

"[Specified Currency/Reference Currency] Exchange Rate" means the spot exchange rate for [Specified Currency/Reference Currency] (expressed as a number of [Reference Currency] per [Specified Currency] 1.00) prevailing in the Spot Market as determined by the Calculation Agent.

- (ii) Dates for payment of Instalments: [Specify date] ("Instalment Payment Date 1"), [specify date] ("Instalment Payment Date 2"), [specify date] ("Instalment Payment Date 3") and [specify date] ("Instalment Payment Date 4"), together with Instalment Payment Date 1, Instalment Payment Date 2 and Instalment Payment Date 3, the "Instalment Payment Dates" and each an "Instalment Payment Date").

5. Final Redemption Amount for Notes linked to two exchange rates

[24.] Final redemption amount of each Note in cases where the final redemption amount is Index-Linked or other variable-linked: Applicable

- (i) Index/Formula/other variable: The [Specified Currency/First Reference Currency] exchange rate and the [Specified Currency/Second Reference Currency] exchange rate
- (ii) Calculation Agent responsible for calculating the final redemption amount: HSBC Bank plc, 8 Canada Square, London E14 5HQ
- (iii) Provisions for determining final redemption amount where calculated by reference to Index and/or Formula and/or other variable: Unless previously redeemed, or purchased and cancelled in accordance with the Conditions, the Final Redemption Amount payable by the Issuer in respect of each Note on the Maturity Date shall be an amount in [Specified Currency] determined on the Expiration Date by the Calculation Agent in accordance with the following formula:

Denomination + [specify percentage]% x Max (0, [Second Reference Currency Performance as defined below], [First Reference Currency Performance as defined below])

where:

"**EUR**" means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam.

"**Expiration Date**" means *[specify date]*.

"**Final EUR/[Second Reference Currency] Exchange Rate**" means the EUR/[*Second Reference Currency*] exchange rate (expressed as a number of [*Second Reference Currency*] per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on Reuters page *[specify page]* at *[specify time]* (London time) on the Expiration Date, provided that if such rate is not displayed on such Reuters page at such time the Calculation Agent will determine the Final EUR/[*Second Reference Currency*] Exchange Rate in its sole and absolute discretion, acting in good faith.

"**Final EUR/[First Reference Currency] Exchange Rate**" means the EUR/[*First Reference Currency*] exchange rate (expressed as a number of [*First Reference Currency*] per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on *[specify page]* at *[specify time]* (London time) on the Expiration Date, provided that if such rate is not displayed on such Reuters page at such time the Calculation Agent will determine the Final EUR/[*First Reference Currency*] Exchange Rate in its sole and absolute discretion, acting in good faith.

"**Final EUR/USD Exchange Rate**" means the EUR/USD exchange rate (expressed as a number of USD per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on Reuters page *[specify page]* at *[specify time]* (London time) on the Expiration Date, provided that if such rate is not displayed on such Reuters page at such time the Calculation Agent will determine the Final EUR/USD Exchange Rate in its sole and absolute discretion, acting in good faith.

"**Final [USD/Second Reference Currency] Exchange Rate**" means the EUR/[*Second Reference Currency*] exchange rate (expressed as an amount of [*Second Reference Currency*] per USD 1.00) as determined by HSBC Bank plc as

Calculation Agent by dividing the Final EUR/[*Second Reference Currency*] Exchange Rate by the Final EUR/USD Exchange Rate.

"Final USD/[*First Reference Currency*] Exchange Rate" means the USD/[*First Reference Currency*] exchange rate (expressed as an amount of [*First Reference Currency*] per USD 1.00) as determined by HSBC Bank plc as Calculation Agent by dividing the Final EUR/[*First Reference Currency*] Exchange Rate by the Final EUR/USD Exchange Rate.

"Initial USD/[*Second Reference Currency*] Exchange Rate" means [*Second Reference Currency*] [*specify amount*] per USD 1.00.

"Initial USD/[*First Reference Currency*] Exchange Rate" means [*First Reference Currency*] [*specify amount*] per USD 1.00.

"[*Second Reference Currency*]" means the lawful currency of [*specify jurisdiction*].

"[*Second Reference Currency Performance*]" means an amount determined by the Calculation Agent in accordance with the following formula:

$$\frac{(\text{Initial USD}/[\textit{Second Reference Currency}] \text{ Exchange Rate} - \text{Final USD}/[\textit{Second Reference Currency}] \text{ Exchange Rate})}{\text{Final USD}/[\textit{Second Reference Currency}] \text{ Exchange Rate}}$$

"[*First Reference Currency*]" means the lawful currency of [*specify jurisdiction*].

"[*First Reference Currency Performance*]" means an amount determined by the Calculation Agent in accordance with the following formula:

$$\frac{(\text{Initial USD}/[\textit{First Reference Currency Performance}] \text{ Exchange Rate} - \text{Final USD}/[\textit{First Reference Currency Performance}] \text{ Exchange Rate})}{\text{Final USD}/[\textit{First Reference Currency Performance}] \text{ Exchange Rate}}$$

- | | | |
|------|--|--|
| (iv) | Determination Date(s): | The Expiration Date |
| (v) | Provisions for determining final redemption amount where calculation by reference to Index and/or Formula and/or other | If any relevant exchange rate is not displayed on any of the specified Reuters Pages at the specified time on the Expiration Date the Calculation Agent will determine the relevant exchange rate in its |

variable is impossible or sole and absolute discretion, acting in good faith.
 impracticable or otherwise
 disrupted:

- | | | |
|--------|----------------------------------|-------------------|
| (vi) | Payment Date | The Maturity Date |
| (vii) | Minimum final redemption amount | Redemption at par |
| (viii) | Maximum final redemption amount: | Not applicable |

PART G - CREDIT-LINKED NOTES

PRODUCT DESCRIPTION

Notes issued pursuant to the Programme may include Credit-Linked Notes, being Notes in relation to which the interest rate and/or the redemption amount payable at maturity reflects the performance of a single reference entity or a diversified portfolio of underlying reference entities with differing credit risk. Credit-Linked notes usually offer a higher yield than most basic eurobonds with a similar credit rating. Credit-Linked Notes may provide for physical and/or cash settlement, as specified in more detail in the relevant Final Terms.

Details of the reference entity or reference entities to which Credit-Linked Notes relate and of the page(s) of Bloomberg, the Reuters Service and/or other source(s) where information about such reference entity or reference entities can be obtained will be specified in the relevant Final Terms.

PRO FORMA FINAL TERMS FOR CREDIT-LINKED NOTES

Set out below are two forms of Final Terms which may be completed for a Tranche of Credit-Linked Notes issued under the Programme.

The terms and conditions of Credit-Linked Notes shall consist of the "Terms and Conditions of the Notes" set out in "Part B - Information about the Notes generally" of this Base Prospectus (the "**Base Conditions**") as amended or supplemented by the terms set out in the Final Terms (including the Annexes thereto) (the "**Final Terms**"), substantially in one of the two forms which are set out below (terms used in such provisions being deemed to be defined as such for the purposes of this Base Prospectus).

(1) Basket of Reference Entities with Physical Settlement

FINAL TERMS

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

Issue of

[Aggregate Principal Amount of Tranche]

[Title of Notes] due [•]

Linked to a basket of [•][corporate entities/banks]

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 Information Memorandum in relation to the above Programme [and the supplemental Information Memorandum dated []]. This Final Terms must be read in conjunction with such Information Memorandum [as so supplemented].

Information Concerning Investment Risk

Noteholders and prospective purchasers of Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risk and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition.

If a Credit Event Notice (as defined in Schedule 2) has been given in relation to any of the Reference Entities (as defined in Schedule 2), the Notes will be redeemable at the option of the Issuer exercised at any time thereafter, and irrespective of whether the relevant Credit Event (as defined in Schedule 2) is continuing, by delivery of certain securities or other assets which may have a market value substantially less than the par value of the Notes.

In particular, Noteholders should note that:

- (a) the Issuer's obligations to pay interest on the Notes and to redeem the Notes at their principal amount are subject to the condition precedent that no Credit Event Notice has been given and, if any Credit Event Notice is given on or before the Maturity Date or (if applicable) the Extended Maturity Date (as defined in Schedule 2), then (1) unless specified otherwise, no interest in respect of the interest period current on the date on which such Credit Event Notice is given or any subsequent period will be payable by the Issuer (but without prejudice to any interest payments already made to Noteholders or which became due and payable before the Credit Event Notice was given), and (2) the Issuer will not be obliged to redeem the Notes at their principal amount and the sole obligation of the Issuer with regard to redemption of the Notes will be to redeem the Notes by physical delivery of Deliverable Obligations (as defined in Schedule 2) or as otherwise provided in the Conditions; and
- (b) it shall be the responsibility of the Noteholders to ensure that their accounting, regulatory and all other treatments of the Notes are consistent with the conditional nature of the Noteholders' entitlement to receive the payments referred to above.

The Issuer shall be under no obligation to give notice of any Credit Event and no delay in giving, or omission to give, notice of any Credit Event(s) with regard to a Reference Entity shall prejudice the Issuer's right to give notice with respect to such Credit Event or any other Credit Event in relation to such or any other Reference Entity provided such notice is given no later than the Maturity Date or (if applicable) the Extended Maturity Date. Noteholders and prospective purchasers of Notes should conduct their own investigations and, in deciding whether or not to purchase Notes, prospective purchasers should form their own views of the merits of an investment linked to the credit risk of each of the Reference Entities based upon such investigations and not in reliance on any information given in this Final Terms.

Given the highly specialised nature of these Notes, the Issuer considers that they are only suitable for highly sophisticated investors who are willing to take considerable risks, who are able to determine for themselves the risk of an investment linked to the credit risk of each of the Reference Entities and who can absorb a substantial or total loss of principal and interest.

Consequently, if you are not an investor who falls within the description above you should not consider purchasing these Notes without taking detailed advice from a specialised professional adviser.

Issuer and Calculation Agent Disclaimers

The Issuer and Calculation Agent make no representation whatsoever with respect to any Reference Entity, any Reference Obligation, Obligation, Deliverable Obligation or Underlying Obligation or any Underlying Obligor (each as defined in Schedule 2) on which it is relying or is entitled to rely.

The Issuer, the Calculation Agent and their respective Affiliates may deal in each Reference Obligation, Obligation, Deliverable Obligation and/or Underlying Obligation and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, any of the Reference Entities, any Affiliate of any of the Reference Entities, any Underlying Obligor and/or any other person or entity having obligations relating to any of the Reference Entities or any such Affiliate or Underlying Obligor, and may act with respect to such business in the same manner as each of them would if these Notes had not been issued, regardless of whether any such action might have

an adverse effect on any of the Reference Entities, any Reference Obligation, Obligation, Deliverable Obligation or Underlying Obligation or the Noteholders or otherwise (including, without limitation, any action which might constitute or give rise to a Credit Event).

The Issuer, the Calculation Agent and their respective Affiliates may, whether by virtue of the types of relationships described herein or otherwise, on the issue date of the Notes or at any time thereafter, be in possession of information in relation to any of the Reference Entities or any Underlying Obligor that is or may be material in the context of the issue of the Notes and that may or may not be publicly available or known to the Noteholders. There is no obligation on the part of the Issuer, the Calculation Agent or their respective Affiliates to disclose to the Noteholders any such relationship or information (whether or not confidential).

HSBC Bank plc as Calculation Agent will be entitled to make certain determinations and judgements under the Conditions including (inter alia) as to whether an event constituting a Credit Event has occurred. In making such determinations and judgements, potential conflicts of interest may exist between the Calculation Agent and the Noteholders. In its capacity as Calculation Agent, HSBC Bank plc does not act as a fiduciary for or as an adviser to any of the Noteholders in respect of any such determination or judgement or otherwise.

The Issuer accepts responsibility for the information contained in this Final Terms.

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

1.
 - (i) Issuer: HSBC Bank plc
 - (ii) Arranger: HSBC Bank plc
2.
 - (i) Series number: []
 - (ii) [Tranche number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Currency or currencies:
 - (i) of denomination: []
 - (ii) of payment []
4. Aggregate Principal Amount [of Notes admitted to trading]²¹:
 - [(i)] Series: []
 - [(ii)] [Tranche:] []

²¹ Delete for debt securities with a denomination per unit of less than EUR50,000.

5. (i) Issue Price: [] per cent. of the Aggregate Principal Amount
[plus accrued interest from *[insert date]* (*in the case of fungible issues only, if applicable*)]
- (ii) Commission payable: [[] per cent./None]
- (iii) Selling concession: [[] per cent./None]
6. Denomination(s): []
(*Condition 1(b)*)
7. (i) Issue Date: []
- (ii) Interest Commencement Date: []
8. Maturity Date: [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year. In case of undated Notes specify undated.*]
(*Condition 6(a)*)
See Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event
9. Interest basis: [[]% Fixed Rate]
(*Conditions 3 to 5*)
[[*Specify reference rate*]+/- []% Floating Rate Notes]
[Variable Coupon Amount]
[Zero Coupon]
[Other (*specify*)]
[further particulars specified below]

[Interest will be treated as having ceased to accrue as from the beginning of any Interest Period in which a Credit Event Notice is given under Condition 6(j)(i) - See Special Conditions, Schedule 2]²²
10. Redemption basis: [Redemption at par]
(*Condition 6*)
[Credit-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*specify*)]
See Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event
11. Change of interest or redemption basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]

²² Include unless the Notes are Zero Coupon Notes

- See Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event
12. Put/Call options: Not applicable. However, see Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event
13. (i) Status of the Notes: Unsubordinated
(Condition 2)
- (ii) Date [Board] approval for [] [and [], respectively]] (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note provisions: [Applicable/Not applicable]
(Condition 3) *(if not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Fixed Interest Payment Date(s): [] in each year
- (iii) Day count fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (iv) Determination Date: [] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon, N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)).*
- (v) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]*
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details] *(Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual basis)*
16. Floating Rate Note provisions: [Applicable/Not applicable]
(Condition 4) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [specify]
- (ii) Interest Payment Dates: [specify dates]

[If Business Day Convention embedded in Condition 4(b) is not to apply, specify alternative convention]

- (iii) Screen Rate Determination: []
 - (1) Benchmark: *[specify LIBOR or other]*
 - (2) Relevant Rate of Benchmark: *[Offered rate/Bid rate/Mean rate/other specify]*
 - (3) Relevant screen page: []
 - (4) Interest Determination Date: []
- (iv) ISDA Determination: []
 - (1) Floating Rate Option: []
 - (2) Designated Maturity: []
 - (3) Reset Date: []
- (v) Margin: [+/-][] per cent. per annum
- (vi) Fallback Rate: *[specify method of calculating interest rate if applicable screen rate not available or fewer than two rates appear (where arithmetic mean is required, or where rate is not available for period of duration equal to Interest Period)]*
- (vii) Day count fraction: []
- (viii) Relevant time: []
- (ix) Minimum Interest Rate: [] per cent. per annum
- (x) Maximum Interest Rate: [] per cent. per annum
- (xi) Business Day: *(Condition 4(b))* The places specified with respect to "Business Day" in paragraph 1 of Schedule 1
- (xii) Rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []

17. Variable Coupon Amount Note provisions *(Condition 5)* [Applicable/Not applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Interest Payment Dates: []
- (ii) Method of calculating interest: []
18. Zero Coupon Note provisions: [Applicable/Not applicable]
(Condition 5) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [] per cent. per annum
- (ii) Rate of interest on overdue amounts: []
- (iii) Redemption formula: []
See also Special Conditions, Schedule 2
19. Index-Linked Interest Note/Other Variable-Linked Interest Note provisions Not applicable
20. Dual Currency Note provisions/Multi-currency Note provisions [Applicable/Not applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Currencies: []
- (ii) Exchange rate(s): [give details]²³
- (iii) Provisions applicable where calculation by reference to Exchange Rate impossible or impracticable: *[Need to include a description of Market disruption or settlement disruption events and adjustment provisions.]*

PROVISIONS RELATING TO REDEMPTION

21. Issuer's optional redemption (Call): Not applicable. However, see Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event
(Condition 6(c))
22. Noteholder's optional redemption (Put): [Yes/No]
(Condition 6(d))
- (i) Redemption amount (Put): *[specify – if not par, also specify details of any formula]*
- (ii) Put option date(s)/Put option period: *[specify]*
23. Final redemption amount of each Note: *[specify – if not par, also specify details of any formula]*

²³ If denomination per unit is less than EUR50,000, include details of where past and future performance and volatility of the relevant rate(s) can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying.

- (Condition 6(a)) See Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event
24. Final redemption amount of each Note in cases where the final redemption amount is Index-linked to other variable linked: Not applicable
25. Instalment Notes: [specify]
(Condition 6(a))
- (i) Instalment Amounts: []
- (ii) Dates for payment of Instalments: []
26. Early redemption amount: Yes
- (i) Early redemption amount (upon redemption for taxation reasons) (Condition 6(b)): In the event of early redemption for taxation reasons or upon enforcement, the early redemption amount shall be determined in good faith by the Calculation Agent in its absolute discretion to be the fair market value of the Notes immediately prior to the early redemption date, adjusted to account fully for any reasonable expenses and costs to the Issuer of unwinding any underlying and/or related hedging and funding arrangements
- (ii) Other redemption provisions: (Condition 6(i)) See Special Conditions, Schedule 2

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes: (Condition 1(a))
- (i) Form of Notes: [Bearer/Registered]
- (ii) Bearer Notes exchangeable for Registered Notes: [Yes/No] [Answer will be no where no Registered Notes]
28. New Global Note: [Yes/No] [Answer will be No if the Notes are not Bearer Notes]
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: [specify] [Notes may only be represented initially by a Permanent Global Note if this Final Terms specifies that TEFRA C Rules apply]
- (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: Yes [specify]

(Condition 1(a))

- (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes: [Yes – *specify*/No]
- (iv) Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]
[*N.B. This will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems – see provisions contained in Permanent Global Note*]
- (v) Talons for future Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]
[*N.B. The above comment also applies here*]
- (vi) (a) Definitive Notes to be security printed: [Yes/No]
[*N.B. The above comment also applies here*]
- (b) If the answer to (a) is yes, whether steel engraved plates will be used: [Yes/No/Not applicable]
- (vii) Definitive Notes to be in ICMA or successor's format: [Yes/No]
[*N.B. The above comment also applies here*]
- (viii) Issuer or Noteholder to pay costs of security printing: [Issuer/Noteholder/Not applicable]
29. Exchange Date for exchange of Temporary Global Note: [*specify*]
30. Payments:
(Condition 8)
- (i) Method of payment: [*specify if other than by cheque or transfer to a designated account*]
- (ii) Relevant Financial Centre Day: [*specify any additional places*]
31. Partly Paid Notes: [Yes/No]
(Condition 1)
- If yes, specify number, amounts and dates for, and method of, payment of instalments of subscription monies and any further additional provisions (including forfeiture dates in respect of late payments of partly paid instalments) [*specify*]

32. Redenomination:
(Condition 9)
- (i) Redenomination: [Applicable/Not applicable]
- (ii) Exchange: [Applicable/Not applicable]
33. Other final terms: See Schedules 1, 2, 3, 4 and 5

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

34. Security Delivery (Equity-Linked Notes only): Condition 10 does not apply
35. **Provisions for Cash Equity Notes and Equity-Linked Notes** Not applicable
36. **Additional provisions for Equity-Linked Notes:** Not applicable
37. **Provisions for Index-Linked Notes:** Not applicable
38. **For Equity-Linked and Credit-Linked Notes:** U.S. Federal Income Tax Considerations
39. **Valuation Date(s):** Not applicable
40. **Valuation Time:** Not applicable
41. **Averaging Dates:** No
42. **Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes:** Not applicable

DISTRIBUTION

43. (i) If syndicated, names[, addresses and underwriting commitments]²⁴ of Relevant Dealer/Lead Manager: [Not applicable/HSBC Bank plc/other – specify]
[Give addresses and underwriting commitments]⁸
- (ii) If syndicated, names[, addresses and underwriting commitments]¹¹ of other Dealers/Managers (if any): [Not applicable/other - give name]
[Give addresses and underwriting commitments]⁸
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)

²⁴ Not required for debt securities with a denomination per unit of at least EUR50,000.

- (iii) Date of Subscription [] Agreement⁸:
- (iv) Stabilising Manager (if any): [Not applicable/*give name*]
44. If non-syndicated, name [and address] ⁸ of Relevant Dealer: [Not applicable/*give name [and address]*]⁸
45. Total commission and concessions: [] per cent. of the Aggregate Principal Amount
46. Selling restrictions: [For Bearer Notes: TEFRA C Rule/ TEFRA D Rule]
- United States of America: [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)]
- [Not Rule 144A eligible – *N.B. significant additional provisions will be required in order to permit Rule 144A eligibility*]
47. Other: [*specify any modifications of, or additions to, selling restrictions contained in Dealer Agreement*]
48. **[Stabilisation:]** **[In connection with the issue of any Tranche of Notes under the Programme, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.]**

[LISTING AND ADMISSION TO TRADING APPLICATION]

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Specify information*] has been extracted from [*insert name of source of information*]. 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 [*insert name of source of information*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

CONFIRMED

HSBC BANK PLC

By: _____

Authorised Signatory

PART B - OTHER INFORMATION**1. LISTING**

(i) Listing [Application [will be/has been] made to admit the Notes to listing on the Official List of the Financial Services Authority. No assurance can be given as to whether or not, or when, such application will be granted/other (specify)/None]

(ii) Admission to trading [Application [will be/has been] made for the Notes to be admitted to trading [on the Professional Securities Market/Gilt-Edged and Fixed Interest Market/other] with effect from []. No assurance can be given as to whether or not, or when, such application will be granted.] [Application has been made to have the Notes admitted to trading on the PORTAL System of the U.S. National Association of Securities Dealers.] [Not Applicable]

[(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)]²⁵

(NB: Notes admitted to trading to the UK gilt-edged and fixed interest market will also be admitted to the Official List as a matter of course.)

2. RATINGS

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

[S&P: [•]]

[Moody's: [•]]

[[other]: [•]]

[The Notes have not specifically been rated.]

3. [NOTIFICATION]

The [include name of competent authority in EEA home Member State] [has been requested to provided/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate

²⁵ Not required for debt securities with a denomination per unit of at least EUR50,000.

of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], 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**

(i) Reasons for the offer []

[If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.]

(ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) Estimated total expenses: *[Include breakdown of expenses]²⁶*

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

6. **[Fixed rate Notes only - YIELD**

Indication of yield: [Calculated as *[include details of method of calculation in summary form]* on the Issue Date]¹⁰

[As set out above, the] [The] yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]

7. **[Floating Rate Notes only - HISTORIC INTEREST RATES**

²⁶ Not required for debt securities with a denomination per unit of at least EUR50,000.

[Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Telerate].]²⁷

8. **[Index-Linked, Equity-Linked or other variable-linked Interest Notes only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING]**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]²⁸. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.]²⁹

9. **[Dual currency/Multi-currency Notes only - PERFORMANCE OF EXCHANGE RATE(S) [AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS]¹¹**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]³⁰.]¹⁰

OPERATIONAL INFORMATION

- | | | |
|-----|---|---|
| 10. | ISIN Code: | [] |
| 11. | Common Code: | [] |
| 12. | New Global Note intended to be held in a manner which would allow Eurosystem eligibility: | <p>[Yes] [No]</p> <p>[Note that the designation "Yes" simply means that the Notes are intended upon issue to be delivered to the common safe-keeper acting as agent for Euroclear or Clearstream, Luxembourg and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem</p> |

²⁷ Not required for debt securities with a denomination per unit of at least EUR50,000.

²⁸ Not required for debt securities with a denomination per unit of at least EUR50,000.

²⁹ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is less than 100% of the nominal value of the Notes).

³⁰ Not required for debt securities with a denomination per unit of at least EUR50,000.

eligibility criteria.] *[include this text if "yes" selected in which case the Notes must be issued in NGN form]*

13. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None/specify]
14. Delivery: Delivery [against/free of] payment
15. Settlement procedures: [Eurobond/Medium Term Note/other – specify]
16. Additional Paying Agent(s) (if any): [None/specify]
17. Common Depositary: [specify]
18. Calculation Agent/Calculation Agent: [HSBC Bank plc]
 - is Calculation Agent to make calculations? [Yes/No]
 - if not, identify calculation agent: *[NB Calculation agent appointment letter required]*
19. Notices: *(Condition 14)* [specify any other means of effecting communication]
20. City in which specified office of Registrar to be maintained: *(Condition 12)* [specify]
21. Tradeable Amount: [So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and *[specify relevant clearing system(s)]* so permit, the Notes shall be tradeable only in minimum principal amounts of [€50,000/€100,000]/*[specify equivalent to €50,000/€100,000 if Notes are not denominated in EUR]* and increasing multiples of [€1,000] (the "**Tradeable Amount**") in excess thereof. For the avoidance of doubt, in the case of a holding of Notes in an increasing multiple of [€1,000] in excess of [€50,000/€100,000]/ *[specify equivalent to €50,000/€10,000 if Notes are not denominated in EUR]*, such holding will be redeemed at (or, if the Notes are not redeemable at par, in proportion to) its principal amount.]³¹

³¹ This item shall apply only in the event that the Definitive Notes are not required to be provided in forms representing all tradeable amounts of the Notes i.e. €50,000 and increasing multiples of €1,000 in excess thereof

22. Other relevant Terms and Conditions: See Schedules 1, 2, 3, 4 and 5
23. ERISA Considerations: []

(up to and including €99,000). If they are so required, this item shall not apply - see item "6. Denomination(s)" above and corresponding footnote thereto.

SCHEDULE 1

CREDIT-LINKED NOTE SPECIFICATIONS

1. General Terms

Business Day:	[]
Business Day Convention:	[Modified] Following Business Day Convention (as defined in the ISDA Definitions), which shall apply to any date, other than the Credit Linkage Commencement Date, referred to in Condition 6 that falls on a day that is not a Business Day.
Credit Linkage Commencement Date:	[Trade Date/Issue Date]
Reference Entities:	Those entities specified in Schedule 3 and, in each case, any Successor. Each Reference Entity has been designated as a particular "Entity Type" in Schedule 3. References to "Standard Terms" means, in respect of a Reference Entity, the corresponding standard terms specified for its Entity Type in the Annexes to Schedule 4 or Schedule 5, as applicable.
Reference Obligation(s):	In respect of each Reference Entity, the obligation(s) (if any) identified as such in respect of such Reference Entity in Schedule 3.
Substitution:	[Applicable]/[Not Applicable]
	[Additional Rating Agencies: []]
All Guarantees:	In respect of a Reference Entity, "Applicable" or "Not Applicable" shall apply as specified in the applicable Standard Terms.
Reference Price:	[100%] ³²

2. Credit Event Provisions:

Calculation Amount:	Subject to the occurrence of a Succession Event or the designation of a Partial Redemption Portion following a Restructuring Credit Event, in respect of each Reference Entity an amount (denominated in the same currency) equal to [the Aggregate Principal Amount of the Notes on the Issue Date]
Credit Events:	In respect of each Reference Entity, the Credit Events specified in the applicable Standard Terms

³² If a percentage is not so specified, the Conditions provide that the Reference Price will be one hundred percent.

Obligation Category and Characteristics:	In respect of each Reference Entity, the Obligation Category and Obligation Characteristics specified in the applicable Standard Terms
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[Excluded Obligations:] ³³	[None]
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3. Settlement Terms:

Terms Relating to Physical Settlement:

Deliverable Obligations:	In respect of each Reference Entity, [Exclude Accrued Interest].
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Deliverable Obligation Category and Characteristics:	In respect of each Reference Entity, the Deliverable Obligation Category and Deliverable Obligation Characteristics specified in the applicable Standard Terms.
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[Excluded Deliverable Obligations:] ³⁴	Any obligation of a Reference Entity other than the Reference Entity the subject of the Credit Event and []
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Settlement Currency:	[]
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Interest until Credit Event Notice Date:	[Applicable]/[Not Applicable]
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Deduct Hedging Costs	[Applicable]/[Not Applicable]
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³³Unless specified here as an Excluded Obligation, the Reference Obligation will be an Obligation.

³⁴ Unless specified as an Excluded Deliverable Obligation, the Reference Obligation will, subject to Condition 6(n) and the second paragraph of the definition of "Not Contingent" in Condition 6(p)(i)(2)(A), be a Deliverable Obligation even though at the time of delivery it does not fall into the Obligation Category or lacks any or all Deliverable Obligation Characteristics.

SCHEDULE 2

SPECIAL CONDITIONS

The Conditions shall be supplemented and modified by the following Special Conditions. In the event of any inconsistency between the Conditions and such Special Conditions, such Special Conditions shall prevail and the Conditions shall be amended accordingly.

(1) Interest

(a) If the Notes are Fixed Rate Notes, Condition 3 (*Interest on Fixed Rate Notes*) shall apply with the following amendments:

- (i) the existing Condition 3 shall become Condition 3(a), with the heading "*Interest conditionally payable*", and shall be amended by the insertion of the words "Subject to Condition 3(b) below," at the beginning; and
- (ii) the following provision shall be included as Condition 3(b):

"(b) Condition precedent to interest entitlement

The Issuer's obligation to make any payment of interest in accordance with Condition 3(a) is subject to the condition precedent that no Credit Event Notice has been given on or before the relevant Fixed Interest Payment Date and subsists only so long as a Credit Event Notice has not been given. Accordingly, the Issuer shall have no obligation to pay interest on the Notes in respect of all or any part of the Interest Period current on the date that a Credit Event Notice is given or in respect of any subsequent period; *provided, however, that*, if "Interest until Credit Event Notice Date" is specified then the Issuer shall, as soon as reasonably practicable, pay the interest accrued to, but excluding, the Credit Event Notice Date (or, if such date is after the Initial Maturity Date, the Initial Maturity Date)."

(b) If the Notes are Floating Rate Notes, Condition 4 (*Interest on Floating Rate Notes*) will apply with the following amendments:

- (i) existing Condition 4(a) (*Accrual of Interest*) shall be amended by the substitution of "*Interest conditionally payable*" for "*Accrual of Interest*" in the heading and by the insertion of the words "Subject to Condition 4(h) below," at the beginning;
- (ii) existing Condition 4(b) (*Interest Payment Dates and Interest Periods*) shall be amended by the insertion of the words "Subject to Condition 4(g) below," at the beginning; and
- (iii) the following provision shall be included as Condition 4(g):

"(g) Condition precedent to interest entitlement

The Issuer's obligation to make any payment of interest in accordance with Conditions 4(a) and (b) is subject to the condition precedent that no Credit Event Notice has been given on or before the relevant Interest Payment Date and subsists only so long as a Credit Event Notice has not been given. Accordingly, the Issuer shall have no obligation to pay interest on the Notes in respect of all or any part of the Interest Period current on the date that a Credit Event Notice is given or in respect of any subsequent period; *provided, however, that*, if "Interest until Credit Event Notice

Date" is specified then the Issuer shall, as soon as reasonably practicable, pay the interest accrued to, but excluding, the Credit Event Notice Date (or, if such date is after the Initial Maturity Date, the Initial Maturity Date)."

(2) **Redemption and Purchase**

Condition 6 (*Redemption and Purchase*) shall apply with the following amendments:

(a) The following provision shall be substituted for the existing Condition 6(a):

"6(a) *Final Redemption*

- (i) Subject to Condition 6(a)(ii) below and subject as otherwise set out in the Conditions, the Notes will, unless previously redeemed or purchased and cancelled, be redeemed at their principal amount or such other redemption amount as may be set out in or determined in accordance with the Conditions on the Maturity Date specified in the relevant Conditions.
- (ii) The Issuer's obligation to redeem the Notes in accordance with Condition 6(a)(i) above is subject to the condition precedent that no Credit Event Notice has been given on or before the Maturity Date and subsists only so long as a Credit Event Notice has not been given. Accordingly, the Issuer shall have no obligation to redeem the Notes in accordance with Condition 6(a)(i) above if, on or before the Maturity Date, a Credit Event Notice has been given. In such circumstances, the only obligations of the Issuer with regard to redemption of the Notes shall be to redeem the Notes by Delivery of Deliverable Obligations, subject to the adjustments and deductions provided for herein, in accordance with and subject to the following provisions of this Condition 6.
- (iii) Where the Issuer has given a Credit Event Notice the Notes will be redeemed by the Issuer, subject to the provisions of Conditions 6(l) and (m) by (A) where the Deliverable Obligation Category specified is Borrowed Money, the Delivery by the Issuer of Deliverable Obligations with an outstanding principal balance (including accrued but unpaid interest (as determined by the Calculation Agent) if "Include Accrued Interest" is specified, but excluding accrued but unpaid interest if "Exclude Accrued Interest" is specified, and if neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified, excluding accrued but unpaid interest) or (B) where the Deliverable Obligation Category specified is not Borrowed Money, the Delivery of Deliverable Obligations by the Issuer with a Due and Payable Amount (or, in the case of either (A) or (B), the equivalent Currency Amount of any such amount), in the aggregate amount as of the relevant Delivery Dates equal to the Physical Settlement Amount; *provided, however, that*, if "Deduct Hedging Costs" is specified then the Issuer shall deduct from the Deliverable Obligations otherwise deliverable pursuant to this paragraph (iii) a portion of the Deliverable Obligations selected by the Issuer in its sole discretion with a market value (or the equivalent Currency Amount) (as determined by the Issuer in its sole discretion as of the Credit Event Notice Date) equal to the Hedging Costs (rounded up to the nearest whole denomination of Deliverable Obligations so selected).

If an obligation by its terms represents or contemplates an obligation to pay an amount greater than the outstanding principal balance of such obligation as of

the Delivery Date as a result of the occurrence or non-occurrence of an event or circumstance, the outstanding principal balance of such obligation shall not include any additional amount that would be payable upon the occurrence or non-occurrence of such event or circumstance."

- (b) The following Conditions 6(j), (k), (l), (m), (n), (o), (p), (q) and (r) shall be added to Condition 6 (Condition 6(i) being omitted):

"6(j) *Redemption following the occurrence of a Credit Event*

- (i) Notwithstanding the provisions of the other Conditions, following the occurrence of a Credit Event in relation to any Reference Entity on or after the Credit Linkage Commencement Date and on or prior to the specified Maturity Date (the "**Initial Maturity Date**") or (if the Maturity Date is deemed extended under Condition 6(k)) the Extended Maturity Date, the Issuer may at any time on or before the Initial Maturity Date or (if applicable) the Extended Maturity Date, and irrespective of whether such Credit Event is continuing and/or any other Credit Event(s) (with respect to the same or one or more other Reference Entities) has occurred, give notice thereof to the Noteholders on or prior to the Maturity Date or (if applicable) the Extended Maturity Date (such notice, the "**Credit Event Notice**" and the date on which such notice is given, the "**Credit Event Notice Date**") in accordance with Condition 14. The Issuer shall be under no obligation to give notice of any Credit Event and no delay in giving, or omission to give, notice of any Credit Event(s) with regard to a Reference Entity shall prejudice the Issuer's right to give notice with respect to such Credit Event or any other Credit Event in relation to such or any other Reference Entity provided such notice is given no later than on or prior to the Maturity Date or (if applicable) the Extended Maturity Date.

Further, the Issuer may give a Credit Event Notice whether or not it has already taken any steps to exercise its option under Condition 6(b) (*Early Redemption for Taxation Reasons*), and any giving of a Credit Event Notice shall supersede and override any earlier exercise of such option.

- (ii) The Issuer shall, no later than the thirtieth calendar day following the Credit Event Notice Date (or, if the Credit Event Notice Date is not a Business Day, the next following Business Day), give notice to the Noteholders (such notice, the "**Notice of Physical Settlement**" and the date on which such notice is given, the "**Notice of Physical Settlement Date**") in accordance with Condition 14, containing details of the Deliverable Obligations that the Issuer expects to Deliver to the Noteholders and the date upon which the Issuer reasonably expects to commence Delivering such Deliverable Obligations (the "**Settlement Commencement Date**"), being a day no later than the thirtieth nor earlier than the eleventh Business Day following the Notice of Physical Settlement Date. The Issuer may notify the Noteholders in accordance with Condition 14 that the Issuer is changing one or more Deliverable Obligations to be Delivered (to the extent such Deliverable Obligation has not previously been Delivered) or the detailed description thereof, but each such notice must be effective on or prior to the relevant Delivery Date. Notwithstanding the foregoing, the Issuer may correct any errors or inconsistencies in the detailed description of the

Deliverable Obligations by notice to the Noteholders (given as aforesaid) prior to the relevant Delivery Date.

- (iii) Each Noteholder shall, within the period of 10 Business Days from the Notice of Physical Settlement Date, give notice to the Issuer and the Calculation Agent (through the relevant clearing system where the Notes are held through Euroclear, Clearstream, Luxembourg or any other clearing system) of (A) details of the account with Euroclear, Clearstream, Luxembourg or other relevant clearing system to which such Noteholder's share of the Deliverable Obligations should be Delivered, if the share of the Deliverable Obligations to be Delivered to such Noteholder comprises Deliverable Obligations that are then Deliverable through any such clearing system or (B) if such share comprises Deliverable Obligations that are not so deliverable, appropriate Delivery instructions and all necessary consents or authorisations (including of any applicable designee pursuant to Condition 6(l)(ii)) with respect thereto as requested by the Issuer or the Calculation Agent. Any such notice shall be irrevocable unless the Issuer and the Calculation Agent agree otherwise.
- (iv) Subject to the other provisions of these Conditions, the Issuer shall, during the period of 100 Business Days commencing on and including the Settlement Commencement Date (the "**Physical Settlement Period**") and against presentation and surrender of the Notes, redeem the Notes by Delivering to the Noteholders in aggregate all of the Deliverable Obligations specified in the Notice of Physical Settlement, such Deliverable Obligations to be Delivered to Noteholders as more particularly provided in (v) below and on a pro-rata basis, rounded down to the nearest allowable nominal amount of Deliverable Obligations (and the Issuer shall make a cash supplementary payment to each Noteholder in an amount equal to the value attributable to the nominal amount by which the Deliverable Obligations Delivered to such Noteholder were rounded down, as determined by the Issuer or the Calculation Agent). For the avoidance of doubt, no further amounts or property (including without limitation interest on the Notes which shall cease, in certain circumstances, to be payable as provided in (vi)) below shall be due from the Issuer to the Noteholders. Without prejudice to the other provisions of these Conditions, the Issuer shall not be liable for any failure to Deliver, or any delay in Delivering, any obligation(s) under this Condition 6 as a result of any of the circumstances set forth in Condition 6(m)(i)(A) through (C) and (ii)(2).
- (v) Where the Deliverable Obligations comprise securities deliverable through Euroclear, Clearstream, Luxembourg or any other clearing system, the share of such Deliverable Obligations to be Delivered to a Noteholder shall, subject to the other provisions of these Conditions, be Delivered to the relevant account with the relevant clearing system details of which have been notified to the Issuer and the Calculation Agent in accordance with (iii) above or, in default of such notification, to the account with any clearing system through which such Noteholder's Notes are held. Where the Deliverable Obligations comprise loans or other obligations which are not deliverable through a clearing system, the Delivery of such Deliverable Obligations to be Delivered to a Noteholder shall, subject to the other provisions of these Conditions, be effected as contemplated in Conditions 6(l) and 6(m) in accordance with the relevant Delivery details

notified to the Issuer and the Calculation Agent in accordance with (iii)(B) above or, in default of such notification, by cash settlement as contemplated in Condition 6(m).

- (vi) If the Issuer gives a Credit Event Notice:
 - (a) the Issuer shall be obliged to redeem the Notes only by Delivery of Deliverable Obligations as provided in (iv) above (or, if applicable, in accordance with Condition 6(m)); and
 - (b) the Issuer shall not be liable to pay interest on the Notes in respect of all or any part of the Interest Period current at the relevant Credit Event Notice Date (or, if such date is on or after the Initial Maturity Date, the Interest Period to (but excluding) the Initial Maturity Date) nor in respect of any subsequent period, and interest shall be treated as having ceased to accrue accordingly; *provided, however, that*, if "Interest until Credit Event Notice Date" is specified then the Issuer shall, as soon as reasonably practicable, pay the interest accrued to, but excluding, the Credit Event Notice Date (or, if such date is after the Initial Maturity Date, the Initial Maturity Date).
- (vii) This Condition 6(j)(vii) applies if the Calculation Amount is required to be allocated as contemplated in paragraph (e) of the definition of Successor in Condition 6(q). In such circumstances:
 - (a) the Issuer shall be entitled under this Condition 6(j) to give multiple Credit Event Notices, one with respect to each relevant Successor in respect of which such allocation is to be made, and where any Credit Event Notice is so given, the conditions precedent to the obligations of the Issuer to pay interest on, and principal of, the Notes shall be treated as unsatisfied only in relation to a proportion of the Aggregate Principal Amount of the Notes equal to the proportion of the Calculation Amount allocated to the relevant Successor;
 - (b) where any Reference Entity (a "**Surviving Reference Entity**") (other than the Reference Entity the subject of the Succession Event) is a Successor to any Reference Entity (the "**Legacy Reference Entity**"), then such Surviving Reference Entity shall be deemed to be specified as a Reference Entity once only and the Calculation Amount in respect of such Reference Entity shall be the sum of the Calculation Amount applicable to that Reference Entity immediately prior to the Succession Event and the relevant portion of the Calculation Amount of the Legacy Reference Entity as provided in paragraph (e) of the definition of Successor;
 - (c) where a Credit Event Notice is so given the provisions of this Condition 6 will apply so as to require redemption of the Notes by Delivery of Deliverable Obligations (or alternative amounts) in a principal amount equal to the portion of the Calculation Amount so allocated to the relevant Successor (which shall be the amount on which interest shall be treated as having ceased to accrue or to accrue (as applicable) as contemplated in (vi) above); and

- (d) save where the full principal amount of the Notes has been so redeemed, the Issuer shall remain entitled notwithstanding any such partial redemption to give one or more further Credit Event Notices with respect to any such Successors or any other Reference Entity, in respect of which no Credit Event Notice has been effectively given.
- (viii) This Condition 6(j)(viii) applies if one or more Restructuring Credit Events occurs on or prior to the Initial Maturity Date or (if the Maturity Date is deemed extended under Condition 6(k)) the Extended Maturity Date (and whether or not such event is continuing). In such circumstances:
 - (a) the Issuer shall be entitled to redeem the Notes in part only by giving a Credit Event Notice with respect to the relevant Restructuring Credit Event and specifying in such notice (A) that partial redemption only of the Notes is required and (B) the portion of the Calculation Amount (being an amount which is (x) less than the outstanding principal amount of the Notes and (y) at least 1,000,000 units of the currency (or, if Japanese Yen, 100,000,000 units) in which the Calculation Amount is denominated or an integral multiple thereof) in respect of which such partial redemption is required (the proportion of such portion of the Calculation Amount being the "**Partial Redemption Portion**" applicable with respect to such Credit Event Notice); and
 - (b) where a Credit Event Notice is given as contemplated in (a) above:
 - (i) the Calculation Amount in respect of the relevant Reference Entity shall thereafter be deemed reduced by an amount equal to the Partial Redemption Portion of the Calculation Amount immediately preceding the giving of the Credit Event Notice; and
 - (ii) the Notes shall be partially redeemed in a principal amount in aggregate equal to the applicable Partial Redemption Portion of the Calculation Amount by Delivery of Deliverable Obligations (or alternative amounts) in accordance with this Condition 6(j) and Conditions 6 (l) and (m) as if references to the Calculation Amount were references to the portion thereof so specified and otherwise as nearly as the circumstances permit.

The Issuer shall be entitled to require such a partial redemption (or a redemption in full of the Notes) with respect to each Restructuring Credit Event which may occur and whether or not a partial redemption has been required in respect of another Restructuring Credit Event. For the avoidance of doubt, the Issuer shall, notwithstanding any such partial redemption having been required in connection with a Restructuring Credit Event, remain entitled to give a Credit Event Notice with respect to any other Credit Event and redeem the Notes in accordance with the provisions of this Condition 6 applicable where a Credit Event Notice has been given.

(k) *Maturity Date Extension*

The specified Maturity Date may be subject to extension in the following circumstances:

(i) *Grace Period Extension*

Notwithstanding the provisions of the Conditions, if, as regards one or more Reference Entities:

- (1) "Grace Period Extension" is specified;
- (2) a Potential Failure to Pay occurs on or prior to the Initial Maturity Date; and
- (3) the applicable Grace Period would otherwise end on a day subsequent to the Initial Maturity Date,

then the specified Maturity Date shall, subject to (ii) below, be extended to the second Business Day following the latest occurring Grace Period Extension Date (the "**Grace Period Maturity Date**"); and/or

(ii) *14 day additional extension for potential Credit Events*

Notwithstanding the provisions of the Conditions, if the Issuer delivers to the Noteholders on or before the Initial Maturity Date or, if (i) above applies, the Grace Period Maturity Date, a notice, in accordance with Condition 14, stating that in the opinion of the Issuer a Credit Event may have occurred with respect to one or more Reference Entities on or before the Initial Maturity Date or, with respect to the Reference Entities the subject of (i) above, the Grace Period Maturity Date, but that it is not yet able to deliver a Credit Event Notice on or before the Initial Maturity Date or, with respect to the Reference Entities the subject of (i) above, the Grace Period Maturity Date, then the specified Maturity Date shall be extended to the second Business Day following the day that is 14 calendar days following the Initial Maturity Date or Grace Period Maturity Date, as applicable (the "**Potential Credit Event Maturity Date**").

The later of the Grace Period Maturity Date (if any) and the Potential Credit Event Maturity Date (if any) shall be the "**Extended Maturity Date**"; *provided that*, notwithstanding the other provisions of the Conditions but without prejudice to Condition 6(j):

- (A) interest shall in any event cease to accrue in respect of the outstanding principal amount of the Notes on the Initial Maturity Date and Conditions 3, 4 and/or 5 shall be construed accordingly; and
- (B) references in Condition 6(a) to the Maturity Date shall be construed as references to the Extended Maturity Date. Any such interest accrued to the Initial Maturity Date (unless such interest is treated as having ceased to accrue as provided in Condition 6(j)(vi)) shall be payable on the Extended Maturity Date.

(l) *Delivery Procedures*

- (i) The Issuer shall execute, deliver, file and record any specific assignment, novation or other document and take any other action that may be necessary or customary in connection with the Issuer's Delivery of the Deliverable Obligations subject to the relevant Noteholder executing, delivering, filing and recording any such documents

and taking such other action as may be reasonably requested by the Issuer or as may be necessary or customary in connection with such Delivery.

- (ii) The Issuer or any Noteholder (the "**designator**") may designate any of its Affiliates (the "**designee**") to Deliver or take Delivery, as the case may be, and otherwise to perform such party's obligations to Deliver or take Delivery, as the case may be, and the designee may assume such obligations. Such designation shall not relieve the designator of any of its obligations hereunder. If the designee has performed the obligations of the designator hereunder, then the designator shall be discharged from its obligations to the other party to the extent of such performance. If, as a result of such designation, (a) it would be illegal due to any applicable law or regulation for the designee to so Deliver or take Delivery, Delivery by or to such designee shall not be permitted or (b) such Delivery would give rise to any Tax or any loss or cost to the Issuer, then Delivery shall not be permitted unless the Issuer has received an indemnity acceptable to it from the designator with respect to such Tax, loss or cost. If such indemnity is not forthcoming, such failure shall be deemed to be a failure to give appropriate details pursuant to Condition 6(j) and result in the application of Condition 6(m).
 - (iii) Any recordation, processing or similar fee reasonably incurred by the Issuer and payable to the agent under a Loan in connection with an assignment (where Deliverable Obligations include Assignable Loans or Consent Required Loans) or participation (where Deliverable Obligations include Direct Loan Participations) shall be payable by the relevant Noteholder on the Delivery Date, and to the extent unpaid the Issuer may deduct such amount from any payment or delivery (in the case of a delivery, by deduction of a quantity of the relevant obligations with an equivalent value, as determined by the Issuer) that may otherwise be due from the Issuer to a Noteholder pursuant to these Conditions.
 - (iv) Notwithstanding any other provision hereof, if any Stamp Tax is payable in connection with the Delivery of any obligation, payment of such Stamp Tax shall be made by the party that would in the ordinary course bear such cost under a contract for the purchase of such obligation.
- (m) *Cash Settlement*
- (i) If, due to an event beyond the control of the Issuer, it is impossible or illegal for the Issuer to Deliver, or due to an event beyond the control of a Noteholder it is impossible or illegal for such Noteholder to accept Delivery (as promptly notified by that Noteholder to the Issuer and the Calculation Agent through the relevant clearing system where the Notes are held through Euroclear, Clearstream, Luxembourg or any other clearing system) of, any part of that Noteholder's share of the Deliverable Obligations specified in the Notice of Physical Settlement during the Physical Settlement Period (including, without limitation:
 - (A) due to failure of any relevant clearance system or due to any law, regulation or court order, but not including market conditions or the failure to obtain any requisite consent from any party, other than the Reference Entity or any of its Affiliates, with respect to the Delivery of Loans; or

- (B) the inability to pro rata divide any Deliverable Obligation for the purposes of Delivery thereof to the Noteholders; or
- (C) the failure by the Issuer to receive all or any part of the Deliverable Obligations during the Physical Settlement Period, including without limitation, as a consequence of the failure of any related hedging transaction to settle during the Physical Settlement Period),

then:

- (a) the Issuer shall Deliver and the relevant Noteholder shall take Delivery during the Physical Settlement Period of that part of that Noteholder's share of the Deliverable Obligations specified in the Notice of Physical Settlement for which it is possible and legal to take Delivery; and
- (b) the Issuer or Noteholder, as applicable, shall provide a description in reasonable detail of the facts giving rise to such impossibility or illegality and, as soon as practicable thereafter, the Issuer shall Deliver and the relevant Noteholder shall take Delivery of that part of that Noteholder's share of the Deliverable Obligations specified in the Notice of Physical Settlement which was not Delivered.

(ii) If:

- (1) following the occurrence of any impossibility or illegality as contemplated in (i) above, any part of the Noteholder's share of the Deliverable Obligations to be Delivered is not Delivered to a Noteholder on or prior to the day that is 21 Business Days following the expiry of the Physical Settlement Period; or
- (2) a Noteholder fails to give appropriate Delivery details pursuant to Condition 6(j) within the period of 10 Business Days from the relevant Notice of Physical Settlement Date,

then the Issuer shall, in the case of (1), or may, in the case of (2), as soon as reasonably practicable thereafter pay to the relevant Noteholder an amount equal to the market value of the relevant Deliverable Obligations, determined by the Calculation Agent in a commercially reasonable manner, after deduction of any costs, losses or expenses suffered or would, if the Issuer were to sell or dispose of the relevant Deliverable Obligations, be suffered by the Issuer in connection with such sale or disposal or otherwise in connection with the undelivered portion of the Deliverable Obligations and any further deductions provided for in these Conditions. Upon such payment by the Issuer to the relevant Noteholder, the relevant Notes held by such Noteholder shall be cancelled and the Issuer shall have no further obligation in respect thereof. No interest shall be payable in addition to the amounts payable under this Condition 6(m)(ii). All payments referred to in this Condition 6(m)(ii) shall be made to the account of the Noteholder in the relevant clearing system through which the Notes are held unless the Issuer is directed otherwise in the notice given by the Noteholder pursuant to Condition 6(j)(iii).

(n) *Restructuring Maturity Limitation and Modified Restructuring Maturity Limitation*

- (i) If "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" is specified and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be specified in the Notice of Physical Settlement only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the Restructuring Maturity Limitation Date.
 - (ii) If "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be specified in the Notice of Physical Settlement only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.
- (o) *Method for Determining Obligations*
- (i) For the purpose of the definition of Obligation in Condition 6(q) the term "**Obligation**" may be defined as each obligation of each Reference Entity described by the specified Obligation Category and having the specified Obligation Characteristics, if any, in each case, as of the date of the event which constitutes the Credit Event which is the subject of the Credit Event Notice. The following terms shall have the following meanings:
 - (1) "**Obligation Category**" means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified, and:
 - (A) "**Payment**" means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
 - (B) "**Borrowed Money**" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);
 - (C) "**Reference Obligations Only**" means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
 - (D) "**Bond**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;
 - (E) "**Loan**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and

- (F) "**Bond or Loan**" means any obligation that is either a Bond or a Loan.
- (2) "**Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance, and:
- (A) (aa) "**Not Subordinated**" means an obligation that is not Subordinated to (i) the most senior Reference Obligation in priority of payment or (ii) if no Reference Obligation is specified, any unsubordinated Borrowed Money obligations of the Reference Entity. For purposes of determining whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Deliverable Obligation Characteristic, the ranking in priority of payment of each Reference Obligation shall be determined as of the later of (x) the specified Credit Linkage Commencement Date and (y) the date on which such Reference Obligation was issued or incurred and shall not reflect any change to such ranking in priority of payment after such later date;
- (bb) "**Subordination**" means, with respect to an obligation (the "**Subordinated Obligation**") and another obligation of the Reference Entity to which such obligation is being compared (the "**Senior Obligation**"), a contractual, trust or similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. "**Subordinated**" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;
- (B) "**Specified Currency**" means an obligation that is payable in the currency or currencies specified as such (or, if Specified Currency is specified and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be specified collectively as the "**Standard Specified Currencies**");
- (C) "**Not Sovereign Lender**" means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as "**Paris Club debt**";

- (D) **"Not Domestic Currency"** means any obligation that is payable in any currency other than the Domestic Currency;
 - (E) **"Not Domestic Law"** means any obligation that is not governed by the laws of (1) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (2) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;
 - (F) **"Listed"** means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
 - (G) **"Not Domestic Issuance"** means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.
- (ii) If the Obligation Characteristic "Listed" is specified, the Conditions shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category.
 - (iii) In the event that an Obligation is a Qualifying Guarantee, the following will apply:
 - (1) For purposes of the application of the Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.
 - (2) For purposes of the application of the Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the specified applicable Obligation Characteristics, if any, from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.
 - (3) For purposes of the application of the Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the specified applicable Obligation Characteristics, if any, from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
 - (4) For purposes of the application of the Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.

(p) *Method for Determining Deliverable Obligations*

- (i) For the purposes of the definition of Deliverable Obligation in Condition 6(q) the term "**Deliverable Obligation**" may be defined as each obligation of each Reference Entity described by the specified Deliverable Obligation Category, having each of the specified Deliverable Obligation Characteristics, if any, in each case, as of the Delivery Date. The following terms shall have the following meanings:

(1) "**Deliverable Obligation Category**" means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan (each as defined in Condition 6(o)(i)(1) except that, for the purpose of determining Deliverable Obligations, Condition 6(o)(i)(1)(C) shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligations Only).

(2) "**Deliverable Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer, and:

- (A) "**Not Contingent**" means any obligation having as of the Delivery Date and all times thereafter an outstanding principal balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy the Not Contingent Deliverable Obligation Characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (1) to convert or exchange such obligation or (2) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date.

If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Deliverable Obligation only if the rights referred to in (1) and (2) above of this Condition 6(p)(i)(2)(A) have not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date;

- (B) "**Assignable Loan**" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction or organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the

consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;

- (C) "**Consent Required Loan**" means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such Loan) or any agent;
- (D) "**Direct Loan Participation**" means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of a third party, that provides such party with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between the relevant Noteholder or its designee and either (x) the Issuer or its designee (to the extent the Issuer or such designee is then a lender or a member of the relevant lending syndicate), or (y) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);
- (E) "**Transferable**" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction provided that none of the following shall be considered contractual, statutory or regulatory restrictions:
 - (x) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
 - (y) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;
- (F) "**Maximum Maturity**" means an obligation that has a remaining maturity from the Settlement Commencement Date of not greater than the period specified;
- (G) "**Accelerated or Matured**" means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross-ups and other similar amounts), is, or on or prior to the Delivery Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and
- (H) "**Not Bearer**" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via the

Euroclear system, Clearstream, Luxembourg or any other internationally recognised clearing system.

- (ii) If Loan or Bond or Loan is specified as the Deliverable Obligation Category and more than one of Assignable Loan, Consent Required Loan or Direct Loan Participation are specified as Deliverable Obligation Characteristics, the Deliverable Obligations may consist of Loans that satisfy any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics.
- (iii) If (a) either of the Deliverable Obligation Characteristics "Listed" or "Not Bearer" is specified, the Conditions shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Deliverable Obligation Category; (b) the Deliverable Obligation Characteristic "Transferable" is specified, the Conditions shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Deliverable Obligation Category); or (c) any of the Deliverable Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified, the Conditions shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Deliverable Obligation Category;
- (iv) If any of Payment, Borrowed Money, Loan, or Bond or Loan is specified as the Deliverable Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Deliverable Obligation Characteristics, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics; and
- (v) In the event that a Deliverable Obligation is a Qualifying Guarantee, the following will apply:
 - (1) For purposes of the application of the Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.
 - (2) For purposes of the application of the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the specified applicable Deliverable Obligation Characteristics, if any, from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.
 - (3) For purposes of the application of the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the

specified applicable Deliverable Obligation Characteristics, if any, from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.

- (4) For purposes of the application of the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (5) The terms "outstanding principal balance" and "Due and Payable Amount" (as they are used in various other Conditions), when used in connection with Qualifying Guarantees are to be interpreted to be the then "outstanding principal balance" or "Due and Payable Amount", as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

(q) *Credit-Linked Note Definitions*

"**Accreted Amount**" means, with respect to an Accreting Obligation, an amount equal to (i) the sum of (a) the original issue price of such obligation and (b) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (ii) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in (i)(b) above), in each case calculated as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date. Such Accreted Amount shall include any accrued and unpaid periodic cash interest payments (as determined by the Calculation Agent) only if "Include Accrued Interest" is specified. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such obligation's yield to maturity is not specified in, nor implied from, the terms of such obligation, then, for purposes of (i)(b) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (1) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (2) the Delivery Date. The Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable;

"**Accreting Obligation**" means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (i) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (ii) periodic cash interest is also payable. With respect to any Accreting Obligation, "outstanding principal balance" shall mean the Accreted Amount thereof.

"**Affiliate**" means in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or

indirectly under common control with the person. For this purpose, "**control**" of any entity or person means ownership of a majority of the voting power of the entity or person.

"**Bankruptcy**" means a Reference Entity (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (a) results in a judgement of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (b) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof; (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (vii) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in (i) to (vii) above (inclusive) of this definition of Bankruptcy.

"**Business Day**" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified and such other days as may be specified.

"**Business Day Convention**" means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. The following terms, when used in conjunction with the term "Business Day Convention" and a date, shall mean that an adjustment will be made if that date would otherwise fall on a day that is not a Business Day so that:

- (i) if "Following" is specified, that date will be the first following day that is a Business Day;
- (ii) if "Modified Following" or "Modified" is specified, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day; and
- (iii) if "Preceding" is specified, that date will be the first preceding day that is a Business Day.

"**Calculation Amount**" means the amount specified as such.

"**Conditionally Transferable Obligation**" means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, provided, however, that a Deliverable Obligation

other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Deliverable Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this definition of Conditionally Transferable Obligation.

- (i) If "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation" is specified and a Deliverable Obligation is a Conditionally Transferable Obligation with respect to which consent is required to novate, assign or transfer, then if the requisite consent is refused (whether or not a reason is given for such refusal and, where a reason is given for such refusal, regardless of that reason), or is not received by the Settlement Commencement Date (in which case it shall be deemed to have been refused), the Issuer shall promptly notify the Noteholders in accordance with Condition 14 of such refusal (or deemed refusal) and:
 - (A) Condition 6(l)(ii) shall apply with respect to the relevant Noteholder(s) as the "designator(s)", provided, however, that the designee need not be an Affiliate of such Noteholder(s); and
 - (B) if any such Noteholder does not designate a third party that takes Delivery on or prior to five (5) Business Days after the Settlement Commencement Date then the conditions to the application of Condition 6(m)(ii)(2) shall be deemed to have occurred.
- (ii) For purposes of determining whether a Deliverable Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Delivery Date for the Deliverable Obligation, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by the Issuer.

"Convertible Obligation" means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation. (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

"Credit Event" means the occurrence of one or more of Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, as specified, as determined by the Issuer or the Calculation Agent in its sole and absolute discretion (save that such determination shall be confirmed by Publicly Available Information). If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon: (i) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, any Underlying Obligor to enter into any Underlying Obligation, (ii) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described, (iii) any applicable law, order, regulation, decree or notice, however described, or the

promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described or (iv) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

"Credit Linkage Commencement Date" means the date specified as such.

"Currency Amount" means, whenever an amount is denominated in a currency other than the Settlement Currency and is to be determined under these Conditions by reference to a Currency Amount, such amount converted to the relevant Settlement Currency using the Currency Rate.

"Currency Rate" means, whenever so required to be determined the rate for conversion of the currency of the Deliverable Obligation into the Settlement Currency determined by the Calculation Agent, as of the Notice of Physical Settlement Date (or, if the Notice of Physical Settlement is changed on or prior to the Delivery Date, the date notice of such change is effective), in its sole discretion.

"Default Requirement" means the amount specified as such, or its equivalent in the relevant Obligation Currency, or if no amount is so specified, USD10,000,000 or its equivalent in the relevant Obligation Currency, in either case as of the occurrence of the relevant Credit Event.

"Deliver" means to deliver, novate, transfer (including, in the case of a Qualifying Guarantee, transfer of the benefit of the Qualifying Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title and interest in the Deliverable Obligations specified in the Notice of Physical Settlement to the Noteholders free and clear of any and all liens, charges, claims or encumbrances (including, without limitation, any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (i) to (iv) in the definition of Credit Event) or right of set-off by or of the Reference Entity or, as applicable, an Underlying Obligor); provided that to the extent that the Deliverable Obligations consist of Direct Loan Participations, **"Deliver"** means the creation (or procurement of the creation) of a participation in favour of the Noteholder and to the extent that the Deliverable Obligations consist of Qualifying Guarantees, **"Deliver"** means to Deliver both the Qualifying Guarantee and the Underlying Obligation. **"Delivery"** and **"Delivered"** will be construed accordingly. In the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for Delivery of such Loan at that time as determined by the Issuer.

"Deliverable Obligation" means subject to Condition 6(n):

- (i) any obligation of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified, as provider of any Qualifying Guarantee determined pursuant to the method described in Condition 6(p) (but excluding any Excluded Deliverable Obligation) that (A) is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable, (B) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (i) to (iv) in the definition of Credit Event above) or right of set-off by or of a Reference Entity or any applicable Underlying Obligor and (C) in the case of a Qualifying Guarantee other than a Qualifying

Affiliate Guarantee, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;

- (ii) subject to the second paragraph of the definition of Not Contingent in Condition 6(p)(i)(2)(A), each Reference Obligation, unless specified as an Excluded Deliverable Obligation;
- (iii) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Deliverable Obligation (but excluding any Excluded Deliverable Obligation) that (i) is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (i) to (iv) of the definition of Credit Event above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and
- (iv) any other obligation of a Reference Entity specified as a Deliverable Obligation.

"Delivery Date" means, with respect to a Deliverable Obligation, the date such Deliverable Obligation is Delivered.

"Domestic Currency" means the currency specified as such and any successor currency. If no currency is so specified, the Domestic Currency shall be the lawful currency and any successor currency of (i) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (ii) the jurisdiction in which the relevant Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

"Downstream Affiliate" means an entity whose outstanding Voting Shares were, at the date of the issuance of the Qualifying Guarantee, more than 50 percent owned, directly or indirectly, by the Reference Entity.

"Due and Payable Amount" means the amount that is due and payable under (and in accordance with the terms of) a Deliverable Obligation on the Delivery Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

"Eligible Reference Entity" means an entity:

- (i) that is in the same Moody's, S&P or Additional Rating Agency industry group (the **"Industry Requirement"**) as the relevant Surviving Reference Entity, where:

"Moody's" means Moody's Investors Service, Inc.;

"S&P" means Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc; and

"Additional Rating Agency" means the rating agency specified as such.

- (ii) that has a bid-side credit spread at any time, selected by the Calculation Agent in its sole discretion in the period from and including the legally effective date of the relevant Succession Event to and including the date of designation by the Issuer of the Replacement Reference Entity, no greater than 110% of the bid-side credit spread of the relevant Surviving Reference Entity at such time (the **"Credit Spread Requirement"**), in each case based on a credit default swap:

- (c) on market standard terms for the relevant entity as at the time of such determination;

- (d) in respect of a floating rate payer calculation amount equal to at least 50 per cent., but not more than 100 per cent., of the Calculation Amount of the relevant Surviving Reference Entity; and

- (e) with a term equal to the period from and including the date of the determination to and including the Initial Maturity Date (the **"Remaining Term"**), provided that if the Issuer, having used reasonable endeavours, cannot obtain quotations from at least three dealers in respect of the Remaining Term, the term for the purposes of this sub-clause (c) shall be five years.

The bid-side credit spreads for the purpose of the Credit Spread Requirement shall be the unweighted arithmetic mean of the spread quotations obtained by the Issuer (on the basis of the terms set out above) from at least three dealers, as determined by the Issuer in its sole and absolute discretion;

- (iii) that is principally traded in the credit derivatives market in respect of the same Geographical Region as the relevant Surviving Reference Entity, as determined by the Calculation Agent, where:

"Geographical Region" means such region determined by the Calculation Agent to give best effect to then current market practice in respect of the relevant Surviving Reference Entity; and

- (iv) that is not an Affiliate of any Reference Entity or the Issuer immediately prior to and following the relevant Succession Event as determined by the Calculation Agent.

"Eligible Transferee" means each of the following:

- (i)
 - (a) any bank or other financial institution;
 - (b) an insurance or reinsurance company;

- (c) a mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in (iii)(a) below); and
- (d) a registered or licensed broker or dealer (other than a natural person or proprietorship);

provided, however, in each case that such entity has total assets of at least USD500,000,000;

- (ii) an Affiliate of an entity specified in (i) above;
- (iii) each of a corporation, partnership, proprietorship, organisation, trust or other entity
 - (a) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (A) has total assets of at least USD100,000,000 or (B) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least USD100,000,000; or
 - (b) that has total assets of at least USD500,000,000; or
 - (c) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support or other agreement by an entity described in (i), (ii), (iii)(b) above or (iv) below; and
- (iv) a Sovereign, Sovereign Agency or Supranational Organisation

(all references in this definition to USD including equivalent amounts in other currencies).

"Equity Securities" means:

- (a) in the case of a Convertible Obligation, equity securities (including options or warrants) of the issuer of such obligation or depositary receipts representing equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and
- (b) in the case of an Exchangeable Obligation, equity securities (including options or warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

"Exchangeable Obligation" means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holder of such obligation). With respect to any Exchangeable Obligation that is not an Accreting Obligation, "outstanding principal balance" shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

"Excluded Deliverable Obligation" means any obligation of a Reference Entity specified as such (if any are so specified).

"Excluded Obligation" means any obligation of a Reference Entity specified as such (if any are so specified).

"Extended Maturity Date" has the meaning ascribed thereto in Condition 6(k).

"Failure to Pay" means, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

"Fully Transferable Obligation" means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for the purposes of this definition. For purposes of determining whether a Deliverable Obligation satisfies the requirements of this definition, such determination shall be made as of the Delivery Date for the Deliverable Obligation, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by the Issuer.

"GBP" means the lawful currency of the United Kingdom of Great Britain and Northern Ireland;

"Governmental Authority" means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity.

"Grace Period" means with respect to an Obligation the lesser of (i) the applicable grace period with respect to payments under the terms of such Obligation in effect as of the later of the Credit Linkage Commencement Date and the date as of which such obligation is issued or incurred and (ii) a period of thirty calendar days.

"Grace Period Extension Date" means, with respect to any Potential Failure to Pay, the date that is the number of days constituting the relevant Grace Period after the date of the commencement of such Potential Failure to Pay.

"Hedging Costs" means an amount equal to the aggregate costs to the Issuer and/or its affiliates of terminating, transferring or liquidating any transaction related to the issuance of the Notes, as determined by the Issuer in its sole and absolute discretion, including, without limitation, any related hedging transactions.

"Initial Maturity Date" has the meaning ascribed thereto in Condition 6(j)(i).

"Modified Eligible Transferee" means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

"Modified Restructuring Maturity Limitation Date" means, with respect to a Deliverable Obligation, the date that is the later of (x) the Maturity Date and (y) 60 months following the Restructuring Date in the case of a Restructured Bond or Loan, or 30 months following the Restructuring Date in the case of all other Deliverable Obligations.

"Multiple Holder Obligation" means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six-and-two-thirds is required to consent to the event which constitutes a Restructuring Credit Event provided that any Obligation that is a Bond shall be deemed to satisfy the requirements in (ii) of this definition of Multiple Holder Obligation.

"Obligation" means (i) any obligation of a Reference Entity (either directly or as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified, as provider of any Qualifying Guarantee) determined pursuant to the method described in Condition 6(o) (but excluding any Excluded Obligation), (ii) each Reference Obligation, unless specified as an Excluded Obligation, and (iii) any other obligation of a Reference Entity specified as such.

"Obligation Acceleration" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

"Obligation Currency" means the currency or currencies in which an Obligation is denominated.

"Obligation Default" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

"Payment Requirement" means the amount specified as such or its equivalent in the relevant Obligation Currency, or if Payment Requirement is not so specified, USD1,000,000 or its equivalent in the relevant Obligation Currency, in either case as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

"Physical Settlement Amount" means the Calculation Amount multiplied by the Reference Price.

"Potential Failure to Pay" means, in the sole and absolute determination of the Issuer and Calculation Agent, the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations without regard to any grace period or any conditions precedent to the

commencement of any grace period applicable to such Obligations in accordance with the terms of such Obligations at the time of such failure.

"Publicly Available Information" means information that reasonably confirms any of the facts relevant to the determination that the Credit Event has occurred and which (i) has been published in or on not less than two Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if the Issuer or the Calculation Agent or any of its respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless the Issuer or the Calculation Agent or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (ii) is information received from or published by (a) a Reference Entity (or a Sovereign Agency in respect of a Reference Entity which is a Sovereign) or (b) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (iii) is information contained in any petition or filing instituting a proceeding described in paragraph (iv) of the definition of Bankruptcy above against or by a Reference Entity or (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.

In relation to any information of the type described in (ii), (iii) or (iv) above, the Issuer and the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to third parties.

Publicly Available Information need not state (a) in relation to the definition of Downstream Affiliate above, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity and (b) that such occurrence (1) has met the Payment Requirement or Default Requirement, (2) is the result of exceeding any applicable Grace Period or (3) has met the subjective criteria specified in certain Credit Events.

"Public Source" means each source of Publicly Available Information specified as such (or, if a source is not so specified, each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

"Qualifying Affiliate Guarantee" means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

"Qualifying Guarantee" means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **"Underlying Obligation"**) for which another party is the obligor (the **"Underlying Obligor"**). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or

assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation.

"Qualifying Participation Seller" means any participation seller that meets the requirements specified. If no such requirements are specified, there shall be no Qualifying Participation Seller.

"Reference Entity" means each entity specified as such. Any Successor to a Reference Entity identified pursuant to the definition of Successor below shall be a Reference Entity as determined pursuant to such definition.

"Reference Obligation" means each obligation specified as such (if any are so specified) and any Substitute Reference Obligation.

"Reference Price" means the percentage specified or, if a percentage is not specified, one hundred percent.

"Replacement Reference Entity" means, with respect to a Surviving Reference Entity, an Eligible Reference Entity selected by the Issuer in its sole and absolute discretion and notified as soon as reasonably practicable to the Noteholders in accordance with Condition 14.

"Repudiation/Moratorium" means an authorised officer of a Reference Entity or a Governmental Authority (i) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement or (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement.

"Restructured Bond or Loan" means an Obligation which is a Bond or Loan and in respect of which a Restructuring that is the subject of a Credit Event Notice has occurred.

"Restructuring"

- (a) **"Restructuring"** means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Credit Linkage Commencement Date and the date as of which such Obligation is issued or incurred:
- (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
 - (ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
 - (iii) a postponement or other deferral of a date or dates for either (a) the payment or accrual of interest or (b) the payment of principal or premium;

- (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
 - (v) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency ("Permitted Currency" meaning (a) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership); or (b) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Cooperation and Development and has a local currency long-term debt rating of either AAA or higher assigned to it by Standard & Poor's, a division of the McGraw Hill Companies, Inc or any successor to the rating business thereof, Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof).
- (b) Notwithstanding the provisions of (a) above, none of the following shall constitute a Restructuring:
- (i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
 - (ii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
 - (iii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.
- (c) If Multiple Holder Obligation is specified, then, notwithstanding anything to the contrary in this definition of Restructuring, the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.
- (d) For purposes of (a), (b) and (c) above, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in (a) above shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in (b) above shall continue to refer to the Reference Entity.

"Restructuring Date" means, with respect to a Restructured Bond or Loan, the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

"Restructuring Maturity Limitation Date" means the date that is the earlier of (i) thirty months following the Restructuring Date and (ii) the latest final maturity date of any Restructured Bond or Loan, provided, however, that under no circumstances shall the Restructuring Maturity Limitation Date be earlier than the Maturity Date or (if applicable) the Extended Maturity Date, or later than 30 months following the Maturity Date or (if applicable) the Extended Maturity Date and if it is it shall be deemed to be the Maturity Date or thirty months following the Maturity Date, as the case may be.

"Settlement Currency" means the currency specified or, if no currency is so specified, the currency of denomination of the Calculation Amount.

"Sovereign" means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) thereof.

"Sovereign Agency" means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

"Sovereign Restructured Deliverable Obligation" means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the specified Deliverable Obligation Category and, subject to Condition 6(p)(iv), having each of the specified Deliverable Obligation Characteristics, if any, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Deliverable Obligation Category or Deliverable Obligation Characteristics after such Restructuring.

"specified" means, unless otherwise provided, as specified in Schedule 1 to the Final Terms relating to the Notes.

"Stamp Tax" means any stamp, registration, documentation or similar tax.

"Substitute Reference Obligation" means one or more obligations of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations, identified by the Calculation Agent in accordance with the following procedures:

- (a) In the event that (i) a Reference Obligation is redeemed in whole or (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortization or prepayments), (B) any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms, or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity, the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation.
- (b) Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that (i) ranks pari passu (or, if no such Obligation exists, then, at the Issuer's option, an Obligation that ranks senior) in priority of payment with such

Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the later of (A) the specified Credit Linkage Commencement Date and (B) the date on which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such later date) and (ii) is an obligation of the relevant Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of a Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations.

- (c) If more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to one or more but not all of the Reference Obligations for such Reference Entity, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to all of the Reference Obligations for such Reference Entity, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.
- (e) If (i) more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to all the Reference Obligations of such Reference Entity and the Calculation Agent determines that no Substitute Reference Obligation is available for any of the Reference Obligations of such Reference Entity, or (ii) only one specific Reference Obligation is identified as a Reference Obligation, any of the events set forth under sub-section (a) of this definition of Substitute Reference Obligation has occurred with respect to such Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation, then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the latest of the Maturity Date and the Grace Period Extension Date (if any).
- (f) For purposes of identification of a Reference Obligation, any change in a Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

"Successor" shall have the meaning determined in accordance with the following provisions:

- (a) In relation to a Reference Entity that is not a Sovereign, "Successor" means, subject to (j) below, the entity or entities, if any, determined as set forth below:

- (i) if one entity directly or indirectly succeeds to 75% or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;
- (ii) if only one entity directly or indirectly succeeds to more than 25% (but less than 75%) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than 25% of the Relevant Obligations will be the sole Successor;
- (iii) if more than one entity each directly or indirectly succeeds to more than 25% of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than 25% of the Relevant Obligations will each be a Successor and (e) below will apply;
- (iv) if one or more entities each directly or indirectly succeeds to more than 25% of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will be a Successor and (e) below will apply;
- (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25% of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event; and
- (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25% of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than 14 calendar days after the legally effective date of the Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information.

- (b) **"Succession Event"** means an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one

entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, "Succession Event" shall not include any event in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event.

- (c) For purposes of interpreting this definition of Successor "succeed" means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to (a) above shall be made, in the case of an exchange offer, on the basis of the outstanding principal balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the outstanding principal balance of Bonds for which Relevant Obligations have been exchanged.
- (d) Where (i) a Reference Obligation has been specified with respect to a Reference Entity, (ii) one or more Successors to the Reference Entity have been identified and (iii) any one or more such Successors have not assumed the Reference Obligation, a Substitute Reference Obligation will be determined in accordance with the definition of Substitute Reference Obligation below.
- (e) Where, pursuant to (a)(iii) or (iv) above, more than one Successor has been identified then, subject to (j) below:
 - (i) each Successor will be treated as a Reference Entity;
 - (ii) the Calculation Agent shall allocate the Calculation Amount equally between all such Successors;
 - (iii) the provisions of Condition 6(j)(vii) shall apply; and
 - (iv) the Conditions will otherwise continue to apply except to the extent that modification is required, as determined by the Calculation Agent, to preserve the economic effect of the original Conditions.
- (f) **"Relevant Obligations"** means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.

- (g) **"Best Available Information"** means:
- (i) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information or, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination for the purposes of the definition of Successor, other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or
 - (ii) in the case of a Reference Entity which does not file with its primary securities regulator or primary stock exchange, and which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of the definition of Successor.
- (h) Information which is made available more than 14 calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information.
- (i) In relation to a Sovereign Reference Entity, "Successor" means any direct or indirect successor(s) to that Reference Entity irrespective of whether such successor(s) assumes any of the obligations of such Reference Entity.
- (j) If Substitution is specified as applicable, where any Reference Entity (a **"Surviving Reference Entity"**) (other than the Reference Entity the subject of the Succession Event) would otherwise be a Successor to any other Reference Entity (the **"Legacy Reference Entity"**) pursuant to the foregoing provisions then, at the election of the Issuer at any time:
- (i) such Surviving Reference Entity shall be deemed not to be a Successor to the Legacy Reference Entity; and
 - (ii) the Replacement Reference Entity selected by the Issuer shall be deemed to be a Successor to the Legacy Reference Entity pursuant to that Succession Event from and including the legally effective date of the Succession Event. The Standard Terms applicable to such Replacement Reference Entity shall be the Standard Terms applicable to the relevant Surviving Reference Entity as at the Credit Linkage Commencement Date as determined by the Calculation Agent.

"Supranational Organisation" means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

"**Tax**" means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment or Delivery hereunder other than a stamp, registration, documentation or similar tax.

"**USD**" means the lawful currency of the United States of America.

"**Voting Shares**" means those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

(c) *Determinations by the Calculation Agent and Calculation Agent Free to Deal in Notes etc*

- (a) Whenever any matter falls to be determined, considered or otherwise decided upon by the Calculation Agent or any other person (including where a matter is to be decided by reference to the Calculation Agent's or such other person's opinion), unless otherwise stated, that matter shall be determined, considered or otherwise decided upon by the Calculation Agent or such other person, as the case may be, acting in good faith and in a reasonably commercial manner. The Calculation Agent shall not be liable for any loss, liability, cost, claim, action, demand or expense (including without limitation, all costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as may result from its own wilful default, negligence or bad faith or that of its officers or agents.
- (b) Nothing contained herein shall prevent the Calculation Agent from dealing in the Notes or from entering into any related transactions, including without limitation any swap or hedging transactions, with the Issuer (or any of its respective Affiliates) or any holder of the Notes (or any of its Affiliates).

SCHEDULE 3

REFERENCE ENTITIES AND ENTITY TYPE

Reference Entity:	Reference Obligation:	Entity Type:
	Primary Obligor: Guarantor: Status: Maturity: Coupon: CUSIP/ISIN: Original Issue Amount: Reference Price:	
	Primary Obligor: Guarantor: Status: Maturity: Coupon: CUSIP/ISIN: Original Issue Amount: Reference Price:	

SCHEDULE 4

STANDARD TERMS FOR CORPORATES

The standard terms relating to each Entity Type which are corporates are set out in the Annexes to this Schedule 4.

ANNEX A
STANDARD TERMS FOR NORTH AMERICAN CORPORATE³⁵

All Guarantees:	Not Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring, if specified as applicable in the relevant [Confirmation]
	Restructuring Maturity Limitation and Fully Transferable Obligation Applicable
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

³⁵ Investment Grade and High Yield

ANNEX B
STANDARD TERMS FOR EUROPEAN CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX C
STANDARD TERMS FOR AUSTRALIA CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring
	Restructuring Maturity Limitation and Fully Transferable Obligation Applicable
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX D
STANDARD TERMS FOR NEW ZEALAND CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring
	Restructuring Maturity Limitation and Fully Transferable Obligation Applicable
Obligation Category:	Borrowed Money
	None
	Physical Settlement
	30 Business Days
	Bond or Loan
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX E
STANDARD TERMS FOR JAPAN CORPORATE

All Guarantees: Applicable

Credit Events: Bankruptcy

Failure to Pay

Payment Requirement: If the Floating Rate Payer Calculation Amount is in JPY, JPY 100,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay. In all other cases, USD 1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay.

Restructuring

Multiple Holder Obligation: Not Applicable

Default Requirement: If the Floating Rate Payer Calculation Amount is in JPY, JPY 1,000,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event. In all other cases, USD 10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.

Obligation Category: Borrowed Money

Obligation Characteristics: Not Subordinated

Deliverable Obligation Category: Bond or Loan

Deliverable Obligation Characteristics: Not Subordinated

Specified Currency: Standard

Specified Currencies & Domestic Currency

Not Contingent

Assignable Loan

Consent Required Loan

Transferable

Maximum Maturity: 30 years

Not Bearer

ANNEX F
STANDARD TERMS FOR SINGAPORE CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring
Obligation Category:	Bond or Loan
Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Sovereign Lender
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Sovereign Lender
	Not Contingent
	Assignable Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX G
STANDARDS TERMS FOR ASIA CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring
Obligation Category:	Bond or Loan
Obligation Characteristics:	Not Subordinated
	Not Sovereign Lender
	Not Domestic Currency
	Not Domestic Issuance
	Not Domestic Law
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Sovereign Lender
	Not Domestic Law
	Not Contingent
	Not Domestic Issuance
	Assignable Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX H
STANDARD TERMS FOR SUBORDINATED EUROPEAN INSURANCE CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX I
STANDARD TERMS FOR LATIN AMERICA CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Grace Period Ext.: Applicable
	Obligation Acceleration
	Repudiation/Moratorium
	Restructuring
	Multiple Holder Obl.: Not Applicable
Obligation Category:	Bond
Obligation Characteristics:	Not Subordinated
	Not Domestic Currency
	Not Domestic Law
	Not Domestic Issuance
Deliverable Obligation Category:	Bond
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Domestic Law
	Not Contingent
	Not Domestic Issuance
	Transferable
	Not Bearer

SCHEDULE 5

STANDARD TERMS FOR SOVEREIGNS

The standard terms relating to each Entity Type which are sovereigns are set out in the Annex to this Schedule 5.

ANNEX A
STANDARD TERMS FOR ASIA SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Repudiation/Moratorium
	Restructuring
Obligation Category:	Bond or Loan
Obligation Characteristics:	Not Subordinated
	Not Sovereign Lender
	Not Domestic Currency
	Not Domestic Law
	Not Domestic Issuance
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Sovereign Lender
	Not Domestic Law
	Not Contingent
	Not Domestic Issuance
	Assignable Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX B
STANDARD TERMS FOR EMERGING EUROPEAN & MIDDLE EASTERN SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Grace Period Extension: Applicable
	Obligation Acceleration
	Repudiation/Moratorium
	Restructuring
	Multiple Holder Obligation: Not Applicable
Obligation Category:	Bond
Obligation Characteristics:	Not Subordinated
	Not Domestic Currency
	Not Domestic Law
	Not Domestic Issuance
Deliverable Obligation Category:	Bond
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Domestic Law
	Not Contingent
	Not Domestic Issuance
	Transferable
	Not Bearer

ANNEX C
STANDARD TERMS FOR JAPAN SOVEREIGN

All Guarantees: Applicable

Credit Events: Failure to Pay

Payment Requirement: If the Floating Rate Payer Calculation Amount is in JPY, JPY 100,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay. In all other cases, USD 1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay.

Repudiation/Moratorium

Restructuring

Multiple Holder Obligation: Not Applicable

Default Requirement: If the Floating Rate Payer Calculation Amount is in JPY, JPY 1,000,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event. In all other cases, USD 10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.

Obligation Category: Borrowed Money

Obligation Characteristics: None

Deliverable Obligation Category: Bond or Loan

Deliverable Obligation Characteristics: Specified Currency

Not Contingent

Assignable Loan

Consent Required Loan

Transferable

Maximum Maturity: 30 years

Not Bearer

ANNEX D
STANDARD TERMS FOR AUSTRALIA SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Repudiation/Moratorium
	Restructuring
	Restructuring Maturity Limitation and Fully Transferable Obligation Applicable
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX E
STANDARD TERMS FOR NEW ZEALAND SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Repudiation/Moratorium
	Restructuring
	Restructuring Maturity Limitation and Fully Transferable Obligation Applicable
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX F
STANDARD TERMS FOR SINGAPORE SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Repudiation/Moratorium
	Restructuring
Obligation Category:	Bond or Loan
Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Sovereign Lender
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Specified Currencies & Domestic Currency
	Not Sovereign Lender
	Not Contingent
	Assignable Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX G
STANDARD TERMS FOR LATIN AMERICA SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Grace Period Extension: Applicable
	Obligation Acceleration
	Repudiation/Moratorium
	Restructuring
	Multiple Holder Obligation: Not Applicable
Obligation Category:	Bond
Obligation Characteristics:	Not Subordinated
	Not Domestic Currency
	Not Domestic Law
	Not Domestic Issuance
Deliverable Obligation Category:	Bond
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Domestic Law
	Not Contingent
	Not Domestic Issuance
	Transferable
	Not Bearer

ANNEX H
STANDARD TERMS FOR WESTERN EUROPEAN SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Repudiation/Moratorium
	Restructuring
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Specified Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

(2) Single Reference Entity with Cash Settlement

FINAL TERMS

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

Issue of

[Aggregate Principal Amount of Tranche]

***[Title of Notes]* due [•]**

Linked to [name of Reference Entity]

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 Information Memorandum in relation to the above Programme [and the supplemental Information Memorandum dated []]. This Final Terms must be read in conjunction with such Information Memorandum [as so supplemented].

Information Concerning Investment Risk

Noteholders and prospective purchasers of Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risk and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition.

If a Credit Event Notice (as defined in Schedule 2) has been given in relation to the Reference Entity (as defined in Schedule 2), the Notes will be redeemable at the option of the Issuer exercised at any time thereafter, and irrespective of whether the relevant Credit Event (as defined in Schedule 2) is continuing, at an amount which may be substantially less than the par value of the Notes.

In particular, Noteholders should note that:

- (a) the Issuer's obligations to pay interest on the Notes and to redeem the Notes at their principal amount are subject to the condition precedent that no Credit Event Notice has been given and, if any Credit Event Notice is given on or before the Maturity Date or (if applicable) the Extended Maturity Date (as defined in Schedule 2), then (1) unless specified otherwise no interest in respect of the interest period current on the date on which such Credit Event Notice is given or any subsequent period will be payable by the Issuer (but without prejudice to any interest payments already made to Noteholders or which became due and payable before the Credit Event Notice was given), and (2) the Issuer will not be obliged to redeem the Notes at their principal amount and the sole obligation of the Issuer with regard to redemption of the Notes will be to redeem the Notes at their principal amount less the Cash Settlement Amount (as defined in Schedule 2); and
- (b) it shall be the responsibility of the Noteholders to ensure that their accounting, regulatory and all other treatments of the Notes are consistent with the conditional nature of the Noteholders' entitlement to receive the payments referred to above.

The Issuer shall be under no obligation to give notice of any Credit Event and no delay in giving, or omission to give, notice of any Credit Event shall prejudice the Issuer's right to give notice with respect to such (or any other) Credit Event provided such notice is given no later than the Maturity Date or (if applicable) the Extended Maturity Date. Noteholders and prospective purchasers of Notes should conduct their own investigations and, in deciding whether or not to purchase Notes, prospective purchasers should form their own views of the merits of an investment linked to the credit risk of the Reference Entity based upon such investigations and not in reliance on any information given in this Final Terms.

Given the highly specialised nature of these Notes, the Issuer considers that they are only suitable for highly sophisticated investors who are willing to take considerable risks, who are able to determine for themselves the risk of an investment linked to the credit risk of the Reference Entity and who can absorb a substantial or total loss of principal and interest.

Consequently, if you are not an investor who falls within the description above you should not consider purchasing these Notes without taking detailed advice from a specialised professional adviser.

Issuer and Calculation Agent Disclaimers

The Issuer and Calculation Agent make no representation whatsoever with respect to the Reference Entity, any Reference Obligation, Obligation, Valuation Obligation or Underlying

Obligation or any Underlying Obligor (each as defined in Schedule 2) on which it is relying or is entitled to rely.

The Issuer, the Calculation Agent and their respective Affiliates may deal in each Reference Obligation, Obligation, Valuation Obligation and/or Underlying Obligation and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, the Reference Entity, any Affiliate of the Reference Entity, any Underlying Obligor and/or any other person or entity having obligations relating to the Reference Entity or any such Affiliate or Underlying Obligor and may act with respect to such business in the same manner as each of them would if these Notes had not been issued, regardless of whether any such action might have an adverse effect on the Reference Entity, any Reference Obligation, Obligation, Valuation Obligation or Underlying Obligation or the Noteholders or otherwise (including, without limitation, any action which might constitute or give rise to a Credit Event).

The Issuer, the Calculation Agent and their respective Affiliates may, whether by virtue of the types of relationships described herein or otherwise, on the issue date of the Notes or at any time thereafter, be in possession of information in relation to the Reference Entity or any Underlying Obligor that is or may be material in the context of the issue of the Notes and that may or may not be publicly available or known to the Noteholders. There is no obligation on the part of the Issuer, the Calculation Agent or their respective Affiliates to disclose to the Noteholders any such relationship or information (whether or not confidential).

HSBC Bank plc as Calculation Agent will be entitled to make certain determinations and judgements under the Conditions including (inter alia) as to whether an event constituting a Credit Event has occurred and determining the Cash Settlement Amount. In making such determinations and judgements, potential conflicts of interest may exist between the Calculation Agent and the Noteholders. In its capacity as Calculation Agent, HSBC Bank plc does not act as a fiduciary for or as an adviser to any of the Noteholders in respect of any such determination or judgement or otherwise.

The Issuer accepts responsibility for the information contained in this Final Terms.

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

1.
 - (i) Issuer: HSBC Bank plc
 - (ii) Arranger(s): HSBC Bank plc
2.
 - (i) Series number: []
 - (ii) [Tranche number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Currency or currencies:
 - (i) of denomination: []

- (ii) of payment []
4. Aggregate Principal Amount [of Notes admitted to trading]³⁶:
- [(i)] Series: []
- [(ii)] [Tranche:] []
5. (i) Issue Price: [] per cent. of the Aggregate Principal Amount [plus accrued interest from *[insert date]* (*in the case of fungible issues only, if applicable*)]
- (ii) Commission payable: [[] per cent./None]
- (iii) Selling concession: [[] per cent./None]
6. Denomination(s): []
(*Condition 1(f)*)
7. (i) Issue Date: []
- (ii) Interest Commencement Date: []
8. Maturity Date: *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year. In case of undated Notes specify undated.]*
(*Condition 6(a)*)
See Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event
9. Interest basis: [[]% Fixed Rate]
(*Conditions 3 to 5*)
[[*Specify reference rate*] +/- []% Floating Rate Notes]
[Variable Coupon Amount]
[Zero Coupon]
[Other (*specify*)]
[further particulars specified below]

[Interest will be treated as having ceased to accrue as from the beginning of any Interest Period in which a Credit Event Notice is given under Condition 6(j)(i) - See Special Conditions, Schedule 2]³⁷
10. Redemption basis: [Redemption at par]
(*Condition 6*) [Credit-Linked Redemption]
[Dual Currency]
[Partly Paid]

³⁶ Delete for debt securities with a denomination per unit of less than EUR50,000.

³⁷ Include unless the Notes are Zero Coupon Notes

- [Instalment]
[Other (*specify*)]
See Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event
11. Change of interest or redemption basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
See Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event
12. Put/Call options: Not applicable. However, see Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event
13. (i) Status of the Notes: Unsubordinated
(Condition 2)
- (ii) Date [Board] approval for issuance of Notes obtained: [] [and []], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note provisions: [Applicable/Not applicable]
(Condition 3) (*if not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Rate of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Fixed Interest Payment Date(s): [] in each year
- (iii) Day count fraction: []
- (iv) Determination Date: [] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon, N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA).*)
- (v) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)*]
- (vi) Other terms relating to the method of calculating interest [Not Applicable/give details] (*Consider if day count fraction, particularly for Euro denominated*)

- for Fixed Rate Notes: *issues, should be on an Actual/Actual basis)*
16. Floating Rate Note provisions
(Condition 4) [Applicable/Not applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): [specify]
- (ii) Interest Payment Dates: [specify dates]

[If Business Day Convention embedded in Condition 4(b) is not to apply, specify alternative convention]
- (iii) Screen Rate Determination: []
- (1) Benchmark: [specify LIBOR or other]
- (2) Relevant Rate of Benchmark: [Offered rate/Bid rate/Mean rate/other specify]
- (3) Relevant screen page: []
- (4) Interest Determination Date: []
- (iv) ISDA Determination: []
- (1) Floating Rate Option: []
- (2) Designated Maturity: []
- (3) Reset Date: []
- (v) Margin: [+/-][] per cent. per annum
- (vi) Fallback Rate: *[specify method of calculating interest rate if applicable screen rate not available or fewer than two rates appear (where arithmetic mean is required, or where rate is not available for period of duration equal to Interest Period)]*
- (vii) Day count fraction: []
- (viii) Relevant time: []
- (ix) Minimum Interest Rate: [] per cent. per annum
- (x) Maximum Interest Rate: [] per cent. per annum
- (xi) Business Day: *(Condition 4(b))* The places specified with respect to "Business Day" in paragraph 1 of Schedule 1
- (xii) Rounding provisions, [] denominator and any other terms relating to the method of

calculating interest on Floating Rate Notes, if different from those set out in the Conditions:

- | | | |
|-----|--|--|
| 17. | Variable Coupon Amount Note provisions
(Condition 5) | [Applicable/Not applicable]
<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| | (i) Interest payment dates: | [] |
| | (ii) Method of calculating interest: | [] |
| 18. | Zero Coupon Note provisions:
(Condition 5) | [Applicable/Not applicable]
<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| | (i) Amortisation Yield: | [] per cent. per annum |
| | (ii) Rate of interest on overdue amounts: | [] |
| | (iii) Redemption formula: | []
See also Special Conditions, Schedule 2 |
| 19. | Index-Linked Interest Note/Other Variable-Linked Interest Note provisions | Not applicable |
| 20. | Dual Currency Note provisions | [Applicable/Not applicable]
<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| | (i) Currencies: | [] |
| | (ii) Exchange rate(s): | [give details] ³⁸ |
| | (iii) Provisions applicable where calculation by reference to Exchange Rate impossible or impracticable: | [Need to include a description of Market disruption or settlement disruption events and adjustment provisions.] |

PROVISIONS RELATING TO REDEMPTION

- | | | |
|-----|--|---|
| 21. | Issuer's optional redemption (Call):
(Condition 6(c)) | Not applicable. However, see Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event |
| 22. | Noteholder's optional redemption (Put): | [Yes/No] |

³⁸ If denomination per unit is less than EUR50,000, include details of where past and future performance and volatility of the relevant rate(s) can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying.

(Condition 6(d))

- (i) Redemption amount (Put): [specify – if not par, also specify details of any formula]
- (ii) Put option date(s)/Put option period: [specify]
23. Final redemption amount of each Note: [specify – if not par, also specify details of any formula]
(Condition 6(a))
See Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event
24. Final redemption amount of each Note in cases where the final redemption amount is Index-linked to other variable linked: Not applicable
25. Instalment Notes: [specify]
(Condition 6(a))
- (i) Instalment Amounts: []
- (ii) Dates for payment of Instalments: []
26. Early redemption amount: Yes
- (i) Early redemption amount (upon redemption for taxation reasons) (Condition 6(b)): In the event of early redemption for taxation reasons or upon enforcement, the early redemption amount shall be determined in good faith by the Calculation Agent in its absolute discretion to be the fair market value of the Notes immediately prior to the early redemption date, adjusted to account fully for any reasonable expenses and costs to the Issuer of unwinding any underlying and/or related hedging and funding arrangements
- (ii) Other redemption provisions: See Special Conditions, Schedule 2
(Condition 6(i))

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes: []
(Condition 1(a))
- (i) Form of Notes: [Bearer/Registered]
- (ii) Bearer Notes exchangeable for Registered Notes: [Yes/No] [Answer will be no where no registered Notes]

28. New Global Note: [Yes/No] [Answer will be No if the Notes are not Bearer Notes]
29. If issued in bearer form:
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: [specify] [Notes may only be represented initially by a Permanent Global Note if this Final Terms specifies that TEFRA C Rules apply]
 - (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: (Condition 1(a)) Yes [specify]
 - (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes: [Yes – specify/No]
 - (iv) Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]
[N.B. This will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems – see provisions contained in Permanent Global Note]
 - (v) Talons for future Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]
[N.B. The above comment also applies here]
 - (vi) (a) Definitive Notes to be security printed: [Yes/No]
[N.B. The above comment also applies here]
 - (b) If the answer to (a) is yes, whether steel engraved plates will be used: [Yes/No/Not applicable]
 - (vii) Definitive Notes to be in ICMA or successor's format: [Yes/No]
[N.B. The above comment also applies here]
 - (viii) Issuer or Noteholder to pay costs of security printing: [Issuer/Noteholder/Not applicable]
30. Exchange Date for exchange of Temporary Global Note: [specify]
31. Payments:
(Condition 8)
- (i) Method of payment: [specify if other than by cheque or transfer to a

- designated account]*
- (ii) Relevant Financial Centre Day: *[specify any additional places]*
32. Partly Paid Notes: *[Yes/No]*
(Condition 1)
- If yes, specify number, amounts and dates for, and method of, payment of instalments of subscription monies and any further additional provisions (including forfeiture dates in respect of late payments of partly paid instalments)* *[specify]*
33. Redenomination:
(Condition 9)
- (i) Redenomination: *[Applicable/Not applicable]*
- (ii) Exchange: *[Applicable/Not applicable]*
34. Other final terms: See Schedules 1, 2, 3, 4 and 5

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

35. Security Delivery (Equity-Linked Notes only): Condition 10 does not apply
36. **Provisions for Cash Equity Notes and Equity-Linked Notes** Not applicable
37. **Additional provisions for Equity-Linked Notes:** Not applicable
38. **Provisions for Index-Linked Notes:** Not applicable
39. **For Equity-Linked and Credit-Linked Notes:** U.S. Federal Income Tax Considerations
40. **Valuation Date(s):** Not applicable
41. **Valuation Time:** Not applicable
42. **Averaging Dates:** No
43. **Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes:** Not applicable

DISTRIBUTION

44. (i) If syndicated, names[, addresses and underwriting *[Not applicable/HSBC Bank plc/other – specify]*

	commitments] ³⁹ of Relevant Dealer/Lead Manager:	[Give addresses and underwriting commitments] ⁸
(ii)	If syndicated, names[, addresses and underwriting commitments] ¹¹ of other Dealers/Managers (if any):	[Not applicable/other - give name] [Give addresses and underwriting commitments] ⁸ (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
(iii)	Date of Subscription Agreement ⁸ :	[]
(iv))Stabilising Manager (if any):	[Not applicable/give name]
45.	If non-syndicated, name [and address] ⁸ of Relevant Dealer:	[Not applicable/give name [and address]] ⁸
46.	Total commission and concessions:	[] per cent. of the Aggregate Principal Amount
47.	Selling restrictions:	[For Bearer Notes: TEFRA C Rule/ TEFRA D Rule]
	United States of America:	[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)] [Not Rule 144A eligible – <i>N.B. significant additional provisions will be required in order to permit Rule 144A eligibility</i>]
48.	Other:	[specify any modifications of, or additions to, selling restrictions contained in Dealer Agreement]
49.	[Stabilisation:]	[In connection with the issue of any Tranche of Notes under the Programme, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action

³⁹ Not required for debt securities with a denomination per unit of at least EUR50,000.

may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.]

[LISTING AND ADMISSION TO TRADING APPLICATION]

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Specify information*] has been extracted from [*insert name of source of information*]. 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 [*insert name of source of information*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

CONFIRMED

HSBC BANK PLC

By: _____

Authorised Signatory

PART B - OTHER INFORMATION**1. LISTING**

- (i) Listing [Application [will be/has been] made to admit the Notes to listing on the Official List of the Financial Services Authority. No assurance can be given as to whether or not, or when, such application will be granted/other (specify)/None]
- (ii) Admission to trading [Application [will be/has been] made for the Notes to be admitted to trading [on the Professional Securities Market/Gilt-Edged and Fixed Interest Market/other] with effect from []. No assurance can be given as to whether or not, or when, such application will be granted.] [Application has been made to have the Notes admitted to trading on the PORTAL System of the U.S. National Association of Securities Dealers.] [Not Applicable]
- [(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)]⁴⁰*
- (NB: Notes admitted to trading to the UK gilt-edged and fixed interest market will also be admitted to the Official List as a matter of course.)*

2. RATINGS

- Ratings: [The long term senior debt of HSBC Bank plc has been rated:]
- [S&P: [•]]
 [Moody's: [•]]
 [[other]: [•]]
- [The Notes have not specifically been rated.]

3. [NOTIFICATION]

The [include name of competent authority in EEA home Member State] [has been requested to provided/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate

⁴⁰ Not required for debt securities with a denomination per unit of at least EUR50,000.

of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], 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**

(i) Reasons for the offer []

[If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.]

(ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) Estimated total expenses: *[Include breakdown of expenses]⁴¹*

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

6. **[Fixed rate Notes only - YIELD**

Indication of yield: [Calculated as *[include details of method of calculation in summary form]* on the Issue Date]¹⁰

[As set out above, the] [The] yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]

7. **[Floating Rate Notes only - HISTORIC INTEREST RATES**

⁴¹ Not required for debt securities with a denomination per unit of at least EUR50,000.

[Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Telerate].]⁴²

8. **[Index-Linked, Equity-Linked or other variable-linked Interest Notes only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING]**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]⁴³. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.]⁴⁴

9. **[Dual currency/Multi-currency Notes only - PERFORMANCE OF EXCHANGE RATE(S) [AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS]¹¹**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]⁴⁵.]¹⁰

OPERATIONAL INFORMATION

- | | | |
|-----|---|---|
| 10. | ISIN Code: | [] |
| 11. | Common Code: | [] |
| 12. | New Global Note intended to be held in a manner which would allow Eurosystem eligibility: | <p>[Yes] [No]</p> <p>[Note that the designation "Yes" simply means that the Notes are intended upon issue to be delivered to the common safe-keeper acting as agent for Euroclear or Clearstream, Luxembourg and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem</p> |

⁴² Not required for debt securities with a denomination per unit of at least EUR50,000.

⁴³ Not required for debt securities with a denomination per unit of at least EUR50,000.

⁴⁴ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is less than 100% of the nominal value of the Notes).

⁴⁵ Not required for debt securities with a denomination per unit of at least EUR50,000.

eligibility criteria.] *[include this text if "yes" selected in which case the Notes must be issued in NGN form]*

13. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None/specify]
14. Delivery: Delivery [against/free of] payment
15. Settlement procedures: [Eurobond/Medium Term Note/other – specify]
16. Additional Paying Agent(s) (if any): [None/specify]
17. Common Depositary: [specify]
18. Calculation Agent/Calculation Agent: [HSBC Bank plc]
 - is Calculation Agent to make calculations? [Yes/No]
 - if not, identify calculation agent: *[NB Calculation agent appointment letter required]*
19. Notices: *(Condition 14)* [specify any other means of effecting communication]
20. City in which specified office of Registrar to be maintained: *(Condition 12)* [specify]
21. Tradeable Amount: [So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and *[specify relevant clearing system(s)]* so permit, the Notes shall be tradeable only in minimum principal amounts of [€50,000/€100,000]/*[specify equivalent to €50,000/€100,000 if Notes are not denominated in EUR]* and increasing multiples of [€1,000] (the "**Tradeable Amount**") in excess thereof. For the avoidance of doubt, in the case of a holding of Notes in an increasing multiple of [€1,000] in excess of [€50,000/€100,000]/ *[specify equivalent to €50,000/€10,000 if Notes are not denominated in EUR]*, such holding will be redeemed at (or, if the Notes are not redeemable at par, in proportion to) its principal amount.]⁴⁶

⁴⁶ This item shall apply only in the event that the Definitive Notes are not required to be provided in forms representing all tradeable amounts of the Notes i.e. €50,000 and increasing multiples of €1,000 in excess thereof

22. Other relevant Terms and Conditions: See Schedules 1, 2, 3, 4 and 5
23. ERISA Considerations: []

(up to and including €99,000). If they are so required, this item shall not apply - see item "6. Denomination(s)" above and corresponding footnote thereto.

SCHEDULE 1

CREDIT-LINKED NOTE SPECIFICATIONS

1. General Terms

Business Day: ⁴⁷	[]
Business Day Convention:	[Modified] Following Business Day Convention (as defined in the ISDA Definitions), which shall apply to any date, other than the Credit Linkage Commencement Date, referred to in Condition 6 that falls on a day that is not a Business Day
Credit Linkage Commencement Date:	[Trade Date/Issue Date]
Reference Entity:	The entity specified in Schedule 3 and any Successor. The Reference Entity has been designated as a particular "Entity Type" in Schedule 3. References to " Standard Terms " means, in respect of the Reference Entity, the corresponding standard terms specified for its Entity Type in the Annexes to Schedule 4 and Schedule 5, as applicable.
Reference Obligation(s):	Where the Reference Entity is [], the obligation(s) identified as such in respect of such Reference Entity in Schedule 3
Substitution:	[Applicable]/[Not Applicable] [Additional Rating Agencies: []]
All Guarantees:	In respect of a Reference Entity, "Applicable" or "Not Applicable" shall apply as specified in the applicable Standard Terms.
Reference Price:	[100%] ⁴⁸

2. Credit Event Provisions:

Calculation Amount:	Subject to the occurrence of a Succession Event or the designation of a Partial Redemption Portion following a Restructuring Credit Event, in respect of each Reference Entity an amount (denominated in the same currency) equal to [the Aggregate Principal Amount of the Notes on the Issue Date]
---------------------	--

⁴⁷ The Conditions provide a fallback to days on which commercial banks and foreign exchange markets are generally open to settle payments in the jurisdiction of the currency of the Calculation Amount if not euro or a Euro Business Day if euro.

⁴⁸ If a percentage is not so specified, the Conditions provide that the Reference Price will be one hundred percent.

Credit Events:	In respect of each Reference Entity, the Credit Events specified in the applicable Standard Terms
Obligation Category and Characteristics:	In respect of each Reference Entity, the Obligation Category and Obligation Characteristics specified in the applicable Standard Terms
[Excluded Obligations:] ⁴⁹	[None]

3. Settlement Terms:

[Valuation Date:] ⁵⁰	<p>[Single Valuation Date:</p> <p>[Such date as the Issuer may in its sole and absolute discretion select and notify to the Calculation Agent, being a date not earlier than [] [Business Days/calendar days] before, and not later than [] [Business Days/calendar days] after, the Event Determination Date/other (specify)]⁵¹[] Business Days]⁵²</p>
Cash Settlement Amount:	[] ⁵³
Valuation Obligations:	In respect of each Reference Entity, "Exclude Accrued Interest" or "Include Accrued Interest" shall apply as specified in the applicable Standard Terms
Valuation Obligation Category and Characteristics:	In respect of each Reference Entity, the Valuation Obligation Category and the Valuation Obligation Characteristics specified in the applicable Standard Terms
[Excluded Valuation Obligations:] ⁵⁴	Any obligation of a Reference Entity other than the Reference Entity the subject of the Credit Event and []

⁴⁹ Unless specified here as an Excluded Obligation, the Reference Obligation will be an Obligation.

⁵⁰ Include if the Cash Settlement Amount is not a specified amount. The Conditions provide that if neither Single Valuation Date nor Multiple Valuation Dates is specified, Single Valuation Date will apply.

⁵¹ If the Valuation Date is to be identified otherwise than as a date a fixed number of Business Days after the Credit Event Notice Date, specify the date here. Provisional wording may be suitable for inclusion where the Eligible Reference Obligations would only be identified at a future date. IMPORTANT NOTE: Where the Notes are matched by any transaction under which the Issuer may expect to receive delivery of obligations to be used for the purpose of determining the Cash Settlement Amount, e.g. a physically-settled OTC credit default swap, *inter alia* the Valuation Date should be defined to ensure that the latest Valuation Date is not earlier than the last date on which the Issuer might receive delivery. If under an ISDA credit default swap, and a 60 Business Day "cap" applies (as in the Issuer's template for Basket of Reference Entities CDS with European entities as Reference entity), that latest date may be later than 60 Business Days after the Physical Settlement Date under the ISDA CDS.

⁵² If the number of Business Days is not specified, the Conditions provide that this will be five Business Days.

⁵³ If an amount is not specified, the Conditions provide that the Cash Settlement Amount will be the greater of (a) the Calculation Amount multiplied by the difference between the Reference Price and the Final Price and (b) zero (increase as provided in the definition of Cash Settlement Amount).

⁵⁴ Unless specified as an Excluded Valuation Obligation, each Reference Obligation will, subject to Condition 6(n) and the second paragraph of the definition of "Not Contingent" in Condition 6(m)(i)(2)(A), be a Valuation Obligation even though at the time of valuation it does not fall into the Obligation Category or lacks any or all Valuation Obligation Characteristics.

Interest until Credit Event Notice Date:	[Applicable]/[Not Applicable]
Deduct Hedging Costs:	[Applicable]/[Not Applicable]

SCHEDULE 2

SPECIAL CONDITIONS

The Conditions shall be supplemented and modified by the following Special Conditions. In the event of any inconsistency between the Conditions and such Special Conditions, such Special Conditions shall prevail and the Conditions shall be amended accordingly.

(1) Interest

(a) If the Notes are Fixed Rate Notes, Condition 3 (*Interest on Fixed Rate Notes*) shall apply with the following amendments:

- (i) the existing Condition 3 shall become Condition 3(a), with the heading "*Interest conditionally payable*", and shall be amended by the insertion of the words "Subject to Condition 3(b) below," at the beginning; and
- (ii) the following provision shall be included as Condition 3(b):

"(b) Condition precedent to interest entitlement

The Issuer's obligation to make any payment of interest in accordance with Condition 3(a) is subject to the condition precedent that no Credit Event Notice has been given on or before the relevant Fixed Interest Payment Date and subsists only so long as a Credit Event Notice has not been given. Accordingly, the Issuer shall have no obligation to pay interest on the Notes in respect of all or any part of the Interest Period current on the date that a Credit Event Notice is given or in respect of any subsequent period; provided, however, that, if "Interest until Credit Event Notice Date" is specified then the Issuer shall, as soon as reasonably practicable, pay the interest accrued to, but excluding, the Credit Event Notice Date (or, if such date is after the Initial Maturity Date, the Initial Maturity Date)."

(b) If the Notes are Floating Rate Notes, Condition 4 (*Interest on Floating Rate Notes*) will apply with the following amendments:

- (i) existing Condition 4(a) (*Accrual of Interest*) shall be amended by the substitution of "*Interest conditionally payable*" for "*Accrual of Interest*" in the heading and by the insertion of the words "Subject to Condition 4(h) below," at the beginning;
- (ii) existing Condition 4(b) (*Interest Payment Dates and Interest Periods*) shall be amended by the insertion of the words "Subject to Condition 4(h) below," at the beginning; and
- (iii) the following provision shall be included as Condition 4(h):

"(h) Condition precedent to interest entitlement

The Issuer's obligation to make any payment of interest in accordance with Conditions 4(a) and (b) is subject to the condition precedent that no Credit Event Notice has been given on or before the relevant Interest Payment Date and subsists only so long as a Credit Event Notice has not been given. Accordingly, the Issuer shall have no obligation to pay interest on the Notes in respect of all or any part of the Interest Period current on the date that a Credit Event Notice is given or in respect of any subsequent period; provided, however, that, if "Interest until Credit Event Notice

Date" is specified then the Issuer shall, as soon as reasonably practicable, pay the interest accrued to, but excluding, the Credit Event Notice Date (or, if such date is after the Initial Maturity Date, the Initial Maturity Date)."

(2) **Redemption and Purchase**

Condition 6 (*Redemption and Purchase*) shall apply with the following amendments:

(a) The following provision shall be substituted for the existing Condition 6(a):

"6(a) *Final Redemption*

- (i) Subject to Condition 6(a)(ii) below and subject as otherwise set out in the Conditions, the Notes will, unless previously redeemed or purchased and cancelled, be redeemed at their principal amount or such other redemption amount as may be set out in or determined in accordance with the Conditions on the Maturity Date specified in the relevant Conditions.
- (ii) The Issuer's obligation to redeem the Notes in accordance with Condition 6(a)(i) above is subject to the condition precedent that no Credit Event Notice has been given on or before the Maturity Date and subsists only so long as a Credit Event Notice has not been given. Accordingly, the Issuer shall have no obligation to redeem the Notes in accordance with Condition 6(a)(i) above if, on or before the Maturity Date, a Credit Event Notice has been given. In such circumstances, the only obligations of the Issuer with regard to redemption of the Notes shall be to redeem the Notes in accordance with and subject to the following provisions of this Condition 6.

(b) The following Conditions 6(j), (k), (l), (m), (n), (o) and (p) shall be added to Condition 6 (Condition 6(i) being omitted):

"6(j) *Redemption following the occurrence of a Credit Event*

- (i) Notwithstanding the provisions of the other Conditions, following the occurrence of a Credit Event on or after the Credit Linkage Commencement Date and on or prior to the specified Maturity Date (the "**Initial Maturity Date**") or (if the Maturity Date is deemed extended under Condition 6(k)) the Extended Maturity Date, the Issuer may at any time on or before the Initial Maturity Date or (if applicable) the Extended Maturity Date, and irrespective of whether such Credit Event is continuing and/or any other Credit Event has occurred, give notice thereof to the Noteholders on or prior to the Maturity Date or (if applicable) the Extended Maturity Date (such notice the "**Credit Event Notice**" and the date on which such notice is given, the "**Credit Event Notice Date**") in accordance with Condition 14. The Issuer shall be under no obligation to give notice of any Credit Event and no delay in giving, or omission to give, notice of any Credit Event shall prejudice the Issuer's right to give notice with respect to such (or any other) Credit Event provided such notice is given no later than on or prior to the Maturity Date or (if applicable) the Extended Maturity Date.

For the avoidance of doubt, the Issuer may give a Credit Event Notice whether or not it has already taken any steps to exercise its option under Condition 6(b)

(*Early Redemption for Taxation Reasons*), and any giving of a Credit Event Notice shall supersede and override any earlier exercise of such option.

- (ii) If the Issuer gives a Credit Event Notice, and subject as provided in (iii) below:
 - (a) the Issuer shall be obliged to redeem the Notes (and shall be obliged to redeem the Notes only) by payment on the Cash Settlement Date of the principal amount of the Notes minus the Cash Settlement Amount; and
 - (b) the Issuer shall not be liable to pay interest on the Notes in respect of all or any part of the Interest Period current at the relevant Credit Event Notice Date (or, if such date is on or after the Initial Maturity Date, the Interest Period to (but excluding) the Initial Maturity Date) nor in respect of any subsequent period, and interest shall be treated as having ceased to accrue accordingly; *provided, however, that*, if "Interest until Credit Event Notice Date" is specified then the Issuer shall, as soon as reasonably practicable, pay the interest accrued to, but excluding, the Credit Event Notice Date (or, if such date is after the Initial Maturity Date, the Initial Maturity Date).
- (iii) This Condition 6(j)(iii) applies if the Calculation Amount is required to be allocated as contemplated in paragraph (e) of the definition of Successor in Condition 6(o). In such circumstances:
 - (a) the Issuer shall be entitled under this Condition 6(j) to give multiple Credit Event Notices, one with respect to each Successor, and where any Credit Event Notice is so given, the conditions precedent to the obligations of the Issuer to pay interest on, and principal of, the Notes shall be treated as unsatisfied only in relation to an amount (the "**Successor Partial Redemption Amount**") of the outstanding principal amount of the Notes equal to the proportion of the Calculation Amount allocated to the relevant Successor;
 - (b) where any Reference Entity (a "**Surviving Reference Entity**") (other than the Reference Entity the subject of the Succession Event) is a Successor to any Reference Entity (the "**Legacy Reference Entity**"), then such Surviving Reference Entity shall be deemed to be specified as a Reference Entity once only and the Calculation Amount in respect of such Reference Entity shall be the sum of the Calculation Amount applicable to that Reference Entity immediately prior to the Succession Event and the relevant portion of the Calculation Amount of the Legacy Reference Entity as provided in paragraph (e) of the definition of Successor;
 - (c) where a Credit Event Notice is so given the provisions of this Condition 6 will apply so as to require the Issuer to redeem the Notes in part only on the relevant Cash Settlement Date, by payment of an amount equal to whichever is the greater of (1) the Successor Partial Redemption Amount minus the Cash Settlement Amount and (2) zero, and on payment of such amount (or, if such amount is zero, on the Cash Settlement Date) the outstanding principal amount of the Notes shall be

deemed to have been repaid in an amount equal to Successor Partial Redemption Amount (which shall be the amount on which interest shall be treated as having ceased to accrue or to accrue (as applicable) as contemplated in (ii) above); and

- (d) save where the full principal amount of the Notes has been so redeemed, the Issuer shall remain entitled notwithstanding any such partial redemption to give one or more further Credit Event Notices with respect to any such Successor or any other Reference Entity in respect of which no Credit Event Notice has been effectively given.
- (iv) This Condition 6(j)(iv) applies if one or more Restructuring Credit Events occurs on or prior to the Initial Maturity Date or (if the Maturity Date is deemed extended under Condition 6(k)) the Extended Maturity Date (and whether or not such event is continuing). In such circumstances:
 - (a) the Issuer shall be entitled to redeem the Notes in part only by giving a Credit Event Notice with respect to the relevant Restructuring Credit Event and specifying in such notice (A) that partial redemption only of the Notes is required and (B) the portion of the Calculation Amount (being an amount which is (x) less than the outstanding principal amount of the Notes and (y) at least 1,000,000 units of the currency (or if Japanese Yen, 100,000,000 units) in which the Calculation Amount is denominated or an integral multiple thereof) in respect of which such partial redemption is required (the proportion of such portion of the Calculation Amount being the "**Partial Redemption Portion**" applicable with respect to such Credit Event Notice); and
 - (b) where a Credit Event Notice is given as contemplated in (a) above:
 - (i) the Calculation Amount in respect of the relevant Reference Entity shall thereafter be deemed reduced by an amount equal to the Partial Redemption Portion of the Calculation Amount immediately preceding the giving of the Credit Event Notice; and
 - (ii) the provisions of this Condition 6 will apply so as to require the Issuer to redeem the Notes in part only on the relevant Cash Settlement Date, by payment of an amount in aggregate equal to whichever is the greater of (1) the Partial Redemption Portion minus the relevant Cash Settlement Amount and (2) zero, and on payment of such amount (or, if such amount is zero, on the relevant Cash Settlement Date) the outstanding principal amount of the Notes shall be deemed to have been repaid in an amount equal to the Partial Redemption Portion.

The Issuer shall be entitled to require such a partial redemption (or a redemption in full of the Notes) with respect to each Restructuring Credit Event which may occur and whether or not a partial redemption has been required in respect of another Restructuring Credit Event. For the avoidance of doubt, the Issuer shall, notwithstanding any such partial redemption having been required in connection with a Restructuring

Credit Event, remain entitled to give a Credit Event Notice with respect to any other Credit Event and redeem the Notes in accordance with the provisions of this Condition 6 applicable where a Credit Event Notice has been given.

(k) *Maturity Date Extension*

The specified Maturity Date may be subject to extension in the following circumstances:

(i) *Grace Period Extension*

Notwithstanding the provisions of the Conditions, if, as regards one or more Reference Entities:

- (1) "Grace Period Extension" is specified;
- (2) a Potential Failure to Pay occurs on or prior to the Initial Maturity Date; and
- (3) the applicable Grace Period would otherwise end on a day subsequent to the Initial Maturity Date,

then the specified Maturity Date shall, subject to (ii) below, be extended to the second Business Day following the latest occurring Grace Period Extension Date (the "**Grace Period Maturity Date**"); and/or

(ii) *14 day additional extension for potential Credit Events*

Notwithstanding the provisions of the Conditions, if the Issuer delivers to the Noteholders on or before the Initial Maturity Date or, if (i) above applies, the Grace Period Maturity Date, a notice, in accordance with Condition 14, stating that in the opinion of the Issuer a Credit Event may have occurred with respect to one or more Reference Entities on or before the Initial Maturity Date or, with respect to the Reference Entities the subject of (i) above, the Grace Period Maturity Date, but that it is not yet able to deliver a Credit Event Notice on or before the Initial Maturity Date or, with respect to the Reference Entities the subject of (i) above, the Grace Period Maturity Date, then the specified Maturity Date shall be extended to the second Business Day following the day that is 14 calendar days following the Initial Maturity Date or Grace Period Maturity Date, as applicable (the "**Potential Credit Event Maturity Date**").

The later of the Grace Period Maturity Date (if any) and the Potential Credit Event Maturity Date (if any) shall be the "**Extended Maturity Date**"; *provided that*, notwithstanding the other provisions of the Conditions but without prejudice to Condition 6(j):

- (A) interest shall in any event cease to accrue in respect of the outstanding principal amount of the Notes on the Initial Maturity Date and Conditions 3, 4 and/or 5 shall be construed accordingly; and
- (B) references in Condition 6(a) to the Maturity Date shall be construed as references to the Extended Maturity Date. Any such interest accrued to the Initial Maturity Date (unless such interest is treated as having ceased to accrue as provided in Condition 6(j)(ii)) shall be payable on the Extended Maturity Date.

(l) *Method for Determining Obligations*

- (i) For the purposes of the definition of Obligation in Condition 6(o) the term "**Obligation**" may be defined as each obligation of each Reference Entity described by the specified Obligation Category, and having the specified Obligation Characteristics, if any, in each case, as of the date of the event which constitutes the Credit Event which is the subject of the Credit Event Notice. The following terms shall have the following meanings:
- (1) "**Obligation Category**" means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified, and:
 - (A) "**Payment**" means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
 - (B) "**Borrowed Money**" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);
 - (C) "**Reference Obligations Only**" means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
 - (D) "**Bond**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;
 - (E) "**Loan**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and
 - (F) "**Bond or Loan**" means any obligation that is either a Bond or a Loan.
 - (2) "**Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance, and:
 - (A) (aa) "**Not Subordinated**" means an obligation that is not Subordinated to
 - (i) the most senior Reference Obligation in priority of payment or (ii) if no Reference Obligation is specified, any unsubordinated Borrowed Money obligations of the Reference Entity. For purposes of determining whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Valuation Obligation Characteristic, the ranking in priority of payment of each Reference Obligation shall be determined as of the later of (x) the specified Credit Linkage Commencement Date and (y) the date on which such Reference Obligation was issued or incurred

and shall not reflect any change to such ranking in priority of payment after such later date;

(bb) "**Subordination**" means, with respect to an obligation (the "**Subordinated Obligation**") and another obligation of the Reference Entity to which such obligation is being compared (the "**Senior Obligation**"), a contractual, trust or similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. "**Subordinated**" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;

- (B) "**Specified Currency**" means an obligation that is payable in the currency or currencies specified as such (or, if Specified Currency is specified and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be specified collectively as the "**Standard Specified Currencies**");
- (C) "**Not Sovereign Lender**" means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as "Paris Club debt";
- (D) "**Not Domestic Currency**" means any obligation that is payable in any currency other than the Domestic Currency;
- (E) "**Not Domestic Law**" means any obligation that is not governed by the laws of (1) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (2) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;
- (F) "**Listed**" means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- (G) "**Not Domestic Issuance**" means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant

Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.

- (ii) If the Obligation Characteristic "Listed" is specified, the Conditions shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if bonds are covered by the selected Obligation Category.
- (iii) In the event that an Obligation is a Qualifying Guarantee, the following will apply:
 - (1) For purposes of the application of the Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.
 - (2) For purposes of the application of the Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the specified applicable Obligation Characteristics, if any, from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.
 - (3) For purposes of the application of the Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the specified applicable Obligation Characteristics, if any, from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
 - (4) For purposes of the application of the Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (m) *Method for Determining Valuation Obligations*
 - (i) For the purpose of the definition of Valuation Obligation in Condition 6(o) the term "**Valuation Obligation**" may be defined as each obligation of each Reference Entity described by the specified Valuation Obligation Category, and having each of the specified Valuation Obligation Characteristics, if any, as of the Valuation Date subject as provided below. The following terms shall have the following meanings:
 - (1) "**Valuation Obligation Category**" means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan (each as defined in Condition 6(l)(i)(1), except that, for the purpose of determining Valuation Obligations, Condition 6(l)(i)(1)(C) shall be amended to state that no Valuation Obligation Characteristics shall be applicable to Reference Obligations Only).

(2) **"Valuation Obligation Characteristics"** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer, and:

(A) **"Not Contingent"** means any obligation having as of the Valuation Date and all times thereafter an outstanding principal balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy the Not Contingent Valuation Obligation Characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (1) to convert or exchange such obligation or (2) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date;

If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Valuation Obligation only if the rights referred to in (1) and (2) above of this Condition 6(m)(i)(2)(A) have not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date;

(B) **"Assignable Loan"** means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;

(C) **"Consent Required Loan"** means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such Loan) or any agent;

(D) **"Direct Loan Participation"** means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of a third party, that provides such party with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between the relevant Noteholder or its designee and either (x) the Issuer or its designee (to the extent the Issuer or such designee is then a

lender or a member of the relevant lending syndicate), or (y) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);

- (E) "**Transferable**" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction provided that none of the following shall be considered contractual, statutory or regulatory restrictions:
 - (x) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
 - (y) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;
 - (F) "**Maximum Maturity**" means an obligation that has a remaining maturity from the Valuation Date of not greater than the period specified;
 - (G) "**Accelerated or Matured**" means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross-ups and other similar amounts), is, or on or prior to the Valuation Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and
 - (H) "**Not Bearer**" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via the Euroclear system, Clearstream, Luxembourg or any other internationally recognised clearing system.
- (ii) If the Obligation Characteristic "Listed" is specified, the Conditions shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category.
 - (iii) If (a) either of the Valuation Obligation Characteristics "Listed" or "Not Bearer" is specified, the Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Valuation Obligation Category; (b) the Valuation Obligation Characteristic "Transferable" is specified, the Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Valuation Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Valuation Obligation Category); or (c) any of the Valuation Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan"

Participation" is specified, the Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Valuation Obligation Category;

- (iv) If any of Payment, Borrowed Money, Loan, or Bond or Loan is specified as the Valuation Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Valuation Obligation Characteristics, the Valuation Obligations may include any Loan that satisfies any one of such Valuation Obligation Characteristics specified and need not satisfy all such Valuation Obligation Characteristics; and
- (v) In the event that a Valuation Obligation is a Qualifying Guarantee, the following will apply:
 - (1) For purposes of the application of the Valuation Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.
 - (2) For purposes of the application of the Valuation Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the specified applicable Valuation Obligation Characteristics, if any, from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.
 - (3) For purposes of the application of the Valuation Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the specified applicable Valuation Obligation Characteristics, if any, from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
 - (4) For purposes of the application of the Valuation Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
 - (5) The terms "outstanding principal balance" and "Due and Payable Amount" (as they are used in various other Conditions), when used in connection with Qualifying Guarantees are to be interpreted to be the then "outstanding principal balance" or "Due and Payable Amount", as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.
- (n) *Restructuring Maturity Limitation and Modified Restructuring Maturity Limitation*
 - (i) If "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" is specified and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Valuation Obligation may be included in the Portfolio only if it (i) is a

Fully Transferable Obligation and (ii) has a final maturity date not later than the Restructuring Maturity Limitation Date.

- (ii) If "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Valuation Obligation may be included in the Portfolio only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.

(o) *Credit-Linked Note Definitions*

"Accreted Amount" means, with respect to an Accreting Obligation, an amount equal to (i) the sum of (a) the original issue price of such obligation and (b) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (ii) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in (i)(b) above), in each case calculated as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Valuation Date. Such Accreted Amount shall include any accrued and unpaid periodic cash interest payments (as determined by the Calculation Agent) only if "Include Accrued Interest" is specified. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such obligation's yield to maturity is not specified in, nor implied from, the terms of such obligation, then, for purposes of (i)(b) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (1) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (2) the relevant Valuation Date. The Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable;

"Accreting Obligation" means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (i) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (ii) periodic cash interest is also payable. With respect to any Accreting Obligation, "outstanding principal balance" shall mean the Accreted Amount thereof.

"Affiliate" means in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Bankruptcy" means a Reference Entity (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to

pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (a) results in a judgement of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (b) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof; (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (vii) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in (i) to (vii) above (inclusive) of this definition of Bankruptcy.

"Business Day" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified and such other days as may be specified.

"Business Day Convention" means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. The following terms, when used in conjunction with the term "Business Day Convention" and a date, shall mean that an adjustment will be made if that date would otherwise fall on a day that is not a Business Day so that:

- (i) if "Following" is specified, that date will be the first following day that is a Business Day;
- (ii) if "Modified Following" or "Modified" is specified, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day; and
- (iii) if "Preceding" is specified, that date will be the first preceding day that is a Business Day.

"Calculation Amount" means the amount specified as such.

"Cash Settlement Amount" means the amount specified as such (or, if the same is allocated as contemplated in paragraph (e) of the definition of Successor in Condition 6(o), the proportion thereof allocated to the relevant Successor) or, if an amount is not specified, the greater of (a) the Calculation Amount multiplied by the difference between the Reference Price and the Final Price and (b) zero; *provided, however, that*, if "Deduct Hedging Costs" is specified then the Issuer shall increase the Cash Settlement Amount otherwise determined hereunder by an amount equal to the Hedging Costs.

"Cash Settlement Date" means (a) if an amount is not specified as the Cash Settlement Amount, the date that is the number of Business Days specified (or, if a number of Business

Days is not specified, three Business Days) following calculation of the Final Price and (b) if an amount is specified as the Cash Settlement Amount, the date that is the number of Business Days specified (or, if a number of Business Days is not specified, three Business Days) following, the Credit Event Notice Date.

"Conditionally Transferable Obligation" means a Valuation Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Valuation Obligation other than Bonds, provided, however, that a Valuation Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Valuation Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Valuation Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Valuation Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Valuation Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Valuation Obligation shall not be considered to be a requirement for consent for purposes of this definition of Conditionally Transferable Obligation.

For purposes of determining whether a Valuation Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Valuation Date, taking into account only the terms of the Valuation Obligation and any related transfer or consent documents obtained.

"Convertible Obligation" means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

"Credit Event" means the occurrence of one or more of Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, as specified, as determined by the Issuer or the Calculation Agent in its sole and absolute discretion (save that such determination shall be confirmed by Publicly Available Information). If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon: (i) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, any Underlying Obligor to enter into any Underlying Obligation, (ii) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described, (iii) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described or (iv) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

"Credit Linkage Commencement Date" means the date specified as such.

"Currency Amount" means, whenever an amount is denominated in a currency other than the Settlement Currency and is to be determined under these Conditions by reference to a Currency Amount, such amount converted to the relevant Settlement Currency using the Currency Rate.

"Currency Rate" means, whenever so required to be determined the rate for conversion of the currency of the Valuation Obligation into the Settlement Currency determined by the Calculation Agent, as of the Valuation Date, in its sole discretion.

"Default Requirement" means the amount specified as such or its equivalent in the relevant Obligation Currency, or if no amount is so specified, USD10,000,000 or its equivalent in the relevant Obligation Currency in either case as of the occurrence of the relevant Credit Event.

"Domestic Currency" means the currency specified as such and any successor currency. If no currency is so specified, the Domestic Currency shall be the lawful currency and any successor currency of (i) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (ii) the jurisdiction in which the relevant Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Switzerland, Japan, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

"Downstream Affiliate" means an entity whose outstanding Voting Shares were, at the date of the issuance of the Qualifying Guarantee, more than 50 percent owned, directly or indirectly, by the Reference Entity.

"Due and Payable Amount" means the amount that is due and payable under (and in accordance with the terms of) a Valuation Obligation as of the relevant Valuation Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

"Eligible Reference Entity" means an entity:

- (i) that is in the same Moody's, S&P or Additional Rating Agency industry group (the **"Industry Requirement"**) as the relevant Surviving Reference Entity, where:

"Moody's" means Moody's Investors Service, Inc.;

"S&P" means Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc; and

"Additional Rating Agency" means the rating agency specified as such.

- (ii) that has a bid-side credit spread at any time, selected by the Calculation Agent in its sole discretion in the period from and including the legally effective date of the relevant Succession Event to and including the date of designation by the Issuer of the Replacement Reference Entity, no greater than 110% of the bid-side credit spread of the relevant Surviving Reference Entity at such time (the **"Credit Spread Requirement"**), in each case based on a credit default swap:

- (a) on market standard terms for the relevant entity as at the time of such determination;

- (b) in respect of a floating rate payer calculation amount equal to at least 50 per cent., but not more than 100 per cent., of the Calculation Amount of the relevant Surviving Reference Entity; and
- (c) with a term equal to the period from and including the date of the determination to and including the Initial Maturity Date (the "**Remaining Term**"), provided that if the Issuer, having used reasonable endeavours, cannot obtain quotations from at least three dealers in respect of the Remaining Term, the term for the purposes of this sub-clause (c) shall be five years.

The bid-side credit spreads for the purpose of the Credit Spread Requirement shall be the unweighted arithmetic mean of the spread quotations obtained by the Issuer (on the basis of the terms set out above) from at least three dealers, as determined by the Issuer in its sole and absolute discretion;

- (iii) that is principally traded in the credit derivatives market in respect of the same Geographical Region as the relevant Surviving Reference Entity, as determined by the Calculation Agent, where:

"**Geographical Region**" means such region determined by the Calculation Agent to give best effect to then current market practice in respect of the relevant Surviving Reference Entity; and

- (iv) that is not an Affiliate of any Reference Entity or the Issuer immediately prior to and following the relevant Succession Event as determined by the Calculation Agent.

"**Eligible Transferee**" means each of the following:

- (i)
 - (a) any bank or other financial institution;
 - (b) an insurance or reinsurance company;
 - (c) a mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in (iii)(a) below); and
 - (d) a registered or licensed broker or dealer (other than a natural person or proprietorship);

provided, however, in each case that such entity has total assets of at least USD500,000,000;

- (ii) an Affiliate of an entity specified in (i) above;
- (iii) each of a corporation, partnership, proprietorship, organisation, trust or other entity
 - (a) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (A) has total assets of at least USD100,000,000 or (B) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least USD100,000,000; or
 - (b) that has total assets of at least USD500,000,000; or

- (c) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support or other agreement by an entity described in (i), (ii), (iii)(b) above or (iv) below; and
- (iv) a Sovereign, Sovereign Agency or Supranational Organisation

(all references in this definition to USD including equivalent amounts in other currencies).

"Equity Securities" means:

- (a) in the case of a Convertible Obligation, equity securities (including options or warrants) of the issuer of such obligation or depositary receipts representing equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and
- (b) in the case of an Exchangeable Obligation, equity securities (including options or warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

"Exchangeable Obligation" means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holder of such obligation). With respect to any Exchangeable Obligation that is not an Accreting Obligation, "outstanding principal balance" shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

"Excluded Obligation" means any obligation of a Reference Entity specified as such (if any are so specified).

"Excluded Valuation Obligation" means any obligation of a Reference Entity specified as such (if any are so specified).

"Extended Maturity Date" has the meaning ascribed thereto in Condition 6(k).

"Failure to Pay" means, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

"Final Price" means the price (or, if the Portfolio comprises more than one Valuation Obligation, the weighted average, as determined by the Calculation Agent) of the Valuation Obligation(s) comprised in the Portfolio, expressed as a percentage, as determined by the Calculation Agent as of the Valuation Date in its sole and absolute discretion.

"Fully Transferable Obligation" means a Valuation Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Valuation Obligation other than

Bonds. Any requirement that notification of novation, assignment or transfer of a Valuation Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Valuation Obligation shall not be considered to be a requirement for consent for the purposes of this definition. For purposes of determining whether a Valuation Obligation satisfies the requirements of this definition, such determination shall be made as of the Valuation Date for the Valuation Obligation, taking into account only the terms of the Valuation Obligation and any related transfer or consent documents which have been obtained by the Issuer.

"GBP" means the lawful currency of the United Kingdom of Great Britain and Northern Ireland;

"Governmental Authority" means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity.

"Grace Period" means with respect to an Obligation the lesser of (i) the applicable grace period with respect to payments under the terms of such Obligation in effect as of the later of the Credit Linkage Commencement Date and the date as of which such obligation is issued or incurred and (ii) a period of thirty calendar days.

"Grace Period Extension Date" means, with respect to any Potential Failure to Pay, the date that is the number of days constituting the relevant Grace Period after the date of the commencement of such Potential Failure to Pay.

"Hedging Costs" means an amount equal to the aggregate costs to the Issuer and/or its affiliates of terminating, transferring or liquidating any transaction related to the issuance of the Notes, as determined by the Issuer in its sole and absolute discretion, including, without limitation, any related hedging transactions.

"Initial Maturity Date" has the meaning ascribed thereto in Condition 6(j)(i).

"Modified Eligible Transferee" means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

"Modified Restructuring Maturity Limitation Date" means, with respect to a Valuation Obligation, the date that is the later of (x) the Maturity Date and (y) 60 months following the Restructuring Date in the case of a Restructured Bond or Loan, or 30 months following the Restructuring Date in the case of all other Valuation Obligations.

"Multiple Holder Obligation" means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event, is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six-and-two-thirds is required to consent to the event which constitutes a Restructuring Credit Event provided that any Obligation that is a Bond shall be deemed to satisfy the requirements in (ii) of this definition of Multiple Holder Obligation.

"Obligation" means (i) any obligation of a Reference Entity (either directly or as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified, as provider of any Qualifying Guarantee) determined pursuant to the method described in Condition 6(l) (but excluding any Excluded Obligation), (ii) each Reference Obligation, unless specified as an Excluded Obligation, and (iii) any other obligation of a Reference Entity specified as such.

"Obligation Acceleration" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

"Obligation Currency" means the currency or currencies in which an Obligation is denominated.

"Obligation Default" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

"Payment Requirement" means the amount specified as such or its equivalent in the relevant Obligation Currency, or if Payment Requirement is not so specified, USD1,000,000 or its equivalent in the relevant Obligation Currency, in either case as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

"Portfolio" means a portfolio of one or more Valuation Obligations with (i) in the case of Valuation Obligations that are Borrowed Money obligations, an outstanding principal balance (including (if Included Accrued Interest is specified) or excluding (if Exclude Accrued Interest is specified) accrued but unpaid interest as determined by the Issuer or the Calculation Agent acting in a commercially reasonable manner) or (ii) in the case of Valuation Obligations that are not Borrowed Money obligations, a Due and Payable Amount (or, in the case of either (i) or (ii), the equivalent Currency Amount of any such amount), in an aggregate amount equal to the Calculation Amount as of the relevant Valuation Date and which is identified by the Issuer to the Calculation Agent not later than the Business Day immediately preceding the relevant Valuation Date.

"Potential Failure to Pay" means, in the sole and absolute determination of the Issuer and Calculation Agent, the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations in accordance with the terms of such Obligations at the time of such failure.

"Publicly Available Information" means information that reasonably confirms any of the facts relevant to the determination that the Credit Event has occurred and which (i) has been published in or on not less than two Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if the Issuer or the Calculation Agent or any of its respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless the Issuer or

the Calculation Agent or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (ii) is information received from or published by (a) a Reference Entity (or a Sovereign Agency in respect of a Reference Entity which is a Sovereign) or (b) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (iii) is information contained in any petition or filing instituting a proceeding described in paragraph (iv) of the definition of Bankruptcy above against or by a Reference Entity or (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.

In relation to any information of the type described in (ii), (iii) or (iv) above, the Issuer and the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to third parties.

Publicly Available Information need not state (a) in relation to the definition of Downstream Affiliate above, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity and (b) that such occurrence (1) has met the Payment Requirement or Default Requirement, (2) is the result of exceeding any applicable Grace Period or (3) has met the subjective criteria specified in certain Credit Events.

"Public Source" means each source of Publicly Available Information specified as such (or, if a source is not so specified, each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

"Qualifying Affiliate Guarantee" means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

"Qualifying Guarantee" means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **"Underlying Obligation"**) for which another party is the obligor (the **"Underlying Obligor"**). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment).

"Qualifying Participation Seller" means any participation seller that meets the requirements specified. If no such requirements are specified, there shall be no Qualifying Participation Seller.

"Reference Entity" means the entity or entities specified as such. Any Successor to a Reference Entity identified pursuant to the definition of Successor below shall be the Reference Entity as determined pursuant to such definition.

"Reference Obligation" means each obligation specified (if any are so specified) and any Substitute Reference Obligation.

"Reference Price" means the percentage specified or, if a percentage is not specified, one hundred percent.

"Replacement Reference Entity" means, with respect to a Surviving Reference Entity, an Eligible Reference Entity selected by the Issuer in its sole and absolute discretion and notified as soon as reasonably practicable to the Noteholders in accordance with Condition 14.

"Repudiation/Moratorium" means an authorised officer of a Reference Entity or a Governmental Authority (i) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement or (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement.

"Restructured Bond or Loan" means an Obligation which is a Bond or Loan and in respect of which a Restructuring that is the subject of a Credit Event Notice has occurred.

"Restructuring"

- (a) **"Restructuring"** means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Credit Linkage Commencement Date and the date as of which such Obligation is issued or incurred:
- (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
 - (ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
 - (iii) a postponement or other deferral of a date or dates for either (a) the payment or accrual of interest or (b) the payment of principal or premium;
 - (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
 - (v) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency ("Permitted Currency" meaning (a) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands

its membership); or (b) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Cooperation and Development and has a local currency long-term debt rating of either AAA or higher assigned to it by Standard & Poor's, a division of the McGraw Hill Companies, Inc or any successor to the rating business thereof, Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof).

- (c) Notwithstanding the provisions of (a) above, none of the following shall constitute a Restructuring:
- (i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
 - (ii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
 - (iii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.
- (d) If Multiple Holder Obligation is specified then, notwithstanding anything to the contrary in this definition of Restructuring, the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.
- (e) For purposes of (a), (b) and (c) above, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in (a) above shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in (b) above shall continue to refer to the Reference Entity.

"Restructuring Date" means, with respect to a Restructured Bond or Loan, the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

"Restructuring Maturity Limitation Date" means the date that is the earlier of (i) thirty months following the Restructuring Date and (ii) the latest final maturity date of any Restructured Bond or Loan, provided, however, that under no circumstances shall the Restructuring Maturity Limitation Date be earlier than the Maturity Date or (if applicable) the Extended Maturity Date, or later than 30 months following the Maturity Date or (if applicable)

the Extended Maturity Date and if it is it shall be deemed to be the Maturity Date or thirty months following the Maturity Date, as the case may be.

"Settlement Currency" means the currency specified or, if no currency is so specified, the currency of denomination of the Calculation Amount.

"Sovereign" means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) thereof.

"Sovereign Agency" means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

"Sovereign Restructured Valuation Obligation" means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the specified Valuation Obligation Category and, subject to Condition 6(m)(iv), having each of the specified Valuation Obligation Characteristics, if any, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Valuation Obligation Category or Valuation Obligation Characteristics after such Restructuring.

"specified" means, unless otherwise provided, as specified in Schedule 1 to the Final Terms relating to the Notes.

"Stamp Tax" means any stamp, registration, documentation or similar tax.

"Substitute Reference Obligation" means one or more obligations of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations, identified by the Calculation Agent in accordance with the following procedures:

- (a) In the event that (i) a Reference Obligation is redeemed in whole or (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortization or prepayments), (B) any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms, or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity, the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation.
- (b) Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that (i) ranks *pari passu* (or, if no such Obligation exists, then, at the Issuer's option, an Obligation that ranks senior) in priority of payment with such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the later of (A) the specified Credit Linkage Commencement Date and (B) the date on which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such later date) and (ii) is an obligation of the relevant Reference Entity (either

directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of a Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations.

- (c) If more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to one or more but not all of the Reference Obligations for such Reference Entity, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to all of the Reference Obligations for such Reference Entity, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.
- (e) If (i) more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to all the Reference Obligations of such Reference Entity and the Calculation Agent determines that no Substitute Reference Obligation is available for any of the Reference Obligations of such Reference Entity, or (ii) only one specific Reference Obligation is identified as a Reference Obligation, any of the events set forth under sub-section (a) of this definition of Substitute Reference Obligation has occurred with respect to such Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation, then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the latest of the Maturity Date and the Grace Period Extension Date (if any).
- (f) For purposes of identification of a Reference Obligation, any change in a Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

"Successor" shall have the meaning determined in accordance with the following provisions:

- (a) In relation to a Reference Entity that is not a Sovereign, "Successor" means, subject to (j) below), the entity or entities, if any, determined as set forth below:
 - (i) if one entity directly or indirectly succeeds to 75% or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;
 - (ii) if only one entity directly or indirectly succeeds to more than 25% (but less than 75%) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% of the Relevant Obligations of the

Reference Entity remain with the Reference Entity, the entity that succeeds to more than 25% of the Relevant Obligations will be the sole Successor;

- (iii) if more than one entity each directly or indirectly succeeds to more than 25% of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than 25% of the Relevant Obligations will each be a Successor and (e) below will apply;
- (iv) if one or more entities each directly or indirectly succeeds to more than 25% of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will be a Successor and (e) below will apply;
- (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25% of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event; and
- (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25% of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than 14 calendar days after the legally effective date of the Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information.

- (b) **"Succession Event"** means an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, "Succession Event" shall not include any event in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event.

- (c) For purposes of interpreting this definition of Successor "succeed" means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to (a) above shall be made, in the case of an exchange offer, on the basis of the outstanding principal balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the outstanding principal balance of Bonds for which Relevant Obligations have been exchanged.
- (d) Where (i) a Reference Obligation has been specified with respect to a Reference Entity, (ii) one or more Successors to the Reference Entity have been identified and (iii) any one or more such Successors have not assumed the Reference Obligation, a Substitute Reference Obligation will be determined in accordance with the definition of Substitute Reference Obligation below.
- (e) Where, pursuant to (a)(iii) or (iv) above, more than one Successor has been identified then, subject to (j) below:
- (a) each Successor will be treated as a Reference Entity;
 - (a) the Calculation Agent shall allocate the Calculation Amount equally between all such Successors;
 - (b) the provisions of Condition 6(j)(iii) shall apply; and
 - (c) the Conditions will otherwise continue to apply except to the extent that modification is required, as determined by the Calculation Agent, to preserve the economic effects of the original Conditions.
- (f) **"Relevant Obligations"** means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.
- (g) **"Best Available Information"** means:
- (i) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors

or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information or, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination for the purposes of the definition of Successor, other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or

- (ii) in the case of a Reference Entity which does not file with its primary securities regulator or primary stock exchange, and which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of the definition of Successor.
- (h) Information which is made available more than 14 calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information.
- (i) In relation to a Sovereign Reference Entity, "Successor" means any direct or indirect successor(s) to that Reference Entity irrespective of whether such successor(s) assumes any of the obligations of such Reference Entity.
- (j) If Substitution is specified as applicable, where any Reference Entity (a "**Surviving Reference Entity**") (other than the Reference Entity the subject of the Succession Event) would otherwise be a Successor to any other Reference Entity (the "**Legacy Reference Entity**") pursuant to the foregoing provisions then, at the election of the Issuer at any time:
 - (i) such Surviving Reference Entity shall be deemed not to be a Successor to the Legacy Reference Entity; and
 - (ii) the Replacement Reference Entity selected by the Issuer shall be deemed to be a Successor to the Legacy Reference Entity pursuant to that Succession Event from and including the legally effective date of the Succession Event. The Standard Terms applicable to such Replacement Reference Entity shall be the Standard Terms applicable to the relevant Surviving Reference Entity as at the Credit Linkage Commencement Date as determined by the Calculation Agent.

"**Supranational Organisation**" means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

"**USD**" means the lawful currency of the United States of America.

"**Valuation Date**" means the date specified as such.

"**Valuation Obligation**" means, subject to Condition 6(n):

- (i) any obligation of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified, as provider of any Qualifying

Guarantee determined pursuant to the method described in Condition 6(m) (but excluding any Excluded Valuation Obligation) that (A) is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable, (B) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (i) to (iv) in the definition of Credit Event above) or right of set-off by or of the Reference Entity or any applicable Underlying Obligor and (C) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount being valued apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;

- (ii) subject to the second paragraph of the definition of Not Contingent in Condition 6(m)(i)(2)(A), each Reference Obligation, unless specified as an Excluded Valuation Obligation;
- (iii) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Valuation Obligation (but excluding any Excluded Valuation Obligation) that (i) is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (i) to (iv) of the definition of Credit Event above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and
- (iv) any other obligation of a Reference Entity specified as a Valuation Obligation.

"Voting Shares" means those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

- (p) Determinations by the Calculation Agent and Calculation Agent Free to Deal in Notes etc
 - (a) Whenever any matter falls to be determined, considered or otherwise decided upon by the Calculation Agent or any other person (including where a matter is to be decided by reference to the Calculation Agent's or such other person's opinion), unless otherwise stated, that matter shall be determined, considered or otherwise decided upon by the Calculation Agent or such other person, as the case may be, acting in good faith and in a reasonably commercial manner. The Calculation Agent shall not be liable for any loss, liability, cost, claim, action, demand or expense (including without limitation, all costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as may result from its own wilful default, negligence or bad faith or that of its officers or agents.

- (b) Nothing contained herein shall prevent the Calculation Agent from dealing in the Notes or from entering into any related transactions, including without limitation any swap or hedging transactions, with the Issuer (or any of its respective Affiliates) or any holder of the Notes (or any of its Affiliates).

SCHEDULE 3**REFERENCE ENTITY TYPE**

Reference Entity:	Reference Obligation:	Entity Type:
	<p>Primary Obligor:</p> <p>Guarantor:</p> <p>Status:</p> <p>Maturity:</p> <p>Coupon:</p> <p>CUSIP/ISIN:</p> <p>Original Issue Amount:</p> <p>Reference Price:</p>	

SCHEDULE 4
STANDARD TERMS

The standard terms relating to each Entity Type are set out in the Annexes to this Schedule 4.

ANNEX A
STANDARD TERMS FOR NORTH AMERICAN CORPORATE⁵⁵

All Guarantees:	Not Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring, if specified as applicable in the relevant [Confirmation]
	Restructuring Maturity Limitation and Fully Transferable Obligation Applicable
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

⁵⁵ Investment Grade and High Yield

ANNEX B
STANDARD TERMS FOR EUROPEAN CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX C
STANDARD TERMS FOR AUSTRALIA CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring
	Restructuring Maturity Limitation and Fully Transferable Obligation Applicable
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX D
STANDARD TERMS FOR NEW ZEALAND CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring
	Restructuring Maturity Limitation and Fully Transferable Obligation Applicable
Obligation Category:	Borrowed Money
	None
	Physical Settlement
	30 Business Days
	Bond or Loan
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX E
STANDARD TERMS FOR JAPAN CORPORATE

All Guarantees: Applicable

Credit Events: Bankruptcy

Failure to Pay

Payment Requirement: If the Floating Rate Payer Calculation Amount is in JPY, JPY 100,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay. In all other cases, USD 1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay.

Restructuring

Multiple Holder Obligation: Not Applicable

Default Requirement: If the Floating Rate Payer Calculation Amount is in JPY, JPY 1,000,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event. In all other cases, USD 10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.

Obligation Category: Borrowed Money

Obligation Characteristics: Not Subordinated

Deliverable Obligation Category: Bond or Loan

Deliverable Obligation Characteristics: Not Subordinated

Specified Currency: Standard

Specified Currencies & Domestic Currency

Not Contingent

Assignable Loan

Consent Required Loan

Transferable

Maximum Maturity: 30 years

Not Bearer

ANNEX F
STANDARD TERMS FOR SINGAPORE CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring
Obligation Category:	Bond or Loan
Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Sovereign Lender
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Sovereign Lender
	Not Contingent
	Assignable Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX G
STANDARDS TERMS FOR ASIA CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring
Obligation Category:	Bond or Loan
Obligation Characteristics:	Not Subordinated
	Not Sovereign Lender
	Not Domestic Currency
	Not Domestic Issuance
	Not Domestic Law
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Sovereign Lender
	Not Domestic Law
	Not Contingent
	Not Domestic Issuance
	Assignable Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX H
STANDARD TERMS FOR SUBORDINATED EUROPEAN INSURANCE CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Restructuring
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX I
STANDARD TERMS FOR LATIN AMERICA CORPORATE

All Guarantees:	Applicable
Credit Events:	Bankruptcy
	Failure to Pay
	Grace Period Ext.: Applicable
	Obligation Acceleration
	Repudiation/Moratorium
	Restructuring
	Multiple Holder Obl.: Not Applicable
Obligation Category:	Bond
Obligation Characteristics:	Not Subordinated
	Not Domestic Currency
	Not Domestic Law
	Not Domestic Issuance
Deliverable Obligation Category:	Bond
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Domestic Law
	Not Contingent
	Not Domestic Issuance
	Transferable
	Not Bearer

SCHEDULE 5

STANDARD TERMS FOR SOVEREIGNS

The standard terms relating to each Entity Type which are sovereigns are set out in the Annex to this Schedule 5.

ANNEX A
STANDARD TERMS FOR ASIA SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Repudiation/Moratorium
	Restructuring
Obligation Category:	Bond or Loan
Obligation Characteristics:	Not Subordinated
	Not Sovereign Lender
	Not Domestic Currency
	Not Domestic Law
	Not Domestic Issuance
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Sovereign Lender
	Not Domestic Law
	Not Contingent
	Not Domestic Issuance
	Assignable Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX B
STANDARD TERMS FOR EMERGING EUROPEAN & MIDDLE EASTERN SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Grace Period Extension: Applicable
	Obligation Acceleration
	Repudiation/Moratorium
	Restructuring
	Multiple Holder Obligation: Not Applicable
Obligation Category:	Bond
Obligation Characteristics:	Not Subordinated
	Not Domestic Currency
	Not Domestic Law
	Not Domestic Issuance
Deliverable Obligation Category:	Bond
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Domestic Law
	Not Contingent
	Not Domestic Issuance
	Transferable
	Not Bearer

ANNEX C
STANDARD TERMS FOR JAPAN SOVEREIGN

All Guarantees: Applicable

Credit Events: Failure to Pay

Payment Requirement: If the Floating Rate Payer Calculation Amount is in JPY, JPY 100,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay. In all other cases, USD 1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay.

Repudiation/Moratorium

Restructuring

Multiple Holder Obligation: Not Applicable

Default Requirement: If the Floating Rate Payer Calculation Amount is in JPY, JPY 1,000,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event. In all other cases, USD 10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.

Obligation Category: Borrowed Money

Obligation Characteristics: None

Deliverable Obligation Category: Bond or Loan

Deliverable Obligation Characteristics: Specified Currency

Not Contingent

Assignable Loan

Consent Required Loan

Transferable

Maximum Maturity: 30 years

Not Bearer

ANNEX D
STANDARD TERMS FOR AUSTRALIA SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Repudiation/Moratorium
	Restructuring
	Restructuring Maturity Limitation and Fully Transferable Obligation Applicable
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX E
STANDARD TERMS FOR NEW ZEALAND SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Repudiation/Moratorium
	Restructuring
	Restructuring Maturity Limitation and Fully Transferable Obligation Applicable
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX F
STANDARD TERMS FOR SINGAPORE SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Repudiation/Moratorium
	Restructuring
Obligation Category:	Bond or Loan
Obligation Characteristics:	Not Subordinated
	Specified Currency: Standard
	Specified Currencies & Domestic Currency
	Not Sovereign Lender
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Specified Currencies & Domestic Currency
	Not Sovereign Lender
	Not Contingent
	Assignable Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

ANNEX G
STANDARD TERMS FOR LATIN AMERICA SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Grace Period Extension: Applicable
	Obligation Acceleration
	Repudiation/Moratorium
	Restructuring
	Multiple Holder Obligation: Not Applicable
Obligation Category:	Bond
Obligation Characteristics:	Not Subordinated
	Not Domestic Currency
	Not Domestic Law
	Not Domestic Issuance
Deliverable Obligation Category:	Bond
Deliverable Obligation Characteristics:	Not Subordinated
	Specified Currency
	Not Domestic Law
	Not Contingent
	Not Domestic Issuance
	Transferable
	Not Bearer

ANNEX H
STANDARD TERMS FOR WESTERN EUROPEAN SOVEREIGN

All Guarantees:	Applicable
Credit Events:	Failure to Pay
	Repudiation/Moratorium
	Restructuring
Obligation Category:	Borrowed Money
Obligation Characteristics:	None
Deliverable Obligation Category:	Bond or Loan
Deliverable Obligation Characteristics:	Specified Currency
	Not Contingent
	Assignable Loan
	Consent Required Loan
	Transferable
	Maximum Maturity: 30 years
	Not Bearer

PART H - INTEREST RATE-LINKED NOTES

Product Description

Notes issued pursuant to the Programme may include Interest Rate-Linked Notes, being Notes in relation to which the interest payable thereon (if any) and/or the redemption amount thereof is determined by reference to levels of, or movements in, specified interest rates or other interest rate-dependent variables (each, an "**Interest Related Variable**"). Such Notes may be Fixed Rate Notes, Floating Rate Notes, Variable Coupon Amount Notes or Zero Coupon Notes, as specified in the relevant Final Terms. In the case of Variable Coupon Amount Notes, details of the dates on which interest shall be payable and the method of calculation of the interest payable on each such date will be set out in the relevant Final Terms.

Interest-Related Variables may consist of interest rates for specified periods, such as London inter-bank offered rates "LIBOR" for deposits in specified currencies or EURIBOR for deposits in euro, or constant maturity swap ("CMS") or remaining maturity swap ("RMS") rates, or other interest-based factors, as specified in the relevant Final Terms. Details of the Interest-Related Variable(s) applicable to any particular Series or Tranche of Notes and an indication of where information about the past and the further performance of the Interest-Related Variable and other information relating thereto will be specified in the relevant Final Terms.

There follows a description of certain types of Interest Rate-Linked Notes that may be issued under the Programme. In addition to these types of Notes, the Issuer may issue Interest Rate-Linked Notes under the Programme which combine elements of any of the Interest Rate-Linked Notes described below or are linked to Interest-Related Variables in a manner other than described below, details of which will be provided in the relevant Final Terms.

Callable Notes: Notes which the Issuer has a right to redeem prior to their maturity date. The Issuer's redemption right may be exercisable at any time, on certain specified dates only and/or only after or during a specified period, as specified in the Final Terms.

Auto-puttable Notes: Callable Notes which are to be mandatorily redeemed prior to their maturity date if a specified trigger event relating to an Interest-Related Variable occurs during a specified period or on a specified date, as specified in the Final Terms.

Trigger Redemption Notes: Notes which are not Callable Notes and which are to be mandatorily redeemed prior to their maturity date if a specified trigger event in relation to an Interest-Related Variable occurs during a specified period or on a specified date, as specified in the Final Terms.

Range Accrual Notes: Notes in relation to which interest only accrues for each day during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Final Terms.

Callable Range Accrual Notes (CRANs): Range Accrual Notes which are Callable Notes.

Trigger Redemption Range Accrual Notes: Range Accrual Notes which are Trigger Redemption Notes.

Auto-puttable CRANs: Range Accrual Notes which are Callable Notes and Auto-puttable Notes.

Fixed CRANs: Range Accrual Notes which are Callable Notes and which bear interest at a fixed rate of interest.

Floating CRANs: Range Accrual Notes which are Callable Notes and which bear interest at a floating rate of interest.

Target Accrual Redemption Note (TARN): Notes, the terms of which provide as follows: (i) the minimum and maximum amounts of interest payable to a Noteholder over the term of the Notes are set on the issue date and expressed as pre-determined percentages of the notional amount of the Notes ("**Lifetime Floor**" and "**Lifetime Cap**", respectively), (ii) the final interest payment is increased so that, if the cumulative total interest payments (taking into account the amount of such final interest payment) would not otherwise reach the Lifetime Floor, Noteholders receive over the life of the Notes cumulative interest payments equal to the Lifetime Floor and (iii) the Notes will be mandatorily redeemed at par on the first interest payment date on which the cumulative total interest payments up to and including such interest payment date would exceed the Lifetime Cap taking into account the interest payment scheduled to be made on such date, which payment will then be reduced so that Noteholders receive over the life of the Notes aggregate interest payments equal to the Lifetime Cap.

Target Accrual Redemption Notes (TARNs) (Bullish): Target Accrual Redemption Notes under which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the interest rate is calculated using a fixed rate and subtracting therefrom a multiplier of the level of a specified Interest-Related Variable (subject to a minimum interest rate of 0%).

Bearish TARN: Target Accrual Redemption Notes in relation to which the interest rate is calculated by applying a fixed multiplier to the level of a specified Interest-Related Variable and subtracting a specified fixed rate which increases each year (subject to a minimum interest rate of 0%).

BONUS TARN: Target Accrual Redemption Notes in relation to which the interest rate is calculated using an initial fixed rate during the first interest period, then a higher fixed rate minus a multiplier time a specified Interest-Related Variable during subsequent periods and an additional bonus payment (expressed as a percentage of the notional amount of the Notes and increasing annually throughout the term of the Notes) is made to Noteholders on the redemption date.

SnowRange Note: Notes which are Callable Notes and in relation to which (i) interest only accrues for each day (a "**Qualifying Day**") during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Final Terms, (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period). (The SnowRange Note is a variation of the CRAN.)

Accumulator Leverage Inverse Floater Note: Floating Rate Notes in relation to which (i) the amount of interest payable to the Noteholder over the term of the Notes is known from the issue date and expressed as a percentage of the notional amount (the "**Lifetime Cap**") but the timing of interest payments and the maturity date is not known, (ii) the final interest payment is adjusted at maturity so that the sum of all interest payments (including such adjusted payment) equals the Lifetime Cap (iii) the Notes are automatically redeemed at part on an interest payment date if the sum of the interest payments (prior to the adjustment of such interest payment) would otherwise exceed the Lifetime Cap.

BladeRanger Notes: Target Accrual Redemption Notes under which interest only accrues for each day (a "**Qualifying Day**") during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Final Terms, (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate

for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period).

Resettable SnowRange: SnowRange Notes which are Callable Notes and in relation to which, on a specified date, the interest payable is reset to the initial interest rate applicable to the first interest period and the interest rate leverage process recommences.

Bearish SnowRange: Callable Notes in relation to which (i) the interest only accrues for each day (a "Qualifying Day") over a period that a specified Interest-Related Variable remains above a pre-specified level which may be increased annually, as specified in the Final Terms and (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period).

Front-End SnowRange: SnowRange Notes which are Callable Notes in relation to which the Issuer is entitled to exercise its right to redeem early if the specified Interest-Related Variable remains within the pre-specified range during the first year of the term of the Notes.

Callable Inverse Floaters: Callable Notes in relation to which a fixed interest rate is set for an initial period, after which the interest rate for any given interest period is calculated by subtracting from a pre-specified fixed rate a multiple of the specified Interest-Related Variable (subject to a minimum interest rate of 0%).

Callable Capped Floaters: Callable Notes which are Floating Rate Notes and in relation to which the interest rate is set at a fixed margin above the specified Interest-Related Variable but the total of which is capped at a specified fixed rate.

Callable step-down Floaters: Callable Notes which are Floating Rate Notes and in relation to which (i) the interest rate is set at a fixed margin above the specified Interest-Related Variable but the total of which is capped at a specified fixed rate and (ii) the interest is only payable if the specified Interest-Related Variable remains below a certain pre-specified level.

Snowball: Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a pre-specified rate which increases each year and subtracting the specified Interest-Related Variable (subject to minimum interest rate of 0%).

Bearish Snowball: Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and adding to it the product of a multiple of the Interest-Related Variable minus a pre-specified interest rate (which increases each year) (subject to a minimum interest rate of 0% and a pre-specified interest rate maximum).

Resettable Snowball: Callable Notes in relation to which (i) a fixed interest rate is set for the initial interest period (the "initial interest rate") and leveraged thereafter whereby the subsequent interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a pre-specified rate which increases each year and subtracting the specified Interest-Related Variable (subject to a minimum interest rate of 0%) until a specified date on which the interest payable is reset to the initial interest rate and the interest rate leverage process recommences, and (ii) the Issuer has a right to redeem the Notes earlier than the maturity date if a trigger event relating to a specified

Interest-Related Variable occurs and is existing on a specified early redemption date during the term of the Notes.

Recovery Note: Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and adding to it the product of a multiple of the specified Interest-Related Variable minus a pre-specified interest rate (which increases each year) (subject to a minimum interest rate of 0% and a pre-specified interest rate maximum).

Seesaw Note: Callable notes in relation to which the method of calculating interest changes during the life of the Notes as follows. A fixed interest rate is set for the initial interest period and is then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiple of a pre-specified rate or rates less the specified Interest-Related Variable. The interest rate will then revert to the original or another fixed interest rate for a specified number of interest periods. Thereafter, the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiple of the specified Interest-Related Variable less a pre-specified rate or rates. The interest rate applicable to any interest period may be subject to minimum and maximum rate limits.

SnowBlade Note: Target Accrual Redemption Notes which are not Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a pre-specified rate which increases each year and subtracting the specified Interest-Related Variable (subject to a minimum interest rate of 0%).

CMS-linked Notes and RMS-Linked Notes

Deferred digital: Notes which are not Callable Notes and in relation to which (i) the timing of the interest rate payment is conditional on the specified Interest-Related Variable and (ii) if the specified Interest-Related Variable remains below a certain trigger level or barrier, the interest rate payable is a fixed amount and if the specified Interest-Related Variable reaches the trigger level or barrier, the interest rate payable is compounded over the term of the Notes and payment is deferred until maturity.

Remaining-Maturity-Swap CRAN: Callable Notes in relation to which interest only accrues for each day over a certain period of time that the specified underlying Remaining-Maturity-Swap (RMS) rate remains below a certain pre-specified trigger level or upper barrier.

RMS Wings Note: Callable Notes in relation to which there is a certain fixed minimum interest rate which only accrues for each day over a certain period of time that the specified Interest-Related Variable is either (i) below a certain pre-specified trigger level or (ii) above a certain higher pre-specified trigger level.

CMS SnowRange: Callable Notes in relation to which (i) interest only accrues for each day (a "Qualifying Day") over a certain period of time that a specified CMS rate remains within a pre-specified range which may increase annually and (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period).

Bearish CMS: Target Accrual Redemption Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods it is calculated by subtracting a fixed

multiplier which increases each year from a specified CMS rate (subject to a minimum interest rate of 0%).

CMS Recovery Note: Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and adding to it the product of a multiple of a specified CMS rate minus a pre-specified interest rate (which increases each year) (subject to minimum interest rate of 0% and a pre-specified maximum interest rate).

CMS TARN Note: Target Accrual Redemption Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the interest rate is calculated using a fixed rate and subtracting the level of a specified CMS rate (subject to a minimum interest rate of 0%).

CMS Spread-linked Notes

(CMS) Fixed SCRAN: Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the fixed interest rate only accrues for each day over a certain period of time that a specified constant maturity swap spread (a "CMS Spread") remains above a pre-specified trigger level or lower barrier.

(CMS) Floating SCRAN: Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods a floating rate of interest only accrues for each day over a certain period of time that a specified CMS-Spread remains above a pre-specified trigger level or lower barrier.

Wedding Cake Note: Notes which are not Callable Notes, in relation to which the floating interest rate is comprised of three different tiers of calculation and only accrues for each day that a specified CMS Spread remains (a) above a pre-specified trigger level, (b) remains within a pre-specified range and (c) remains below a pre-specified trigger level, over a certain period of time.

Floating SCRAN: Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the interest only accrues for each day over a certain period of time that the specified Interest-Related Variable remains above a pre-specified trigger level or lower barrier.

VariCap Note: Notes which are not Callable Notes, in relation to which the interest calculated in relation to any period is a CMS rate plus a spread, but subject to a minimum interest rate and a variable maximum interest rate (the "Cap"). The Cap is calculated by reference to a multiple of the specified CMS Spread, which multiple may or may not increase over time, as specified in the relevant Final Terms.

CMS Steepener (Bearish): Callable Notes in relation to which the interest rate is set at a fixed margin above a specified CMS rate and is payable if such CMS rate remains above a pre-specified trigger level (which increases throughout the term of the Notes) but if the CMS rate falls below the trigger level, then the interest rate payable is capped at a specified fixed amount.

Volatility-linked Notes

Sliding Volatility Note: Notes which are not Callable Notes and in relation to which the interest rate is set at a multiple of the value of the change in a specified Interest-Related Variable over a specified period.

Terminal Volatility Note: Notes which are Callable Notes and in relation to which the interest rate for any interest period is calculated by multiplying a specified fixed rate by the absolute value of the difference between the specified Interest-Related Variable at the start of one interest period and such Interest-Related Variable at the end of the interest period.

Serial Notes: Notes which are not Callable Notes and in relation to which the interest rate is determined by any one of the minimum, the maximum or the average level of the specified Interest-Related Variable over a certain period of time plus a pre-specified interest rate.

PART I - WARRANTS

TERMS AND CONDITIONS OF THE WARRANTS

The following are the terms and conditions of the Warrants which (subject to completion and minor amendment) will be applicable to each Series of Warrants, provided that the relevant Final Terms in relation to any Warrants may supplement these terms and conditions and/or may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace the following terms and conditions for the purposes of such Warrants.

This Warrant is one of a series (each, a "**Series**") of warrants (the "**Warrants**") issued by HSBC Bank plc in its capacity as issuer (the "**Issuer**") pursuant to a warrant agency agreement 24 February 1999 as modified, supplemented and/or restated on 3 March 2000, 10 April 2001, 18 June 2002 and 1 August 2005 (as further modified and/or amended from time to time, the "**Warrant Agency Agreement**") made between the Issuer, HSBC Bank plc and HSBC France in their capacity as calculation agents (each a "**Calculation Agent**", which expression shall include any successor calculation agent appointed in accordance with the Warrant Agency Agreement or, in respect of any Series of Warrants, such other calculation agent as may be specified in the relevant Final Terms (as defined below), and HSBC Bank plc as principal warrant agent (the "**Principal Warrant Agent**", which expression includes any successor or substitute principal warrant agent appointed in accordance with the Warrant Agency Agreement, and together with any additional warrant agent specified in the relevant Final Terms or appointed pursuant to the Warrant Agency Agreement, the "**Warrant Agents**") and HSBC Bank plc in its capacity as authentication agent (the "**Authentication Agent**", which expression includes any successor or substitute authentication agent appointed in accordance with the Warrant Agency Agreement). The Warrants also have the benefit of a master warrant issuance agreement dated 24 February 1999 as modified, supplemented and/or restated on 3 March 2000, 10 April 2001, 18 June 2002 and 1 August 2005 (as further modified and/or amended from time to time, the "**Master Warrant Issuance Agreement**") and made between the Issuer and HSBC Bank plc as manager (the "**Manager**", which expression shall include any successor Manager specified in the relevant Final Terms). As used herein, the expression "**Warrant Agents**" shall include the Principal Warrant Agent and any other warrant agents appointed in accordance with the Warrant Agency Agreement. The following terms and conditions (the "**Conditions**") include brief summaries of, and are subject to, certain provisions of the Warrant Agency Agreement, a copy of which will be available for inspection at the specified office of the Principal Warrant Agent. The Warrantholders (as defined in Condition 1) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions (including the form of Exercise Notice referred to in Condition 4) of the Warrant Agency Agreement.

Each Series of Warrants may comprise one or more tranches ("**Tranches**" and each, the "**Tranche**") of Warrants. Each Tranche will be the subject of Final Terms hereto (each, the "**Final Terms**"), a copy of which will, in the case of a Tranche in relation to which application has been made to list on the gilt-edged and fixed interest market of the London Stock Exchange (the "**London Stock Exchange**"), be lodged with the London Stock Exchange and will be available at the specified office of each of the Warrant Agents. In the case of a Tranche of Warrants in relation to which application has not been made to list on the London Stock Exchange or for admission to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available to a Holder (as defined in Condition 1) of such Warrants.

References in the Conditions to Warrants are to the Warrants of the relevant Series and references to the Issuer, a Warrant Agent, the Calculation Agent, any Holder or the Warrantholders are to those persons in relation to the Warrants of the relevant Series. Capitalised terms used but not defined in these Conditions will have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Warrants of the relevant Series.

As used in these Conditions and in relation to any Series of Warrants, subject as otherwise provided herein:

"Additional Disruption Event" has the meaning ascribed thereto in Condition 6(f).

"Averaging Date" means, in respect of each Valuation Date, each date specified as such or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of Condition 6(b).

"Basket" means, in respect of an Index Basket Warrant, a basket composed of each Index specified in the relevant Final Terms in the relative proportions indicated in the Final Terms and, in the case of a Security Basket Warrant, a basket composed of Securities of each Underlying Company specified in the relevant Final Terms in the relative proportions and numbers of Securities of each Underlying Company indicated in the Final Terms.

"Bloomberg" means Bloomberg L.P.

"Business Day" means, unless otherwise specified in the relevant Final Terms, a day (other than a Saturday or a Sunday) on which banks are open for business and carrying on foreign exchange transactions in London and the principal financial centre of the Settlement Currency and on which the relevant Clearing System is open for business.

"Calculation Agent" means with respect to a Series of Warrants, the entity specified as such in the relevant Final Terms, being either HSBC Bank plc or HSBC France.

"Call Warrant" means a Warrant entitling, but not obligating, the Warrantholder upon exercise (i) to receive the relevant Cash Settlement Amount or (ii) to purchase the relevant Securities, in each case subject to and in accordance with these Conditions.

"Cash Settlement" has the meaning ascribed thereto in Condition 3.

"Cash Settlement Amount" has the meaning ascribed thereto in Condition 3.

"Cash Settlement Payment Date" has the meaning ascribed thereto in the relevant Final Terms.

"CEA" means the United States Commodity Exchange Act, as amended.

"Clearance System" means, in relation to a Series of Warrants, such of Euroclear, Clearstream, Luxembourg or any domestic clearance system through which transfers of the Securities are customarily settled as is specified as such in the relevant Final Terms or any successor to such clearance system.

"Clearance System Business Day" means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

"Clearing System" means Euroclear, Clearstream, Luxembourg and/or any other clearing system located outside the United States specified in the relevant Final Terms in which Warrants of the relevant Series are held, or in relation to an individual Warrant, that Warrant is held, for the time being.

"Clearstream, Luxembourg" means Clearstream Banking, société anonyme, Luxembourg.

"Component Security" means, with respect to an Index, each component security of that Index.

"Conversion" means, in respect of any Securities, any irreversible conversion by the Underlying Company of such Securities into other securities.

"Currency Business Day" means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre for the relevant currency.

"Determination Date" means a day on which the Issuer notifies the Clearing System that it has elected for Physical Settlement or Cash Settlement in accordance with Condition 4(d), as specified in the relevant Final Terms.

"Delivery Disruption Event" means, as determined by the Calculation Agent in its sole and absolute discretion, the failure by the Issuer to deliver or to procure delivery on the relevant Settlement Date of any relevant Securities under the relevant Warrant which is due to illiquidity in the market for such Securities.

"Delisting" means that the Exchange announces that pursuant to the rules of such Exchange, the Securities cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union).

"Deposit Agreement" means, in relation to each Depositary Receipt, the agreement(s) or other instrument(s) constituting such Depositary Receipt, as from time to time amended or supplemented.

"Depositary" means, in relation to a Depositary Receipt, the issuer of such Depositary Receipt as appointed under the Deposit Agreement, including its successors from time to time.

"Depositary Receipt(s)" means any Security specified as such in the relevant Final Terms provided that if the relevant Deposit Agreement is terminated at any time, any reference to any Depositary Receipt(s) shall thereafter be construed as a reference to the relevant Underlying Securities and the Calculation Agent will make such adjustment as it, in its sole and absolute discretion, determines to be appropriate to the relevant Warrants and determine, in its sole and absolute discretion, the effective date of such adjustment.

"Disrupted Day" means (a) any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred; or (b) if the Warrants are Multiple Exchange Index Warrants, any Scheduled Trading Day on which (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred.

"DR Linked Warrants" means a Series of Security Warrants which relate to one or more Securities which are Depositary Receipts.

"Early Closure" means (a) the closure on any Exchange Business Day of the relevant Exchange (in the case of Security Warrants or Security Basket Warrants) or any relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the relevant Index (in the case of Index Warrants or Index Basket Warrants) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day; or (b) if the Warrants are Multiple Exchange Index Warrants, the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into such Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

"Euroclear" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"Euro", "euro" "EUR", "€" each mean the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union (the **"Treaty"**).

"Exchange" means (a) with respect to a Security or an Index, each exchange or quotation system specified as such in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Security or the components of the Index, as the case may be, has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Security or components, as the case may be, as on the original Exchange); or (b) in the case of a Multiple Exchange Index and each relevant Component Security, the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent (which exchange or quotation system as of the Issue Date may be specified as such in the relevant Final Terms).

"Exchange Business Day" means (a) any Scheduled Trading Day on which each Exchange and any relevant Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time; or (b) with respect to a Multiple Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding the Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Disruption" means (a) any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for the Securities on the Exchange (in the case of a Security Warrant or a Security Basket Warrant) or on any relevant Exchange(s) in securities that comprise 20 percent or more of the level of the relevant Index (in the case of an Index Warrant or an Index Basket Warrant), or (ii) to effect transactions in, or obtain market values for, future or options contracts relating to the Securities (in the case of a Security Warrant or a Security Basket Warrant) or the relevant Index (in the case of (in the case of an Index Warrant or an Index Basket Warrant) on any relevant Related Exchange; or (b) with respect to a Multiple Exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market

participants in general to effect transactions in, or obtain market values for (i) any Component Security on the Exchange in respect of such Component Security or (ii) futures or options contracts relating to the Index on the relevant Related Exchange.

"Exercise Date" means, in respect of any Warrant, the day on which an Exercise Notice relating to that Warrant is delivered in accordance with the provisions of Condition 4(a) provided that:

- (i) if the Exercise Notice is delivered (A) on any day which is not a Business Day or (B) after 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on any Business Day, then, in either such case, the Exercise Date shall be the next succeeding day which is a Business Day; and
- (ii) the Exercise Date may not be later than the Expiry Date.

"Exercise Notice" means any notice in the form scheduled to the Warrant Agency Agreement or such other form as may from time to time be agreed by the Issuer and the Principal Warrant Agent which is delivered by a Warrantholder in accordance with Condition 4(a).

"Exercise Period" means the period beginning on (and including) such date as may be specified in the relevant Final Terms and ending on (and including) the Expiry Date.

"Expiry Date" has the meaning ascribed thereto in the relevant Final Terms.

"Extraordinary Dividend" means the amount per Security specified or otherwise determined as provided in the relevant Final Terms or, if no such amount is so specified or determined, any dividend or the portion of any dividend which the Calculation Agent determines in its sole and absolute discretion should be characterised as an Extraordinary Dividend.

"Extraordinary Event" means a Merger Event, Tender Offer, Nationalisation, Insolvency or Delisting.

"Final Price" means, with respect to a Security and a Valuation Date (a) the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on such Valuation Date or (b) if Averaging Dates are specified in the relevant Final Terms in respect of such Valuation Date, the arithmetic average as determined by the Calculation Agent (rounded down to the nearest unit of the relevant currency in which the Security is valued, one half of a unit being rounded upwards) of the Reference Prices on such Averaging Dates.

"Government Bonds" means, in relation to a Series of Warrants, bonds or any other debt securities issued by a government, government agency or subdivision or a transnational or supranational organisation as specified in the relevant Final Terms and **"Government Bond"** shall be construed accordingly.

"Holder" has the meaning ascribed thereto in Condition 1.

"Index" means, in relation to a Series of Warrants, the index to which such Warrants relates, as specified in the relevant Final Terms, subject to adjustment pursuant to Condition 6, and **"Indices"** shall be construed accordingly.

"Index Basket Warrants" means a Series of Warrants relating to a basket of Indices, as specified in the relevant Final Terms.

"Index Warrants" means a Series of Warrants relating to a single Index, as specified in the relevant Final Terms.

"Index Sponsor" means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Scheduled Trading Day (which corporation or entity as of the Issue Date may be specified as such in the relevant Final Terms).

"Initial Index Level" means the level of the Index specified as such or otherwise determined as provided in the relevant Final Terms or, if no such price is so specified or otherwise determined, the level of such Index as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Strike Date.

"Initial Price" means the price per Security specified as such or otherwise determined as provided in the relevant Final Terms or, if no such price is so specified or otherwise determined, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Strike Date.

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting an Underlying Company, (A) all the Securities of that Underlying Company are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Securities of that Underlying Company become legally prohibited from transferring them.

"Issue Date" has the meaning ascribed thereto in Condition 1.

"Market Disruption Event" means (a) the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one-hour period that ends at the relevant Valuation Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be or (iii) an Early Closure provided that for the purposes of determining whether a Market Disruption Event in respect of an Index exists at any time, if a Market Disruption Event occurs in respect of a component of the Index at any time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event; or (b) with respect to a Multiple Exchange Index, either

- (A) (1) the occurrence or existence, in respect of any Component Security, of (aa) a Trading Disruption, (bb) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (i) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins and/or ends at the time at which the relevant price or level triggers the Knock-in Level or the Knock-out Level, as the case may be, or (ii) in all other circumstances, ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded, OR (cc) an Early Closure; AND (2) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; OR
- (B) the occurrence or existence, in respect of futures or options contracts relating to the Index of: (aa) a Trading Disruption, (bb) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (i) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins and/or ends at the time at which the relevant price or level triggers the Knock-in Level or the Knock-out Level, as the

case may be, or (ii) in all other circumstances, ends at the relevant Valuation Time in respect of the Related Exchange; or (cc) an Early Closure.

For the purposes of determining whether a Market Disruption Event exists in respect of a Multiple Exchange Index at any time, if a Market Disruption Event occurs in respect of a Component Security at that time, then the relevant percentage contribution of that Component Security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security to (y) the overall level of the Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market "opening data".

"Merger Event" means in respect of any relevant Securities, any (i) reclassification or change of such Securities that results in a transfer of or an irrevocable commitment to transfer all of such Securities outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Company with or into another entity or person (other than a consolidation, amalgamation or merger in which such Underlying Company is the continuing entity and which does not result in a reclassification or change of all of such Securities outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase otherwise obtain 100% of the outstanding Securities of the Underlying Company that results in a transfer of or an irrevocable commitment to transfer all such Securities (other than such Securities owned or controlled by such other entity or person) or (iv) consolidation, amalgamation, merger or binding share exchange of the Underlying Company or its subsidiaries with or into another entity in which the Underlying Company is the continuing entity and which does not result in a reclassification or change of all of such Securities outstanding but results in the outstanding Securities (other than Securities owner or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Securities immediately following such event, in each case if the closing date of a Merger Event (or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent) is on or before, in the case of any Warrants which as specified in the relevant Final Terms as being Physical Settlement Warrants, the Settlement Date or, in any other case, the final Valuation Date.

If the Warrants are DR Linked Warrants, **"Merger Event"** shall include the occurrence of any of the events described in (i) to (iv) (inclusive) above in relation to the relevant Underlying Securities.

"Minimum Exercise Number" has the meaning ascribed thereto in Condition 5.

"Multiple Exchange Index" means an Index identified or specified as such in the relevant Final Terms.

"Multiple Exchange Index-Linked Warrants" means Warrants which relate to a Multiple Exchange Index.

"Nationalisation" means that all the Securities (or, if the Warrants are DR Linked Warrants, the relevant Underlying Securities) or all or substantially all the assets of an Underlying Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

"New Issuer" has the meaning ascribed thereto in Condition 15.

"Permitted Multiple" has the meaning ascribed thereto in Condition 5.

"Physical Settlement" has the meaning ascribed thereto in Condition 3.

"Potential Adjustment Event" means (i) a subdivision, consolidation or reclassification of relevant Securities (unless resulting in a Merger Event), or a free distribution or dividend of any such Securities

to existing holders whether by way of bonus, capitalisation or similar issue; or (ii) a distribution, issue or dividend to existing holders of the relevant Securities of (A) such Securities or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Underlying Company equally or proportionately with such payments to holders of such Securities or (C) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent in its sole and absolute discretion; or (iii) an Extraordinary Dividend; or (iv) a call by the Underlying Company in respect of relevant Securities that are not fully paid; or (v) a repurchase by the Underlying Company or any of its subsidiaries of relevant Securities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or (vi) in respect of the Underlying Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Underlying Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Securities; or (viii) any other event specified as such in the relevant Final Terms.

With respect to Depositary Receipts, "Potential Adjustment Event" shall also include (x) the occurrence of any of the events described in (i) to (viii) (inclusive) above in respect of the relevant Underlying Securities and (y) the making of any amendment or supplement to the terms of the Depositary Agreement.

"Put Warrant" means a Warrant entitling, but not obligating, the Warrantholder upon exercise (i) to receive the relevant Cash Settlement Amount or (ii) to sell the relevant Securities, in each case subject to and in accordance with these Conditions.

"Reference Price" means, in respect of a Security and an Averaging Date, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the Exchange on such Averaging Date.

"Related Exchange" means, subject to the proviso below, in respect of a Security or Index, each exchange or quotation system specified as such for such Security or Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Security or Index, as the case may be, has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Security or Index, as the case may be, as on the original Related Exchange) provided, however, that where "All Exchanges" is specified as the Related Exchange in the relevant Final Terms, **"Related Exchange"** shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Security or Index, as the case may be.

"Relevant Company" has the meaning ascribed thereto in the relevant Final Terms.

"Relevant Price" has the meaning ascribed thereto in the relevant Final Terms.

"Reuters Screen" means, when used in connection with any designated page and any designated information, the display page so designated on the Reuter Money 3000 Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor for the purpose of displaying comparable information).

"Scheduled Closing Time" means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"Scheduled Trading Day" means (a) any day on which the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading for their respective regular trading sessions; or (b) with respect to a Multiple Exchange Index, any day on which (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

"Scheduled Valuation Date" means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

"Securities" means, in relation to a Series of Warrants, the equity securities, debt securities (including without limitation Government Bonds), Depositary receipts or other securities or property, as adjusted pursuant to Condition 6, to which such Warrants relate, as specified in the relevant Final Terms and **"Security"** shall be construed accordingly.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Securities Transfer Amount" has the meaning ascribed thereto in the relevant Final Terms.

"Security Basket Warrants" means a Series of Warrants relating to a basket of Securities, as specified in the relevant Final Terms and **"Security Basket Warrant"** shall be construed accordingly.

"Security Warrants" means a Series of Warrants relating to a single Security, as specified in the relevant Final Terms and **"Security Warrant"** shall be construed accordingly.

"Settlement Currency" has the meaning ascribed thereto in Condition 3.

"Settlement Cycle" means, in respect of a Security or an Index, the period of Clearance System Business Days following a trade in the relevant Security or the securities underlying such Index, as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period).

"Settlement Date" means, in relation to Securities to be delivered in respect of an Exercise Date and unless otherwise specified in the relevant Final Terms, the first day on which settlement of a sale of such Securities executed on that Exercise Date customarily would take place through the relevant Clearance System provided that if a Settlement Disruption Event prevents delivery of such Securities on that day, then the Settlement Date shall be determined in accordance with Condition 6(b)(iii).

"Settlement Disruption Event" in relation to a Security means an event which the Calculation Agent, in its sole and absolute discretion, determines to be beyond the control of the Issuer or relevant obligor and to be an event as a result of which the relevant Clearance System cannot clear the transfer of such Security.

"Settlement Price" has the meaning ascribed thereto in the relevant Final Terms.

"Strike Price" has the meaning ascribed thereto in the relevant Final Terms.

"Strike Price Payment Date" has the meaning ascribed thereto in the relevant Final Terms.

"Successor Index" has the meaning given in Condition 6(c).

"Taxes" has the meaning ascribed thereto in Condition 4(a)(vi).

"Telerate" means, when used in connection with any designated page and any designated information, the display page so designated on the Moneyline Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable information).

"Tender Offer" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the Underlying Company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

"Trading Disruption" means (a) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (1) relating to the Securities on the Exchange (in the case of a Security Warrant or a Security Basket Warrant) or on any relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the relevant Index (in the case of Index Warrants or Index Basket Warrants); or (2) in futures or options contracts relating to the Securities or the relevant Index on any relevant Related Exchange; or (b) with respect to a Multiple Exchange Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (1) relating to any Component Security on the Exchange in respect of such Component Security, or (2) in futures or options contracts relating to the Index on any relevant Related Exchange.

"Transfer Expenses" means with respect to any Warrants, all stamp, transfer, registration and similar duties and all expenses, scrip fees, levies and registration charges payable on or in respect of or arising on, or in connection with, the purchase or transfer, delivery or other disposition by the transferor to the order of the relevant Warrantholders of any Securities.

"Underlying Company" means the issuer of the Security as specified in the relevant Final Terms (or, if the Warrants are DR Linked Warrants, each of the Depositary and the issuer of the relevant Underlying Security), subject to adjustment in accordance with this Condition.

"Underlying Security" means, with respect to DR Linked Warrants and a Depositary Receipt, the security and any other property to which such Depositary Receipt relates.

"Valid Date" means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date in respect of the relevant Valuation Date does not or is not deemed to occur.

"Valuation Date" means each date specified or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), in each case subject to Condition 6.

"Valuation Time" means, (a) in relation to each Security to be valued or each Index the level of which falls to be determined on any date, the time on such date specified as such in the relevant Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on such date in relation to such Security or Index, as applicable. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time; or (b) in relation to a Multiple

Exchange Index, (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor.

"**Warrantholder**" has the meaning ascribed thereto in Condition 1.

1. **Form and Transfer**

(a) *Form*

Each Tranche of Warrants will (unless so specified in the relevant Final Terms) at all times be represented by a global warrant (the "**Global Warrant**") in bearer form. The Global Warrant will be deposited on the issue date (the "**Issue Date**") specified in the relevant Final Terms with a common depositary for the relevant Clearing System(s). Warrants in definitive bearer form will be issued only if so specified in the relevant Final Terms. The person for the time being appearing in the books of the relevant Clearing System(s) as the holder of a Warrant shall be treated for all purposes by the Issuer, the Warrant Agent, the relevant Clearing System(s) and all other persons dealing with such person as the holder thereof (a "**Warrantholder**" or a "**Holder**") and as the person entitled to exercise the rights represented thereby, notwithstanding any notice to the contrary, except that (i) Euroclear shall not be treated as the Holder of any Warrant held in an account with Clearstream, Luxembourg on behalf of Euroclear's accountholders and (ii) Clearstream, Luxembourg shall not be treated as the Holder of any Warrant held in an account with Euroclear on behalf of Clearstream, Luxembourg's accountholders.

(b) *Transfer*

All transactions in (including transfers of) Warrants, in the open market or otherwise, shall be effected only through the Clearing System(s) in which the Warrants to be transferred are held or are to be held. Title to the Warrants shall pass upon registration of the transfer in accordance with the rules and procedures for the time being of the relevant Clearing System(s).

The Warrants have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and the securities issued upon their exercise may not be registered under the Securities Act. The Warrants are being initially offered either (A) outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons, or (B) within the United States in a transaction that is exempt from the registration requirements of the Securities Act and may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons except in a transaction which is exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Warrants may not be exercised by or on behalf of a U.S. person unless registered under the Securities Act or an exemption from such registration is available. The terms "United States" and "U.S. person" used in this paragraph have the meaning given to them in Regulation S. In addition, trading in the Warrants has not been and will not be approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act.

Transfers of the Warrants may be conditional upon delivery of certain certifications and are subject to significant restrictions as described under "Purchase and Sale of Warrants," including the right of the Issuer to refuse the recognition of transfers of the Warrants. Exercise of a Warrant offered in reliance

on Regulation S will be conditional upon delivery of certain certifications as described under "Purchase and Sale of Warrants."

2. **Status of the Warrants**

The Warrants of each Series constitute direct unsubordinated, unconditional and unsecured obligations of the Issuer and rank pari passu and without any preference among themselves and, at their date of issue, with all other unsecured and unsubordinated obligations of the Issuer (other than any such obligations preferred by law).

3. **Rights on Exercise**

(a) *"American Style" Exercise*

If the Warrants are specified in the relevant Final Terms as being American Style Warrants, then this Condition 3(a) is applicable and the Warrants are exercisable on any Exchange Business Day during the Exercise Period, subject to Condition 3(g) and to prior termination of the Warrants as provided in Conditions 6 and 10.

(b) *"European Style" Exercise*

If the Warrants are specified in the relevant Final Terms as being European Style Warrants, then this Condition 3(b) is applicable and the Warrants are exercisable only on the Expiry Date, or if that is not an Exchange Business Day, the next succeeding or preceding Exchange Business Day as specified in the relevant Final Terms, subject to Condition 3(g) and to prior termination of the Warrants as provided in Conditions 6 and 10.

(c) *Cash Settlement*

If the Warrants are specified in the relevant Final Terms as being Cash Settlement Warrants, then, subject to Condition 3(e) if applicable, each such Warrant, upon exercise, entitles the Holder thereof to receive from the Issuer on the Cash Settlement Payment Date (as specified in the relevant Final Terms) an amount ("**Cash Settlement**") calculated in accordance with the relevant Final Terms (the "**Cash Settlement Amount**") in the currency (the "**Settlement Currency**") specified in the relevant Final Terms. The Cash Settlement Amount will be rounded down to the nearest minimum unit of the Settlement Currency, with Warrants exercised at the same time by the same Warrantholder being aggregated for the purpose of determining the aggregate Cash Settlement Amount payable in respect of such Warrants.

(d) *Physical Settlement*

If the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants, then, subject to Condition 3(f) if applicable, upon the exercise of a Warrant by a Warrantholder:

- (i) in the case of a Call Warrant, the Issuer will, on the Settlement Date in respect of such Warrant, procure the credit of the Securities to which such Warrant relates to the account with the relevant Clearing System specified, or as may otherwise be specified, for that purpose by the Warrantholder in the relevant Exercise Notice, following payment by the Warrantholder to or to the order of the Issuer on or before the Strike Price Payment Date of the Strike Price; and
- (ii) in the case of a Put Warrant, the Issuer will, on the Settlement Date in respect of such Warrant, procure the credit of the Strike Price in respect of the Warrant so exercised to the account with the relevant Clearing System specified, or as may otherwise be specified for that

purpose by the Warrantholder in the relevant Exercise Notice, following the debit of the relevant Securities to which such Warrant relates to the account of the Warrantholder with the relevant Clearing System and the credit thereof to the account of the Principal Warrant Agent (in favour of the Issuer) as aforesaid on or before the Settlement Date in respect of such Warrant;

("Physical Settlement") all as more fully described in Condition 4. In each case, the number of Securities so debited and credited will be rounded down to the nearest whole number of such Securities that may be separately transferred, with Warrants exercised at the same time by the same Warrantholder being aggregated for the purpose of determining the aggregate number of Securities applicable.

(e) *Optional Physical Settlement*

If this Condition 3(e) is specified in the relevant Final Terms as being applicable, then, upon the exercise of a Warrant by a Warrantholder, the Issuer may elect Physical Settlement in accordance with Condition 3(d) instead of Cash Settlement in accordance with Condition 3(c). The Warrants do not confer on the Holder any right to acquire Securities and the Issuer is not obliged to purchase or hold Securities. By exercising a Warrant, the Warrantholder shall be deemed to have agreed to such form of settlement as the Issuer shall elect.

(f) *Optional Cash Settlement*

If this Condition 3(f) is specified in the relevant Final Terms as being applicable, then, upon the exercise of a Warrant by a Warrantholder, the Issuer may elect Cash Settlement in accordance with Condition 3(c) instead of Physical Settlement in accordance with Condition 3(d). By exercising a Warrant, the Warrantholder shall be deemed to have agreed to such form of settlement as the Issuer shall elect.

(g) *Warrants Void on Expiry*

Warrants with respect to which an Exercise Notice has not been duly completed and delivered to the relevant Clearing System and to the Principal Warrant Agent, in the manner set out in Condition 4, before 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on the Expiry Date, shall become void.

(h) *Settlement within the United States*

Notwithstanding the foregoing, with respect to any Warrants offered and sold in reliance on Regulation S, no cash, securities or other property shall be delivered in the United States (as this term is defined in Regulation S) in connection with the settlement of the Warrants.

4. **Exercise Procedure**

(a) *Exercise Notice*

Subject to prior termination of the Warrants as provided in Conditions 6 and 9, Warrants may be exercised on the Exercise Date by the sending of a tested telex confirmed in writing of a duly completed Exercise Notice (copies of which may be obtained from the relevant Clearing System, or the Principal Warrant Agent) to (i) the relevant agent and (ii) the Principal Warrant Agent, not later than 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located):

- (A) in the case of Warrants specified in the relevant Final Terms as being American Style Warrants, on any Business Day during the Exercise Period; or
- (B) in the case of Warrants specified in the relevant Final Terms as being European Style Warrants, on the Expiry Date, subject to Condition 3(b).

Subject to Condition 3(g), any Exercise Notice delivered after 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised) shall (a) in the case of European Style Warrants, be null and void and (b) in the case of American Style Warrants, be deemed to have been delivered on the next succeeding Business Day.

Each Exercise Notice shall:

- (i) specify the name, address, telephone, facsimile and telex details of the Warrantholder in respect of the Warrants being exercised;
- (ii) specify the number of Warrants of each Tranche being exercised (which must be not less than the Minimum Exercise Number (as defined in Condition 5));
- (iii) specify the number of the Warrantholder's account at the relevant Clearing System to be debited with the Warrants being exercised and irrevocably instruct, or, as the case may be, confirm that the Warrantholder has irrevocably instructed, the relevant Clearing System to debit the Warrantholder's account with the Warrants being exercised and to credit the same to the account of the Principal Warrant Agent;
- (iv) where applicable, specify the number of the Warrantholder's account at the relevant Clearing System to be credited with the Cash Settlement Amount for the Warrants being exercised;
- (v) in the case of Warrants offered and sold in reliance on Regulation S, certify that each person exercising such Warrants is not a U.S. person, that such Warrants are not beneficially owned by or on behalf of U.S. persons or persons within the United States, that such Warrants are not being exercised within the U.S. or by or on behalf of U.S. persons or persons within the United States, and that no cash, securities or other property have been or will be delivered within the United States or to or for the account or benefit of a U.S. person in connection with the exercise of the Warrants and authorize the production of such certification in applicable administrative or legal proceedings (the terms "United States" and "U.S. person" used in this paragraph having the meaning given to them in Regulation S); and
- (vi) include an irrevocable undertaking to pay any applicable stamp duty, stamp duty reserve tax and/or other taxes or duties ("**Taxes**") due by reason of the exercise of the Warrants and an authority to the Issuer and the relevant Clearing System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Warrantholder or otherwise (on, or at any time after, the Cash Settlement Payment Date) to debit a specified account of the Warrantholder at the relevant Clearing System with an amount or amounts in respect thereof, all as provided in the Warrant Agency Agreement.

In addition, if the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants or if Condition 3(e) is specified in the relevant Final Terms as being applicable, the Exercise Notice shall also:

- (aa) irrevocably instruct the relevant Clearing System to debit on the Strike Price Payment Date a specified account of the Warrantholder with the aggregate Strike Price in respect of the Warrants being exercised (together with any applicable Taxes) and to transfer such amount to

such account as shall have been specified by the Issuer to the relevant Clearing System for that purpose;

- (bb) include an irrevocable undertaking to pay any applicable Taxes due by reason of the transfer (if any) of the Securities to the account at the relevant Clearing System specified, or as otherwise specified, by the Warrantholder and an authority to the Issuer and the relevant Clearing System to debit a specified account of the Warrantholder with an amount in respect thereof; and
- (cc) specify the number of the Warrantholder's account with the relevant Clearing System to be credited with the relevant Securities or, as the case may be, the delivery details for such Securities.

(b) *Verification of Warrantholder*

To exercise Warrants, the Holder must duly complete an Exercise Notice and must have Warrants in the amount being exercised in its securities account with the relevant Clearing System on the Exercise Date. The relevant Clearing System will, in accordance with its normal operating procedures, verify that each person exercising Warrants is the Holder thereof according to the records of such Clearing System and that such Holder has an account at the relevant Clearing System which contains an amount equal to the aggregate Strike Price (if any) in respect of the Warrants being exercised. If the Exercise Notice is, in the determination of the relevant Clearing System, improperly completed, or sufficient Warrants or sufficient funds equal to the aggregate Strike Price are not available in the specified account(s) with the relevant Clearing System on the Exercise Date, the Exercise Notice will be treated as null and void and a new duly completed Exercise Notice must be submitted if exercise of the Holder's Warrants is still desired.

On or prior to the Cash Settlement Payment Date or the Settlement Date, as the case may be, the relevant Clearing System will debit the Warrantholder's account with the Warrants being exercised.

(c) *Notification to Principal Warrant Agent*

The relevant Clearing System shall notify the Principal Warrant Agent in writing (with a copy to the Issuer) not later than 11.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on the Business Day immediately following the Exercise Date of the number of the account with such Clearing System to which the Cash Settlement Amount or, in the case of Physical Settlement, the Securities are to be credited for the benefit of the Warrantholder.

(d) *Debit of Warrantholder's Account*

The relevant Clearing System will on or before the Cash Settlement Payment Date or the Settlement Date, as the case may be, debit the relevant account of the Warrantholder and credit the relevant account of the Principal Warrant Agent (in favour of the Issuer) with the Warrants being exercised and, if the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants or if the Issuer has elected for optional Physical Settlement in accordance with Condition 3(e), with the aggregate Strike Price, in the case of a Call Warrant, or the relevant number of Securities, in the case of a Put Warrant, in respect of the Warrants being exercised together in each case with any applicable Taxes. If the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants or if the Issuer has elected for optional Physical Settlement in accordance with Condition 3(e) and the aggregate Strike Price, in the case of a Call Warrant, or the relevant number of Securities, in the case of a Put Warrant, in respect of the Warrants being exercised together in each case with any applicable Taxes is not so credited, then the Issuer shall be under no obligation to transfer Securities or make

payment of any nature to the relevant Warrantholder in respect of the Warrants being exercised, and the Exercise Notice delivered in respect of such Warrants shall thereafter be null and void for all purposes.

If Condition 3(e) or Condition 3(f) is specified in the relevant Final Terms as being applicable, the Issuer will, by the close of business (London time) on the Business Day following the relevant Determination Date, notify the relevant Clearing System, the Principal Warrant Agent and the relevant Warrantholder, if it has elected for Cash Settlement or Physical Settlement, as the case may be. Notice to the relevant Warrantholder shall be given by facsimile or telex to the number specified in the relevant Exercise Notice and any notice so sent shall be deemed received by the relevant Warrantholder.

(e) *Payment*

In respect of Warrants which have been exercised, the Calculation Agent shall by close of business or such other time as is specified in the relevant Final Terms on the date specified therefor in the relevant Final Terms determine the Cash Settlement Amount (if any) to be paid on the relevant Cash Settlement Payment Date in respect of the relevant Warrants provided that the Calculation Agent has received a tested telex from the relevant Clearing System specifying the number of Warrants which have been exercised in accordance with Condition 4(a) and, shall notify the Issuer and the Principal Warrant Agent of such amounts on the Business Day following the date so specified.

Unless the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants (and the Issuer has not elected for optional Cash Settlement in accordance with Condition 3(f)) or the Issuer shall have elected for optional Physical Settlement in accordance with Condition 3(e), the Issuer will transfer to the Principal Warrant Agent the Cash Settlement Amount in respect of the Warrants being exercised, less any amount in respect of Taxes which the Issuer is authorised to deduct therefrom, for value on the Cash Settlement Payment Date, and the Principal Warrant Agent will cause the Warrantholder's account with the relevant Clearing System to be credited with such amount for value on the Cash Settlement Payment Date.

If, however, the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants (and the Issuer has not elected for optional Cash Settlement in accordance with Condition 3(f)) or if the Issuer elects for optional Physical Settlement in accordance with Condition 3(e), then:

- (i) in the case of a Call Warrant, subject to the debit of the relevant account of the Warrantholder with the Strike Price and any applicable Taxes and the credit thereof to the relevant account of the Principal Warrant Agent (in favour of the Issuer) as aforesaid, the Issuer will, on the relevant Settlement Date, procure the credit of the relevant Securities to the account specified, or as may otherwise be specified, in the relevant Exercise Notice; and
- (ii) in the case of a Put Warrant, the Issuer will, on the Settlement Date in respect of such Warrant, procure the transfer for value to the Principal Warrant Agent of the Strike Price in respect of the Warrant being exercised, less any amount in respect of Taxes which the Issuer is authorised to deduct therefrom, and the Principal Warrant Agent will, on the relevant Settlement Date, procure the credit of the relevant Strike Price to the account specified, or as may otherwise be specified, in the relevant Exercise Notice.

Exercise of the Warrants, payment by the Issuer and the Principal Warrant Agent and any transfer of Securities by the Issuer or the Principal Warrant Agent, will be subject in all cases to all applicable fiscal and other laws, regulations and practices in force at the relevant time (including, without limitation, any relevant exchange control laws or regulations and the rules and procedures of the relevant Clearing System) and neither the Issuer nor the Principal Warrant Agent shall incur any

liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations and practices. Neither the Issuer nor the Principal Warrant Agent shall under any circumstances be liable for any acts or defaults of any Clearing System in the performance of its duties in relation to the Warrants.

(f) *Determinations*

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by the relevant Clearing System, in consultation with the Principal Warrant Agent, and shall be conclusive and binding on the Issuer, the Warrant Agents and the relevant Warrantholder. Any Exercise Notice so determined to be incomplete or not in proper form or which is not copied to the Principal Warrant Agent immediately after being sent to the relevant Clearing System, shall be null and void. If such Exercise Notice is subsequently corrected to the satisfaction of the relevant Clearing System it shall be deemed to be a new Exercise Notice submitted at the time such correction is delivered to the relevant Clearing System.

(g) *Effect of Exercise Notice*

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Warrantholder to exercise the Warrants specified therein, provided that the person exercising and delivering such Exercise Notice is the person then appearing in the books of the relevant Clearing System as the Holder of the relevant Warrants. If the person exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become null and void and shall be deemed not to have been so delivered.

After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 4(a)), the Warrantholder specified in such Exercise Notice may not otherwise transfer such Warrants. Notwithstanding this, if any Warrantholder does so transfer or attempt to transfer such Warrants, the Warrantholder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related hedging operations in reliance on the relevant Exercise Notice and subsequently (i) entering into replacement hedging operations in respect of such Warrants or (ii) paying any amount on the subsequent exercise of such Warrants without having entered into any replacement hedging operations.

(h) *Fractions*

No fraction of any Securities will be transferred on exercise of any Warrant pursuant to Conditions 3(d) or (e), provided that all Warrants exercised at the same time by the same Warrantholder shall be aggregated for the purpose of determining whether any (and if so what) fraction of any Securities arises. Instead the Issuer shall make a cash refund of the corresponding fraction (rounded down to the nearest minimum unit of the Settlement Currency) of the aggregate Strike Price in respect of the relevant Warrants. Such refund shall be made by transfer by the Issuer to the account of the Principal Warrant Agent whereupon the Principal Warrant Agent shall transfer such amount to the account at the relevant Clearing System specified in the relevant Exercise Notice as the account to be credited with the relevant Cash Settlement Amount or, if none, then to the relevant Clearing System for credit by it to the account of the relevant Warrantholder with that Clearing System from which the Strike Price was originally debited.

5. **Minimum Number of Warrants Exercisable**

The Warrants are exercisable in the minimum number (the "**Minimum Exercise Number**") specified in the relevant Final Terms and integral multiples thereof (or, if a "Permitted Multiple" is specified in the relevant Final Terms, integral multiples of the Permitted Multiple) on any particular occasion or such lesser Minimum Exercise Number or other Permitted Multiple as the Issuer may from time to time notify to the Warrantholders in accordance with Condition 10.

6. **Valuation, Adjustments and Extraordinary Events affecting Securities**

(a) *Knock-in and Knock-out Provisions*

If "Knock-in Event" is specified as applicable in the Final Terms in relation to any Warrant, then, unless otherwise specified in such Final Terms, the terms of the Warrants as to exercise and/or payment and/or delivery under the relevant Warrants subject to a Knock-in Event shall be conditional upon the occurrence of such Knock-in Event.

"Knock-in Determination Day" means each Scheduled Trading Day during the Knock-in Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-in Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-in Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-in Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-in Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is also a Disrupted Day in accordance with the provisions of Condition 6(e)(1)(A)(i), (ii) or (iii), as the case may be.

"Knock-in Determination Period" means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

"Knock-in Event" means (i) the event or occurrence specified as such in the relevant Final Terms; and (ii) (unless otherwise specified in the relevant Final Terms) that the price of the Security or, as the case may be, the level of the Index, determined by the Calculation Agent as of the Knock-in Valuation Time on any Knock-in Determination Day is, as specified in the relevant Final Terms, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Knock-in Price or, as the case may be, the Knock-in Level.

"Knock-in Level" means the level of the Index specified as such or otherwise determined in the relevant Final Terms.

"Knock-in Period Beginning Date" means the date specified as such in the relevant Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-in Determination Day" above.

"Knock-in Period Ending Date" means the date specified as such in the relevant Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-in Determination Day" above.

"Knock-in Price" means the price per Security specified as such or otherwise determined in the relevant Final Terms.

"Knock-in Valuation Time" means the time or period of time on any Knock-in Determination Day specified as such in the relevant Final Terms or in the event that the relevant Final Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time.

If "Knock-out Event" is specified as applicable in the Final Terms in relation to any Warrants, then, unless otherwise specified in such Final Terms, the terms of the Warrants as to exercise and/or payment and/or delivery under the relevant Warrants subject to a Knock-out Event shall be conditional upon the occurrence of such Knock-out Event.

For the purposes hereof:

"Knock-out Determination Day" means each Scheduled Trading Day during the Knock-out Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-out Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-out Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-out Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-out Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is a Disrupted Day in accordance with the provisions of Condition 6(e)(1)(A)(i), (ii) or (iii), as the case may be.

"Knock-out Determination Period" means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

"Knock-out Event" means that (i) the event or occurrence specified as such in the relevant Final Terms; and (ii) (unless otherwise specified in the relevant Final Terms) that the price of the Security or, as the case may be, the level of the Index, determined by the Calculation Agent as of the Knock-out Valuation Time on any Knock-out Determination Day is, as specified in the relevant Final Terms, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Knock-out Price or, as the case may be, Knock-out Level.

"Knock-out Level" means the level of the Index specified as such or otherwise determined in the relevant Final Terms.

"Knock-out Period Beginning Date" means the date specified as such in the relevant Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-out Determination Day" above.

"Knock-out Period Ending Date" means the date specified as such in the relevant Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-out Determination Day" above.

"Knock-out Price" means the price per Security specified as such or otherwise determined in the relevant Final Terms.

"Knock-out Valuation Time" means the time or period of time on any Knock-out Determination Day specified as such in the relevant Final Terms or in the event that the relevant Final Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

(b) *Consequences of Disrupted Days*

(i) If any Valuation Date is a Disrupted Day, then:

(A) in the case of an Index Warrant or a Security Warrant, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case:

(1) in respect of an Index Warrant the Calculation Agent shall determine in its absolute discretion that either:

(aa) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event; or

(bb) the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless no such day has occurred by the thirtieth Scheduled Trading Day following the Scheduled Valuation Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event,

and, in each case, the Calculation Agent shall determine the level of the Index as of the Valuation Time on that eighth or (as the case may be) thirtieth Scheduled Trading Day determined in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth or (as the case may be) thirtieth Scheduled Trading Day of each security or other property comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or other property on that eighth or (as the case may be) thirtieth Scheduled Trading Day, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on that eighth or (as the case may be) thirtieth Scheduled Trading Day); and

(2) in respect of a Security Warrant, that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and the Calculation Agent shall determine its good faith estimate of the value for the relevant Security as of the Valuation Time on that eighth Scheduled Trading Day;

(B) in the case of an Index Basket Warrant, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation

Date and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index, unless each of the eight succeeding Scheduled Trading Days is a Disrupted Day relating to that Index. In that case, the Calculation Agent shall determine in its absolute discretion that either:

- (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index notwithstanding the fact that such day is Disrupted Day relating to that Index; or
- (2) the Valuation Date shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index, unless no such day has occurred by the thirtieth Scheduled Trading Day following the Scheduled Valuation Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is Disrupted Day,

and, in each case, the Calculation Agent shall determine, in its sole and absolute discretion, the level of that Index, as of the Valuation Time on that eighth or (as the case may be) thirtieth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth (or as the case may be) thirtieth Scheduled Trading Day of each security or other property comprised in the relevant Index (or, if an event giving rise to a Disrupted Day has occurred in respect to the relevant security or other property on that eighth (or as the case may be) thirtieth Scheduled Trading Day, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on that eighth (or as the case may be) thirtieth Scheduled Trading Day); and

- (C) in the case of an Security Basket Warrant, the Valuation Date for each Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Security affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Security, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Security. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Security, notwithstanding the fact that such day is a Disrupted Day, and (2) the Calculation Agent shall determine, in its sole and absolute discretion, its good faith estimate of the value for that Security as of the Valuation Time on that eighth Scheduled Trading Day.

- (ii) If Averaging Dates are specified in the relevant Final Terms, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index or Securities:

- (A) For the purpose of determining the Settlement Price in relation to a Valuation Date, the Settlement Price will be:

- (1) in respect of an Index Warrant or Cash Settlement Security Warrant, the arithmetic mean of the Relevant Prices of the Index or the Securities on each Averaging Date;
 - (2) in respect of an Index Basket Warrant, the arithmetic mean of the amounts for the Basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Settlement Price is so provided, the arithmetic mean of the amounts for such basket calculated on each Averaging Date as the sum of the Relevant Prices of each Index comprised in the Basket (weighted or adjusted in relation to each Index as provided in the relevant Final Terms); and
 - (3) in respect of a Cash Settlement Security Basket Warrant, the arithmetic mean of the prices for the Basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Settlement Price is so provided, the arithmetic mean of the prices for the Basket calculated on each Averaging Date as the sum of the values calculated for the Securities of each Underlying Company as the product of (aa) the Relevant Price of such Security and (bb) the number of such Securities comprised in such basket.
- (B) If any Averaging Date is a Disrupted Day, then, if the consequence specified in the relevant Final Terms in relation to "**Averaging Date Market Disruption**" is:
- (1) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Settlement Price provided that, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 6(b)(i) will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such final Averaging Date were a Valuation Date that was a Disrupted Day. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date;
 - (2) "**Postponement**", then Condition 6(b)(i) will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the Warrant. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement

Payment Date or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date; or

(3) **"Modified Postponement"**, then:

(aa) in the case of an Index Warrant or Security Warrant, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date (the "Scheduled Final Averaging Date") in relation to the relevant Scheduled Valuation Date, then:

(i) in respect of an Index Warrant, the Calculation Agent shall determine in its absolute discretion that either:

(x) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date, (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date); or

(y) the Averaging Date shall be the first succeeding Valid Date, unless no such day has occurred by the thirtieth Scheduled Trading Day following the Scheduled Final Averaging Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that thirtieth Scheduled Trading Day is already an Averaging Date),

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 6(b)(i)(A)(1); and

(ii) in respect of a Security Warrant, that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant price for that Averaging Date in accordance with Condition 6(b)(i)(A)(2); and

(bb) in the case of an Index Basket Warrant or a Security Basket Warrant, the Averaging Date for each Index or Security not affected by the occurrence of a Disrupted Day shall be the day specified in the relevant Final Terms as an Averaging Date in relation to the relevant Valuation Date (the "**Scheduled Averaging Date**") and the Averaging Date for an Index or Security affected by the occurrence of a Disrupted Day shall be the first succeeding

Valid Date in relation to such Index or Security. If the first succeeding Valid Date in relation to such Index or Security has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the Scheduled Final Averaging Date, then:

- (i) in respect of an Index Basket Warrant, the Calculation Agent shall determine in its absolute discretion that either:
 - (x) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date, (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Index; or
 - (y) the Averaging Date shall be the first succeeding Valid Date, unless no such day has occurred by the thirtieth Scheduled Trading Day following the Scheduled Final Averaging Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that thirtieth Scheduled Trading Day is already an Averaging Date) in relation to such Index,

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 6(b)(i)(B); and

- (ii) in respect of a Security Basket Warrant, that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Security, and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant amount for that Averaging Date in accordance with Condition 6(b)(i)(C)(2).

If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

- (C) If (1) on or prior to any Averaging Date, in respect of an Index Warrant or Index Basket Warrant, an Index Modification or Index Cancellation occurs, or (2) on any Averaging Date in respect of an Index Warrant or Index Basket Warrant an Index Disruption Event occurs, then the Calculation Agent shall determine, in its sole and absolute discretion, the relevant Settlement Price using, in lieu of a published level of the relevant Index, the level for that Index

as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities or other property that comprised that Index immediately prior to that change or failure (other than those securities or other property that have since ceased to be listed on any relevant Exchange).

(c) *Adjustments to Indices*

This Condition 6(c) is applicable only in relation to Index-Linked Warrants and Index Basket Warrants.

(i) Successor Index

If a relevant Index is (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Sponsor acceptable to the Calculation Agent, or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that Index (the "**Successor Index**") will be deemed to be the Index.

(ii) Index Adjustment Events

If (A) on or prior to any Valuation Date, a relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation or other routine events) (an "**Index Modification**") or permanently cancels the Index (an "**Index Cancellation**"), or (B) on any Valuation Date the Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**") and together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**") then the Calculation Agent shall determine, in its sole and absolute discretion, the Final Price using, in lieu of a published level of that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event.

(iii) Correction of Index Levels

If, in respect of an Index Warrant or an Index Basket Warrant, the level of an Index published by the Index Sponsor at any time and used or to be used by the Calculation Agent for any calculation or determination under the Warrants is subsequently corrected and the correction is published by the Index Sponsor within one Settlement Cycle the Calculation Agent will make such adjustment as it in its sole and absolute discretion determines to be appropriate, if any, to the settlement or payment terms of the Warrants to account for such correction provided that if any amount has been paid or delivered in an amount or value which exceeds the amount that would have been payable or deliverable if the correction had been taken into account, no further amount in an amount at least equal to the excess is payable or deliverable in respect of the Warrants and the Calculation Agent determines that it is not practicable to make such

an adjustment to account fully for such correction, the Issuer shall be entitled to reimbursement (or, in the case of a delivery, payment of the value) of, the relevant excess payment or delivery (or, as the case may be, the proportion thereof not accounted for by an adjustment made by the Calculation Agent) by the relevant Warrantholder, together with interest on that amount for the period from and including the day on which payment or delivery was originally made to (but excluding) the day of payment of reimbursement (or value) by the Warrantholder (all as calculated by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall determine.

(d) *Delivery Disruption of Physical Settlement Warrants*

This Condition 6(d) is applicable only in relation to Warrants specified in the relevant Final Terms as being Physical Settlement Warrants and to Warrants in relation to which the Issuer has elected for optional Physical Settlement in accordance with Condition 3(e).

If the Calculation Agent determines, in its sole and absolute discretion, that a Delivery Disruption Event has occurred, it shall notify the Issuer who shall promptly notify the relevant Warrantholder(s) and the Issuer may then:

- (A) determine, in its sole and absolute discretion, that the obligation to deliver the relevant Securities Transfer Amount will be terminated and the Issuer will pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the Securities Transfer Amount, in which event the entitlements of the respective Warrantholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of such amount; or
- (B) deliver on the Settlement Date such amount of the Securities Transfer Amount (if any) as it can deliver on that date and pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the remainder of the Securities Transfer Amount, in which event the entitlements of the respective Warrantholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of such amount.

Where this Condition 6(d) falls to be applied, insofar as the Calculation Agent determines in its sole and absolute discretion to be practical, the same shall be applied as between the Warrantholders on a pro rata basis, but subject to such rounding down (whether of the amount of a payment or of a number of Securities to be delivered) and also to such other adjustments as the Calculation Agent determines, in its sole and absolute discretion, determines to be appropriate to give practical effect to such provisions.

(e) *Settlement Disruption of Physical Settlement Warrants*

This Condition 6(e) is applicable only in relation to Warrants specified in the relevant Final Terms as being Physical Settlement Warrants.

The Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has

occurred and so has prevented delivery of Securities on the original day that but for such Settlement Disruption Event would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which delivery of such Securities can take place through the relevant Clearance System unless a Settlement Disruption Event prevents settlement on each of the eighth relevant Clearance System Business Days immediately following the original date (or during such other period (the "**Disruption Period**") specified in the relevant Final Terms) that, but for the Settlement Disruption Event, would have been the Settlement Date. In that case, if the Securities are debt securities, the Issuer shall use reasonable efforts to deliver such Securities promptly thereafter in a commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) outside the Clearance System and in all other cases (a) if such Securities can be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be the first day on which settlement of a sale of Securities executed on that eighth relevant Clearance System Business Day, or during such other period specified in the relevant Final Terms, customarily would take place using such other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) of delivery (which other manner of delivery will be deemed the relevant Clearance System for the purposes of delivery of the relevant Securities), and (b) if such Securities cannot be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be postponed until delivery can be effected through the relevant Clearance System or in any other commercially reasonable manner.

For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Securities comprised in a basket, the Settlement Date for Securities not affected by the Settlement Disruption Event will be the first day on which settlement of a sale of such Securities executed on the Settlement Date customarily would take place through the relevant Clearance System.

(f) *Adjustments and Events affecting Securities*

This Condition 6(f) is applicable only in relation to Security Warrants and Security Basket Warrants.

(i) **Potential Adjustment Events**

The Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Potential Adjustment Event has occurred and where it determines such an event has occurred, the Calculation Agent will, in its sole and absolute discretion, determine, whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Securities and, if so, will make such adjustment as it in its sole and absolute discretion determines to be appropriate, if any, to the Strike Price, the number of Securities to which each Warrant relates and to any other exercise, settlement, payment or other term of the relevant Warrants, including without limitation the amount, number or type of cash, Securities, other securities or other property which may be transferred under such Warrants and determine the effective date(s) of such adjustment(s).

(ii) **Extraordinary Events**

Following the occurrence of any Extraordinary Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Warrants shall continue

and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Warrants shall continue, it may make such adjustment as it, in its sole and absolute discretion, determines to be appropriate, if any, to the amount, number or type of Securities, other property or securities which may be transferred under the Warrants, including, without limitation, the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion determine. If the Calculation Agent determines in its sole and absolute discretion that the relevant Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the relevant Warrants shall be satisfied in full upon payment of such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Warrants.

(iii) Conversion

In respect of a Security Warrant which relates to debt securities, following the occurrence of any Conversion, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Warrants will continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the Warrants shall continue, it may make such adjustment as it, in its sole and absolute discretion, determines to be appropriate to the amount, number or type of Securities, other property or securities which may be transferred under the Warrants, including without limitation the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms and/or any other adjustment and determine, in its sole and absolute discretion, the effective date(s) of such adjustment. If the Calculation Agent determines, in its sole and absolute discretion, that the Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of any Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) as of the date selected by the Calculation Agent in its sole and absolute discretion and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of such amount as, in the opinion of the Calculation Agent (such opinion to be made by the Calculation Agent in its sole discretion) is fair in the circumstances by way of compensation for the termination of the Warrants.

(iv) Correction of Prices

In the event that any price published or announced on a given day and utilised or to be utilised for the purpose of any calculation or determination under the Warrants is subsequently corrected and the correction is published or announced by the Exchange within one Settlement Cycle after the original publication, the Calculation Agent will make such adjustment as it in its sole and absolute discretion determines to be appropriate, if any, to the settlement or payment terms of the Warrants to account for such correction provided that if any amount has been paid or delivered in an amount

or value which exceeds the amount that would have been payable or deliverable if the correction had been taken into account, no further amount in an amount at least equal to the excess is payable or deliverable in respect of the Warrants and the Calculation Agent determines that it is not practicable to make such an adjustment to account fully for such correction, the Issuer shall be entitled to reimbursement (or, in the case of a delivery, payment of the value) of, the relevant excess payment or delivery (or, as the case may be, the proportion thereof not accounted for by an adjustment made by the Calculation Agent) by the relevant Warrantholder, together with interest on that amount for the period from and including the day on which payment or delivery was originally made to (but excluding) the day of payment of reimbursement (or value) by the Warrantholder (all as calculated by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall determine.

(g) *Additional Disruption Event*

Following the occurrence of any Additional Disruption Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Warrants shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Warrants shall continue, it may make such adjustment as it, in its sole and absolute discretion, determines to be appropriate, if any, to the amount, number or type of Securities, other property or securities which may be transferred under the Warrants, including, without limitation, the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion determine. If the Calculation Agent determines in its sole and absolute discretion that the relevant Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the relevant Warrants shall be satisfied in full upon payment of such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Warrants.

For the purposes of each Series of Warrants, "**Additional Disruption Event**" means any event specified as such in the relevant Final Terms, and for such purpose the following terms if so specified shall be deemed to have the following meanings unless otherwise provided in the relevant Final Terms:

- (i) "**Change in Law**" means that, on or after the Issue Date, (A) due to the adoption of or any change in any applicable law or regulation (including without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (x) it has become illegal for the Issuer to hold, acquire or dispose of Securities or (y) the Issuer will incur a materially increased cost in performing its obligations under the Warrants (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

- (ii) **"Hedging Disruption"** means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of issuing and performing its obligations with respect to the Warrants or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s); and
 - (iii) **"Increased Cost of Hedging"** means that the Issuer would incur a materially increased costs (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to the Warrants, or (B) realise, recover or remit the proceeds of any such transaction(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging.
- (h) *Other Adjustments*
- Upon the occurrence of any event(s) that the Calculation Agent determines (in its discretion, but acting reasonably) affects or could potentially affect the value of the Warrants, the Calculation Agent may (in its discretion, but acting reasonably) make any adjustments to the Strike Price, the number and/or type of Securities and/or Indices to which such Warrants relate, or to any exercise, settlement, payment or other terms of such Warrants including, without limitation, the amount, number or type of cash, Securities, other securities or property which may be transferred under such Warrants and determine the effective date(s) of such adjustments.

7. **Effects of European Economic and Monetary Union**

- (a) Following the occurrence of an EMU Event, the Calculation Agent may make such adjustment (and determine the effective date of such adjustment) as it, in its sole and absolute discretion, determines appropriate, if any, to the Strike Price (if any), the formula for the Cash Settlement Amount, the Settlement Price, the Relevant Price, the number of Securities to which each Warrant relates, the number of securities comprised in a Security Basket Warrant, the amount, the number of or type of shares, bonds, other securities or other property which may be delivered in respect of such Warrants and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement or payment terms of the relevant Warrants which in the sole and absolute discretion of the Calculation Agent have been or may be affected by such EMU Event.
- (b) Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to: (i) make such conversions between amounts denominated in the national currency units (the **"National Currency Units"**) of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Communities is amended by the Treaty on European Union and the euro, and the euro and the National Currency Units, in each case, in accordance with the conversation rates and rounding rules established by the council of the European Union pursuant to the Treaty establishing the European Communities as amended by the Treaty a European Union as it, in its sole and absolute discretion, considers appropriate; (ii) make all payments in respect of the Warrants solely in euro as though references in the Warrants to the relevant National Currency Units were to euro and (iii) make such adjustments as it, in its sole and absolute discretion considers necessary to the Strike Price (if any), the formula for the Cash

Settlement Amount, Settlement Price, Relevant Price and any other amount as it determines, in its sole and absolute discretion, to be appropriate.

- (c) None of the Issuer, a Warrant Agent or the Calculation Agent will be liable to any Warrantholder or other person for any commissions, cost, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection therewith.
- (d) For the purposes hereof, "**EMU Event**" means the occurrence of any of the following, as determined by the Determination Agent, acting in a commercially reasonable manner:
 - (i) the withdrawal from legal tender of any currency that, before the introduction of the euro, was lawful currency in one of the member state;
 - (ii) the redenomination of any Security into euro;
 - (iii) any change in the currency of denomination of any Index;
 - (iv) any change in the currency in which some or all the securities or other property contained in any Index is denominated;
 - (v) the disappearance or replacement of a relevant rate option or other price source for the national currency of any member state, or the failure of the agreed sponsor (or successor sponsor) to publish or display a relevant rate, index, price, page or screen; or
 - (vi) the change by any organised market, exchange or clearance, payment or settlement system in the unit of account of its operating procedures to the euro.

8. Warrant Agents and Calculation Agent

(a) *Appointment of Agents*

The Issuer reserves the right at any time to vary or terminate the appointment of any Warrant Agent or the Calculation Agent or the Authentication Agent and to appoint other or additional Warrant Agents or a substitute Calculation Agent or a substitute Authentication Agent, provided that (i) so long as any Warrant is outstanding, the Issuer will maintain a Principal Warrant Agent and a Calculation Agent and an Authentication Agent and (ii) so long as the Warrants have been admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange (or have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system), there will be a Warrant Agent with a specified office in London (or in such other place as may be required by such other listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation). Notice of any termination of appointment and of any change in the specified office of a Warrant Agent or a Calculation Agent or an Authentication Agent and of any appointment of a Warrant Agent or a Calculation Agent or an Authentication Agent will be given to Warrantholders in accordance with Condition 11. In acting under the Warrant Agency Agreement, each Warrant Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrantholders.

(b) *Calculation Agent*

The Calculation Agent shall not act as an agent for the Warrantholders but shall be the agent of the Issuer. All calculation functions required of the Calculation Agent under these Conditions may be delegated to any such person as the Calculation Agent, in its absolute discretion, may decide.

Neither the Issuer nor the Calculation Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables used in any calculation made pursuant to these Conditions or in the calculation of any Cash Settlement Amount or of any entitlement to Physical Settlement arising from such errors or omissions.

(c) *Notifications*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the Warrants by the Principal Warrant Agent or the Calculation Agent shall (in the absence of manifest error or wilful misconduct) be binding on the Issuer and the Warrantholders and (subject as aforesaid) no liability to the Warrantholders (or any of them) shall attach to the Principal Warrant Agent or the Calculation Agent in connection with the exercise or non-exercise by either of them of their powers, duties and discretions for such purposes.

9. **Taxes**

A Warrantholder subscribing for, purchasing or exercising a Warrant shall pay all Taxes and securities transfer taxes and any other charges, if any, payable in connection with the subscription, purchase or exercise of such Warrant and the delivery of the Cash Settlement Amount and/or any Securities as a result of such exercise. The Issuer shall have the right, but not the duty, to withhold or deduct from any amounts otherwise payable to a Warrantholder such amount as is necessary for the payment of any such taxes, duties or charges or for effecting reimbursement in accordance with the next sentence.

In any case where the Issuer is obliged to pay any such tax, duty or charge referred to in the previous paragraph, the relevant Warrantholder shall promptly reimburse the Issuer therefor.

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants.

10. **Force Majeure and Illegality**

(a) *Force Majeure*

The Issuer shall have the right to terminate its obligations under the Warrants, subject to the following sentence, if the Calculation Agent shall have determined in its absolute discretion, that the performance of such obligations shall have become impracticable in whole or in part, in particular as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. In such circumstances the Issuer will, however, pay to each Warrantholder in respect of each Warrant held by it an amount determined by the Calculation Agent after consultation with a merchant bank of international repute as representing the fair market value of such Warrant immediately after such termination. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 11.

(b) *Illegality*

In the event that any one or more of the provisions contained in these terms should be held to be invalid, illegal or unenforceable in any respect, the Issuer will endeavour in good faith to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which is not detrimental on either the Issuer or the Warrantholder, and which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

11. Notices

All notices to Warrantholders will, save where another means of communication has been specified in the relevant Final Terms, be deemed to have been duly given if notified to the relevant Clearing System and, in the case of Warrants admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange (or which have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system), if copies of such notifications are forwarded in final form to the London Stock Exchange no later than the date of dispatch (or, in the case of Warrants admitted to listing, trading and/or quotation by any other listing authority, stock exchange, and/or quotation system published in any publication required by such other listing authority, stock exchange and/or quotation system). Any such notice shall be deemed to have been given on the date of such notification or, in the case of any of Warrants listed on any other listing authority, stock exchange and/or quotation system, the date of such publication or, if notified or published more than once or on different dates, on the date of the first such notification or publication.

12. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Warrantholders to create and issue further warrants of any particular series so as to form a single series with the Warrants, pursuant to an agreement supplemental to the Warrant Agency Agreement.

13. Purchase by the Issuer

The Issuer may at any time purchase Warrants at any price in the open market or by tender or private treaty. Any Warrants so purchased may, at the discretion of the Issuer, be held, resold, reissued or surrendered for cancellation, and Warrants so reissued or resold shall for all purposes be deemed to form part of the original series of the Warrants.

14. Modification

The Issuer may modify the Conditions and the Warrant Agency Agreement (subject in the case of the Warrant Agency Agreement to the agreement of the other parties thereto) without the consent of the Warrantholders for purposes of curing any ambiguity or correcting or supplementing any provision contained therein in any manner which the Issuer may deem necessary or desirable provided that such modification is not materially prejudicial to the interests of the Warrantholders or to correct an inconsistency between the Final Terms and the relevant term sheet relating to the Warrants. Notice of any such modification will be given to the Warrantholders but failure to give, or non-receipt of, such notice will not affect the validity of such modification.

15. Substitution

The Issuer shall be entitled at any time and from time to time, without the consent of the Warrantholders, to substitute any holding company of the Issuer or any wholly-owned, direct or indirect subsidiary of HSBC Holdings plc (the "**New Issuer**") in place of the Issuer, as obligor under the Warrants of any Series, provided that the New Issuer shall assume all obligations of the Issuer in relation to the Warrantholders under or in relation to such Warrants. In the event of any such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer. Any such substitution shall be promptly notified to the relevant Warrantholders in accordance with Condition 11. In connection with such right of substitution the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Warrantholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Warrantholder shall be entitled to claim from the Issuer

any indemnification or payment in respect of any tax consequence of any such substitution upon such Warrantholder.

16. Governing Law

(a) *Governing law*

The Warrants and all matters arising from or connected with the Warrants are governed by, and shall be construed in accordance with, English law.

(b) *English courts*

The courts of England have exclusive jurisdiction to settle any dispute arising from or connected with the Warrants.

17. Third Party Rights

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

PRO FORMA FINAL TERMS FOR THE WARRANTS

Final Terms dated [●]

Series No.: [●]

Tranche No.: [●]

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

Issue of

[Aggregate Principal Amount of Tranche]

[Title of Warrants]

PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Warrants 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 2 August 2006 in relation to the above Programme [and the supplemental Prospectus dated []⁵⁶ which [together] constitute[s] a base prospectus ("Prospectus") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Warrants described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] is available for viewing at [address] [and] [website]⁵⁷ and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated []]. This document constitutes the Final Terms of the notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus] dated [original date] [and the supplemental Prospectus dated []] and are attached hereto. Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Prospectus(es) dated [original date] and [current date] [and the supplemental Prospectus dated []] and []. [The Prospectus(es) are available for viewing at [address] and copies may be obtained from [address].]

⁵⁶ Only include details of supplement Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

⁵⁷ If required by the UKLA in accordance with Article 14 of the Prospectus Directive.

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

[The information set out in the Annex hereto (which forms part of these Final Terms) concerning *[Description of underlying Index/Indices/Securities]* (the "[] **Information**") is derived from publicly available information and is intended as a summary only of the information from which it is derived. The Issuer accepts responsibility for having correctly extracted the [] Information from such publicly available information. However, the Issuer does not assume any responsibility for the accuracy or completeness of the [] Information so extracted *[For Index-Linked Warrants only]* and in particular does not assume any responsibility for the calculation or dissemination of *[Insert name of Index/Indices]*].

The [] Information is of limited scope. In deciding whether or not to purchase Warrants, investors should conduct their own investigations of *[Description of underlying]* and form their own view of the merits of *[Description of underlying]* based upon such investigations and not in reliance upon the [•] Information.]]

HSBC

[Insert Issue Date]

1. Issuer: HSBC Bank plc
2. Principal Warrant Agent: HSBC Bank plc
3. Calculation Agent: [HSBC Bank plc] [HSBC France]
4. Warrant Agent: HSBC Bank plc
5. (i) Series number: []
(ii) [Tranche number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
6. Currency or currencies: []
7. Aggregate Number of Warrants in the:
[(i)] Series: []
[(ii)] Tranche:] []
8. Issue Date: []
9. Issue Price: [currency] [amount] per Warrant
10. Strike Price: [currency] [amount]
11. Listing of Warrants: [Application has been made for the Warrants to be admitted to the Official List of the UK Listing Authority and admitted to trading on the gilt-edged and fixed interest market of the London Stock Exchange/other (*specify*)/ None]
12. Date [Board] approval for the issuance of Warrants obtained: [] [and [] , respectively]]
(*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
13. Type of Warrants: [Security Warrant/Security Basket Warrant/Index Warrant/Index Basket Warrant]
14. Series represented by: [Global Warrant. Warrants in definitive form [will/will not] be issued.] [other (*specify*)]
15. Style of Warrants: The Warrants are [American/European/other] Style [Call/Put] Warrants. Condition [3(a)/3(b)]

is applicable.

16. (i) Expiry Date: [Time] [City] time [specify fallback if Expiry Date is not a business day]
- (ii) Exercise Procedure: [Condition 4 is applicable/other (specify)]
- (iii) Exercise Period: [American Style Warrants only]. [The period beginning from (and including) [] and ending on (and including) the Expiry Date].
- (iv) Knock-in Event: [Applicable to [specify relevant payment or delivery]]
- Knock-in Event: [][Greater than/greater than or equal to/less than/less than or equal to/the Knock-in [Price/Level]]
- Knock-in Period Beginning Date (if other than as specified in the definition thereof in Condition 6(b)):
- Knock-in Period Ending Date (if other than as specified in the definition thereof in Condition 6(b)):
- Knock-in Price: []
- Knock-in Valuation Time (if other than as specified in the definition thereof in Condition 6(b)):
- (v) Knock-out Event: [Applicable to [specify relevant payment or delivery]]
- Knock-out Event: [][Greater than/greater than or equal to/less than/less than or equal to/the Knock-out [Price/Level]]
- Knock-out Period Beginning Date (if other than as specified in the definition thereof in Condition 6(b)):
- Knock-out Period Ending Date (if other than as specified in the definition thereof in Condition 6(b)):
- Knock-out Price: []

- Knock-out Valuation Time (if other than as specified in the definition thereof in Condition 6(b)); []
17. (i) Minimum Exercise Number: [] Warrants
- (ii) Permitted Multiple: [] Warrants
18. Cash Settlement: [Applicable. The Warrants are Cash Settlement Warrants. Condition 3(c) (*Cash Settlement*) [and Condition 3(e) (*Optional Physical Settlement*)] [applies/apply]]/[Not Applicable].
- (i) Settlement Currency: []
- (ii) Cash Settlement Amount: []
- (iii) Cash Settlement Payment Date: []
19. Physical Settlement: [Applicable. The Warrants are Physical Settlement Warrants. Condition 3(d) (*Physical Settlement*) [and Condition 3(f) (*Optional Cash Settlement*)] [applies/apply]]/[Not Applicable].
- (i) Strike Price Payment Date: []
- (ii) Settlement Date: []
- [Consider treatment of dividends].
- Stamp duty [is/ is not] currently payable by the Warrantholder on Security delivery. There [are/are no] restrictions on the transferability of the Securities.
20. Index Warrant or Index Basket Warrant: [Applicable. The Warrants are [Index Warrants/ Index Basket Warrants]]/[Not Applicable].
- (i) Index/Indices: [] [The Exchanges/[] [] [is/are] Multiple Index Exchange(s)]
- (ii) Basket: [*specify each Index in the Basket and indicate the relative proportions*]/Not Applicable]
- (iii) Index Sponsor(s): [] [The definition in Condition 10(a) applies]
- (iv) Exchange(s): []
- (v) Related Exchange(s): [] [All Exchanges]

- (vi) Valuation Time: []
- (vii) Valuation Date: []
- (viii) Averaging Dates: [Applicable/Not Applicable] *[If applicable, specify dates]*
- (ix) Relevant Price: []
- (x) Settlement Price: []
- (xi) Additional Disruption Event: [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] *[Other]* [Not Applicable]]
21. Security Warrant or Security Basket Warrant: [Applicable. The Warrants are [Security Warrants/Security Basket Warrants]/[Not Applicable].
- (i) Securities: *[Ordinary/other]* shares of [par value] *[currency/amount]* of [] and "Security" means any one of them.
- (ii) Basket: *[specify each Security in the Basket and indicate the relative proportions/Not Applicable]*
- (iii) Exchange(s): *[specify exchange on which the Securities are listed]*
- (iv) Related Exchange: *[Specify/Not Applicable]*
- (v) Relevant Company/Companies: []
- (vi) Valuation Time: []
- (vii) Valuation Date: []
- (viii) Averaging Dates: [Applicable/Not Applicable] *[If applicable, specify dates]*
- (ix) Relevant Price: []
- (x) Settlement Price: [Condition 6(iv) applies/other(*specify*)]
- (xi) Clearance System: []
- (xii) Additional Disruption Event: [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] *[Other]* [Not Applicable]]
22. Averaging Date Market Disruption: [Omission/Postponement/Modified Postponement/Not Applicable/Other (*Specify*)]

23. Business Day: [As in the Conditions/other (*specify*)]
24. Determination Date: []
25. Selling Restrictions: In addition to selling restrictions listed in "Purchase and Sale of the Warrants" contained in the Base Prospectus:
- [Specify any selling restrictions applicable to the Warrants which are additional to, or in substitution for, those contained in the Base Prospectus]

[LISTING AND ADMISSION TO TRADING APPLICATION]

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Warrants described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Indices/share information*] has been extracted from [*insert name of source of information e.g. FTSE¹⁰⁰, Dow Jones etc.*]. 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 [*insert name of source of information e.g. FTSE¹⁰⁰, Dow Jones etc.*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

CONFIRMED HSBC BANK PLC

By: -----
Authorised Signatory

Date: -----

PART B - OTHER INFORMATION

26. LISTING

- (i) Listing [Application [will be/has been] made to admit the Notes to listing on the Official List of the Financial Services Authority. No assurance can be given as to whether or not, or when, such application will be granted.]
- (ii) Admission to trading [Application has been made for the Warrants to be admitted to trading [on the Professional Securities Market/Gilt-Edged and Fixed Interest Market/other] with effect from []. No assurance can be given as to whether or not, or when, such application will be granted.] [Not Applicable]
- [(Where documenting a fungible issue need to indicate that original warrants are already admitted to trading.)]⁵⁸*

27. [NOTIFICATION]

The [include name of competent authority in EEA home Member State] [has been requested to provided/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

28. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

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

29. [REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]

- (i) Reasons for the offer []
- (See ["Use of Proceeds"] wording in Prospectus - if reasons for offer different from making profit and/or hedging certain*

⁵⁸ Not required for debt securities with a denomination per unit of at least EUR50,000.

risks will need to include those reasons here.)]

(ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) Estimated total expenses: *[Include breakdown of expenses]⁵⁹*

(If the Warrants are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

OPERATIONAL INFORMATION

30. ISIN Code: []
31. Common Code: []
32. Valoren Number: []
33. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None/specify]
34. Delivery: Delivery [against/free of] payment
35. Additional Paying Agent(s) (if any): [None/specify]
36. Common Depositary: [specify]
37. Notices: *[specify any other means of effecting communication]*
(Condition 14)
38. City in which specified office of Registrar to be maintained: *[specify]*
(Condition 12)
39. Other relevant Terms and Conditions: []
40. Other Final Terms: []⁶⁰
41. ERISA Considerations: []

⁵⁹ Not required for debt securities with a denomination per unit of at least EUR50,000.

⁶⁰ If new term constitutes a "significant new factor", consider whether supplement to the Prospectus is required

ANNEX

[Disclosure of information concerning the underlying Securities, Index or Indices]

[Include a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the notes are most evident unless the securities have a denomination per unit of at least EUR 50,000 or can only be acquired for at least EUR 50,000 per security.]

[Include a statement setting out the type of the underlying and details of where information on the underlying can be obtained:]

- *an indication where information about the past and the further performance of the underlying and its volatility can be obtained,*
- *where the underlying is a security,*
 - *the name of the issuer of the security,*
 - *the ISIN (international security identification number) or other such security identification code,*
- *where the underlying is an index,*
 - *the name of the index and a description of the index if it is composed by the issuer. If the index is not composed by the issuer, where information about the index can be obtained,*
- *where the underlying is an interest rate,*
 - *a description of the interest rate,*
- *others:*
 - *where the underlying does not fall within the categories specified above the securities note shall contain equivalent information,*
- *where the underlying is a basket of underlyings,*
 - *disclosure of the relevant weightings of each underlying in the basket.]*

PURCHASE AND SALE OF WARRANTS

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the Warrants, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Warrants or any securities to be issued or delivered upon their exercise, or distribution of any offering material relating to the Warrants or such securities, may be made in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligation on the Issuer.

United States of America

The Warrants have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and the securities issued upon their exercise may not be registered under the Securities Act. In addition, trading in the Warrants has not been and will not be approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act (the "**CEA**"). Terms used in this paragraph have the meanings given to them by Regulation S and by the CEA and the regulations and interpretations thereunder.

The Warrants initially offered outside the United States in accordance with Regulation S may not, at any time, be offered, sold, delivered, traded or exercised, directly or indirectly in the United States or to, or for the account or benefit of, U.S. persons and a U.S. person may not, at any time, directly or indirectly maintain a position in such Warrants. At or prior to settlement of any sale of such Warrants, the Issuer may require each purchaser thereof to certify it is located outside the United States, is not a U.S. person, is not purchasing the Warrants for the account or benefit of a U.S. person and agrees to resell such Warrants only outside the United States to a person that is not a U.S. person in accordance with the provisions of Regulation S, in addition to any other matters that the Issuer may require in order to comply with applicable law. In addition, such Warrants will be exercisable only upon written certification by each person exercising a Warrant to the effect that such person is not a U.S. person, the Warrant is not being exercised within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to or for the account or benefit of a U.S. person in connection with any exercise thereof.

The Warrants initially offered within the United States in reliance on an exemption from the registration requirements of the Securities Act may not, at any time, be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons except in a transaction which is exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. At or prior to settlement of any sale of such Warrants, the Issuer may require each purchaser thereof to certify to any matters that the Issuer may require in order to comply with applicable law. The Warrants may not be exercised by or on behalf of a U.S. person unless registered under the Securities Act or an exemption from such registration is available. The terms "United States" and "U.S. person" used in this paragraph have the meanings given to them in Regulation S. For Warrants in bearer form issued in accordance with the provisions of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**D Rules**"), each dealer represents, warrants and agrees that (a) except to the extent permitted under the D Rules, (i) it has not offered or sold, and during the restricted period will not offer or sell, any Warrants in bearer form to a person who is within the United States or its possessions to a United States person and (ii) it has not delivered and will not deliver within the United States or its possessions any definitive Warrants in bearer form that are sold during the restricted period; (b) it has and throughout the

restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Warrants in bearer form are aware that such Warrants in bearer form may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules; (c) if it is a United States person, it is acquiring the Warrants in bearer form for the purposes of resale in connection with their original issuance and it retains Warrants in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and (d) with respect to each affiliate that acquires from its Warrants in bearer form for the purpose of offering or selling such Warrants in bearer form during the restricted period, such Dealer repeats and confirms the representations and agreements contained in this Purchase and Sale of Warrants section. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

For Warrants in bearer form issued in accordance with the provisions of U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**C Rules**"), such Warrants in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each dealer represents and agrees that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, Warrants in bearer form within the United States or its possessions in connection with their original issuance. Further, each Dealer represents and agrees in connection with the original issuance of the Warrants in bearer form, it has not communicated, and will communicate, directly or indirectly, with a prospective purchaser if either of such Dealer or such prospective purchaser is within the United States or its possessions and will not otherwise involve any of its U.S. offices in the offer or sale of Warrants in bearer form. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

European Economic Area

No offer of the Warrants may be made to any person in any member state of the European Union which has implemented (or in the case of those Member States which have not yet implemented the Prospectus Directive, will implement) the Prospectus Directive (each a "**Relevant Member State**") with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "**Relevant Implementation Date**"), except that, with effect from the Relevant Implementation Date, an offer of the Warrants may be made:

- (i) in the period beginning on the date of publication of a prospectus in relation to those Warrants and ending on the date which is 12 months after the date of such publication provided that:
 - (a) such prospectus has been approved by the competent authority of the Relevant Member State in accordance with the Prospectus Directive and any relevant implementing measures; or
 - (b) where the competent authority of a member state other than the Relevant Member State has approved a prospectus in relation to those Warrants in accordance with the Prospectus Directive and any relevant implementing measures, such prospectus has been duly notified to the competent authority of the Relevant Member State in accordance with Article 18 of the Prospectus Directive and any relevant implementing measures; and
- (ii) at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to a legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of at least EUR 43 million; and (3) an annual net turnover of at least EUR 50 million, as shown in its last annual or consolidated accounts; or
- (c) otherwise in circumstances which do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive and any relevant implementing measures.

For the purposes of this provision, the expression an "**offer of the Warrants**" in relation to any Warrants in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Warrants to be offered so as to enable an investor to decide to purchase or subscribe the Warrants, as the same may be varied in that Member State.

United Kingdom

All applicable provisions of the FSMA must be complied with in respect to anything done in relation to any Warrants in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by any person in connection with the issue or sale of any Warrants may only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer.

Japan

Each Dealer has understood that the Warrants have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, has undertaken that it will not offer or sell any Warrants directly or indirectly in Japan or to, or for the benefit of, any Japanese Person or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

- (1) Each Dealer has acknowledged that, other than with respect to the admission of the Warrants to listing, trading and/or quotation by the relevant listing authorities, stock exchanges and/or quotation systems, no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the Warrants, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required.
- (2) Each Dealer has undertaken to the Issuer that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers

Warrants or has in its possession or distributes such offering material, in all cases at its own expense.

- (3) In accordance with the above, each Dealer has warranted to and undertaken with the Issuer that any Warrant purchased by it which it wishes to offer for sale or resale shall not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further prospectus or corresponding document relating to the Warrants in such jurisdictions.

OFFERS AND SALES OF WARRANTS

In respect of each Tranche of Warrants, the Issuer may retain some of the Warrants which it may sell, cancel or otherwise dispose of from time to time, as the case may be, as it may determine. The Issuer is entitled, at any time before the expiry of the Warrants of any Tranche, to purchase or sell such Warrants in the open market or through private transactions.

The issue price of any Warrant specified in the relevant Final Terms is an indicative value set by the Issuer as at the date of the relevant Final Terms. The Issuer reserves the right to offer such Warrants at any other price or prices as conclusively determined by it and no Warrantholder shall have a claim against the Issuer by reason of the price offered to it or any other Warrantholder.

REGISTERED AND HEAD OFFICE OF THE ISSUER

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London E14 5HQ

DEALER

HSBC Bank plc
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London E14 5HQ

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WARRANT AGENT, ISSUE AGENT,
REGISTRAR, TRANSFER AGENT AND
AUTHENTICATION AGENT**

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