

OFFERING CIRCULAR



**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED**

*(registered and incorporated in Hong Kong: Number 263876)*

as Issuer and, in respect of Notes issued by  
any New Issuer (as defined herein), as Guarantor

**U.S.\$20,000,000,000**  
**Medium Term Note Programme**

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Application has been made to The Stock Exchange of Hong Kong Limited (the **Hong Kong Stock Exchange**) for listing of the programme (the **Programme**) to “professional investors” as defined in the Securities and Futures Ordinance ((Cap.571) of Hong Kong) and any rules made under that Ordinance during the period of twelve months after the date of this Offering Circular. The listing of the Programme will be effective from 13 March 2015.

This Offering Circular replaces the Offering Circular dated 12 March 2014.

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*Programme Arranger and Dealer*

**The Hongkong and Shanghai Banking Corporation Limited**

12 March 2015

Each of The Hongkong and Shanghai Banking Corporation Limited (the **Bank**) and any New Issuer (as defined below) may from time to time issue Notes under the Programme and each of them in such capacity is herein referred to as an **Issuer**. Notes issued by any New Issuer will be unconditionally and irrevocably guaranteed by the Bank (the **Guarantee**) which, in such capacity, is herein referred to as the **Guarantor**.

The Bank may, from time to time, nominate newly incorporated wholly-owned Subsidiaries (as defined in the terms and conditions of the Notes) of the Bank with no operating history as additional issuers to issue Guaranteed Notes (as defined in the terms and conditions of the Notes) pursuant to the Programme (each a **New Issuer**). It is intended that such New Issuer shall accede to the terms of the Programme at the time of such issuance by executing a deed of adherence (a **Deed of Adherence**) and shall become, and be treated as, an **Issuer** for the purpose of the Programme.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Hong Kong Listing Rules**) for the purpose of giving information with regard to the Bank. The Bank accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular should be read and construed with any amendment or supplement hereto and with any other documents incorporated by reference and, in relation to any Series (as defined herein) of Notes, should be read and construed together with the relevant Pricing Supplement(s) (as defined herein).

The Bank has confirmed to the Dealers (as defined under “*Subscription and Sale*”) that this Offering Circular is true, accurate and complete in all material respects and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Offering Circular the omission of which would, in the context of the Programme or the issue of the Notes, make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. The Bank has further confirmed to the Dealers that this Offering Circular (together with the relevant Pricing Supplement) contains all such information as may be required by all applicable laws, rules and regulations.

No person has been authorised by the Bank to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme or any information supplied by the Bank or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Bank or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility or liability, as to the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Bank since the date hereof or, as the case may be, the date upon which this Offering Circular has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Offering Circular by reference or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Pricing Supplement comes are required by the Bank and the Dealers (and in the case of any New Issuer, will be required) to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Offering Circular or any Pricing Supplement and other offering material relating to the Notes, see “*Subscription and Sale*”.

In relation to Notes that will be listed on the Hong Kong Stock Exchange, this Offering Circular may only be distributed to professional investors (as described in this Offering Circular) for that Series of Notes, see “*Subscription and Sale — Hong Kong*”.

In particular, the Notes and (in case of any Notes issued by any New Issuer) the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), and may include Notes in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Notes and (in case of any Notes issued by any New Issuer) the Guarantee may not be offered, sold or delivered directly or indirectly within the United States or to or for account or benefit of U.S. persons, as defined in Regulation S under the Securities Act.

**Neither this Offering Circular nor any Pricing Supplement may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.**

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Bank, any New Issuer, the Dealers or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Bank or any New Issuer (as applicable).

**This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented Directive 2003/71/EC (the Prospectus Directive) (as amended, including the amendments made by Directive 2010/73/EU and any relevant implementing measure in such Member State of the European Economic Area) (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Offering Circular as completed by pricing supplements in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Bank, any New Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Bank, any New Issuer or any Dealer to publish or supplement a prospectus for such offer.**

All references in this Offering Circular to **HK\$** and **Hong Kong dollars** are to the lawful currency of Hong Kong, to **euro** are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended, to **U.S.\$**, **United States dollars** and **U.S. dollars** are to the lawful currency of the United States of America, to **Renminbi**, **RMB** and **CNY** are to the lawful currency of the People’s Republic of China (the **PRC**) and to **£** and **Sterling** are to the lawful currency of the United Kingdom.

All hyperlink references in this Offering Circular to a website or webpage are guidance to sources of other information as is in the public domain only. The contents of such website or webpage (the **Contents**) do not form part of this Offering Circular or the Programme. Neither the Bank, any New Issuer, the Dealers nor any of them accept responsibility for any damages or losses incurred or suffered arising out of or in connection with the use of such hyperlink or such Contents. Such Contents have neither been prepared for the Programme nor for incorporation into this Offering Circular. Such hyperlink or Contents may be limited to persons located or residing in only that particular jurisdiction, and may not be intended for persons located or residing in jurisdictions that restrict the distribution of such hyperlink or Contents.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (1) the most recently published audited annual financial statements and any interim financial statements (whether audited or unaudited) published subsequent to the last year specified in such annual financial statements, of the Bank and any New Issuer from time to time (if any); and
- (2) all amendments and supplements to this Offering Circular prepared by the Bank and any New Issuer from time to time,

save that any statement contained in this Offering Circular or in any of the documents incorporated by reference in, and forming part of, this Offering Circular shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

## **SUPPLEMENTARY LISTING DOCUMENTS**

If at any time any Issuer shall be required to prepare supplementary listing documents pursuant to the Hong Kong Listing Rules, the Bank and any New Issuer (as applicable) will prepare and make available an appropriate amendment or supplement to this Offering Circular or a further Offering Circular which, in respect of any subsequent issue of Notes to be listed on the Hong Kong Stock Exchange, shall constitute supplementary listing documents under the Hong Kong Listing Rules.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE (AS DEFINED HEREIN) OF NOTES UNDER THE PROGRAMME, THE DEALER (IF ANY) WHO IS SPECIFIED IN THE RELEVANT PRICING SUPPLEMENT AS THE STABILISING INSTITUTION (OR ANY PERSON ACTING FOR THE STABILISING INSTITUTION) 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 FOR A LIMITED PERIOD AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILISING INSTITUTION (OR PERSONS ACTING ON BEHALF OF A STABILISING INSTITUTION) TO DO THIS. ANY STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING INSTITUTION (OR PERSONS ACTING ON BEHALF OF ANY STABILISING INSTITUTION) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

## SUMMARY OF THE PROGRAMME

*The following is a brief summary only and should be read in conjunction with the rest of this document and, in relation to any Notes, in conjunction with the relevant Pricing Supplement and, to the extent applicable, the Terms and Conditions of the Notes set out herein.*

- Issuer: The Hongkong and Shanghai Banking Corporation Limited.
- Accession of New Issuers: The Bank may nominate any newly incorporated wholly-owned Subsidiary of the Bank with no prior operating history to accede to the Programme. In such circumstances the relevant Subsidiary Issuer will agree to be bound by all the terms of the Programme, and thereby become a New Issuer thereunder. The accession of such New Issuer will be effective upon (i) the execution by the New Issuer of a Deed of Adherence substantially in the form scheduled to the amended and restated issuing and paying agency agreement dated 12 March 2014 (as amended, supplemented or replaced from time to time) (the **Issuing and Paying Agency Agreement**) and (ii) the passing of a resolution of the board of directors of the Bank approving the accession to the Programme by the New Issuer and the giving of a guarantee in respect of the Notes to be issued by the New Issuer. Upon accession to the Programme by the New Issuer, the New Issuer will execute a deed of covenant relating to direct enforcement rights for accountholders in clearing systems (the **New Deed of Covenant**) and the Bank will execute a deed of guarantee to guarantee the payment of all sums expressed to be payable from time to time by the New Issuer in respect of Notes issued under the Programme (the **Deed of Guarantee**). It is intended that from and after the execution and delivery of such Deed of Adherence, New Deed of Covenant and Deed of Guarantee such New Issuer shall become and be treated as an “Issuer” for the purpose of the Programme.
- Guarantor: The Hongkong and Shanghai Banking Corporation Limited (other than in respect of Notes issued by itself).
- Arranger: The Hongkong and Shanghai Banking Corporation Limited.
- Dealers: The Arranger and any other dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Notes.
- Issuing and Paying Agent: The Hongkong and Shanghai Banking Corporation Limited.
- Initial Programme Amount: U.S.\$20,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes using the spot rate of exchange for the purchase of such currency against payment of U.S. dollars being quoted by the Issuing and Paying Agent on the date of such agreement or such other rate as the relevant Issuer and the relevant Dealer(s) may agree) in aggregate principal amount of Notes outstanding at any one time. The maximum aggregate principal amount of Notes which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under “*Subscription and Sale*”.

Investment Considerations: There are certain factors that may affect the relevant Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Investment Considerations*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Investment Considerations*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.

Issuance in Series: Notes will be issued in series (each, a **Series**). Each Series may comprise one or more tranches (**Tranches** and each, a **Tranche**) issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that (i) the issue date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Notes in bearer form and Notes in registered form and Notes in more than one denomination. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes in bearer form and Notes in registered form and may comprise Notes of different denominations.

Form of Notes: Notes may be issued in bearer form or in registered form as described in "*Form of the Notes*". In respect of each Tranche of Notes issued in bearer form, the relevant Issuer will deliver a temporary global Note or (if so specified in the relevant Pricing Supplement in respect of Notes to which U.S. Treasury Regulation section 1.163-5(c)(2)(i)(C) or substantially similar rules issued under Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the **TEFRA C Rules**) applies or to which TEFRA is not applicable (as so specified in such Pricing Supplement)) a permanent global Note. Such global Note will be either (i) deposited on or before the relevant issue date thereof with a depository or a common depository for Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, *société anonyme*, Luxembourg (**Clearstream, Luxembourg**) and/or any other relevant clearing system or (ii) lodged on or before the relevant issue date thereof with a sub-custodian in Hong Kong for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **CMU Service**). Each temporary global Note will be exchangeable for a permanent global Note or, if so specified in the relevant Pricing Supplement, for Notes in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Notes and if so specified in the relevant Pricing Supplement) registered form in accordance with its terms. Each permanent global Note will be exchangeable for Notes in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Notes and if so specified in the relevant Pricing Supplement) registered form in accordance with its terms. Notes in definitive bearer form will, if interest-bearing, have interest coupons (**Coupons**) attached and, if appropriate, a talon (**Talon**) for further Coupons. Notes in registered form may not be exchanged for Notes in bearer form.



Currencies:	Notes may be denominated in any currency or currencies (including, without limitation, Australian Dollars ( <b>AUD</b> ), Canadian Dollars ( <b>CAD</b> ), euro ( <b>EUR</b> ), Hong Kong dollars ( <b>HK\$</b> ), Indonesian Rupiah ( <b>IDR</b> ), Japanese Yen ( <b>JPY</b> ), Malaysian Ringgit ( <b>MYR</b> ), New Zealand Dollars ( <b>NZD</b> ), Sterling ( <b>GBP</b> ), Renminbi ( <b>RMB</b> or <b>CNY</b> ), Singapore Dollars ( <b>SGD</b> ), Thai Baht ( <b>THB</b> ) and United States dollars ( <b>U.S.\$</b> )) subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of Notes issued by the Bank:	The proceeds of each issue of Notes by any New Issuer must either be received by the Issuer from an authorised institution (as defined in the Banking Ordinance (Cap. 155) of Hong Kong) or a bank incorporated outside Hong Kong which is not an authorised institution (as so defined) or otherwise in compliance with the Banking Ordinance (Cap. 155) of Hong Kong.
Status of Guaranteed Notes issued by any New Issuer:	<p>The Notes issued by the Bank will constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank and will rank <i>pari passu</i> without any preference amongst themselves and <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Bank other than any such obligations as are preferred by law, all as further described in Condition 3.1.</p> <p>The Guaranteed Notes issued by any New Issuer will constitute direct, unconditional, unsubordinated and unsecured obligations of such New Issuer and will rank <i>pari passu</i> without any preference among themselves and <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of such New Issuer other than such obligations as are preferred by law, all as further described in Condition 3.2.</p> <p>The Guaranteed Notes will be guaranteed as to payment of principal and interest by the Bank upon the terms of the Guarantee. Claims in respect of the Guarantee will rank <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Bank other than any such obligations as are preferred by law, all as further described in Condition 3.2.</p>
Issue Price:	Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Pricing Supplement.
Maturities:	Notes may be issued with any maturity or with no fixed maturity date, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.



Any Notes in respect of which the issue proceeds are received by any New Issuer (if such New Issuer is not an authorised person permitted to accept deposits under the Financial Services and Markets Act 2000 (the **FSMA**) or is exempt under the FSMA) in the United Kingdom and which must be redeemed before the first anniversary of their date of issue must (a) (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and the Notes may not be transferred unless the redemption value of each Note is not less than £100,000 (or such an equivalent amount), and (ii) be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by such New Issuer.

**Redemption:** Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Pricing Supplement. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the relevant Pricing Supplement.

**Early Redemption:** Early redemption will be permitted for taxation reasons as mentioned in “*Terms and Conditions of the Notes — Early Redemption for Taxation Reasons*”, but will otherwise be permitted only to the extent specified in the relevant Pricing Supplement. Early redemption in any circumstances will only be permitted subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Interest:** Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.

**Fixed Rate Notes:** Interest on Fixed Rate Notes will be payable in arrears on such date or dates in each year as may be set out in the relevant Pricing Supplement. The basis on which interest will be calculated on Fixed Rate Notes will be as set out in the relevant Pricing Supplement.

**Floating Rate Notes:** Floating Rate Notes will bear interest calculated by reference to London Interbank Offered Rate (**LIBOR**) or such other benchmark as may be set out in the relevant Pricing Supplement. The margin over or under LIBOR or such other benchmark will be set out in the relevant Pricing Supplement.

Interest on Floating Rate Notes will be payable in arrears on the Interest Payment Dates specified in the relevant Pricing Supplement. Interest Periods will be selected by the Issuer, in its sole and absolute discretion, prior to issue and specified in the relevant Pricing Supplement. The basis on which interest will be calculated on Floating Rate Notes will be as set out in the relevant Pricing Supplement.

Floating Rate Notes may, if so specified in the relevant Pricing Supplement, bear interest at a minimum rate and/or a maximum rate.

Variable Coupon Amount Notes:	The Pricing Supplement relating to an issue of Variable Coupon Amount Notes will set out the basis for calculating the amounts of interest payable in respect of such Notes, which may be by reference to a stock or commodity index, a currency exchange rate or any other index or formula or as otherwise set out in the relevant Pricing Supplement.
Partly Paid Notes:	The relevant Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the relevant Issuer and the relevant Dealer may agree.
Zero Coupon Notes:	Zero Coupon Notes may be offered and sold at a discount to their principal amount and will not bear interest.
Index-Linked Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Index-Linked Notes will be calculated by reference to such stock or commodity or other index, currency exchange rate or formula as determined by the Issuer and as set out in the relevant Pricing Supplement.
Equity-Linked Notes:	Equity-Linked Notes may be issued, in respect of which either an amount calculated by reference to the value of a Security or Securities and/or a formula will be payable or a Securities Transfer Amount will be deliverable, as set out in the relevant Pricing Supplement. <b>Securities</b> means the equity securities, Government Bonds (as defined in the Terms and Conditions), debt securities or other securities, Units of a Fund (each as defined in the Terms and Conditions), depositary receipts or property, as adjusted pursuant to Condition 9, to which the relevant Note relates, as specified in the relevant Pricing Supplement, and <b>Security</b> shall be construed accordingly.
Other Notes:	Terms applicable to any other type of Note which the Issuer may issue under the Programme will be set out in the relevant Pricing Supplement. The term “Note” when used herein includes debt instruments, by whatever name called, issued by the Issuer under the Programme.
Denominations:	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Taxation:	Payments in respect of Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Hong Kong or (in the case of Notes issued by a New Issuer) the jurisdiction of incorporation of the New Issuer or (in any case) any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the relevant Issuer or, as the case may be, the Guarantor will (subject to customary exceptions) pay such additional amounts as will result in the holders of Notes or Coupons receiving such amounts as they would have received in respect of such Notes or Coupons had no such withholding or deduction been required.

Without prejudice to the relevant Issuer's or, as the case may be, the Guarantor's obligation to pay additional amounts as described above, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to fiscal and other laws, as provided in Condition 8.3.

- Governing Law:** Unless otherwise specified in the Pricing Supplement, the Notes and (in the case of any Notes issued by any New Issuer) the Guarantee will be governed by, and shall be construed in accordance with, English law.
- Listing:** Each Series may be listed on the Hong Kong Stock Exchange and/or any other stock exchange as may be agreed between the relevant Issuer and the relevant Dealer(s) and specified in the relevant Pricing Supplement or may be unlisted provided that any listed Notes issued by a New Issuer will be subject to agreeing satisfactory listing arrangements with the Hong Kong Stock Exchange at such time.
- Terms and Conditions:** A Pricing Supplement will be prepared in respect of each Tranche of Notes a copy of which will, in the case of Notes to be listed on the Hong Kong Stock Exchange, be delivered to the Hong Kong Stock Exchange on or before the date of issue of such Notes. The terms and conditions applicable to each Tranche will be those set out herein under "*Terms and Conditions of the Notes*" as supplemented, modified or replaced by the relevant Pricing Supplement.
- Enforcement of Notes in Global Form:** In the case of Notes in global form (other than Notes issued by a New Issuer), individual investors' rights will be governed by a Deed of Covenant (as amended, supplemented or replaced from time to time) dated 12 March 2014, a copy of which will be available for inspection at the specified office of the Issuing and Paying Agent. In the case of Notes issued by a New Issuer, individual investors' rights will be governed by a New Deed of Covenant, a copy of which will be available for inspection at the specified office of the Issuing and Paying Agent.
- Clearing Systems:** The CMU Service, Euroclear, Clearstream, Luxembourg and/or any other clearing system, as specified in the relevant Pricing Supplement.
- Selling Restrictions:** For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Hong Kong, Japan, Singapore and the People's Republic of China, see "*Subscription and Sale*".
- Private Placements in the United States:** Offers and sales in accordance with applicable exemptions from registration (Rule 144A/Section 4(a)(2)) under the United States Securities Act of 1933 (as amended) will be permitted, if specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory requirements of the United States of America.

## INVESTMENT CONSIDERATIONS

*Prospective investors should carefully take into account the considerations described below, in addition to the other information contained herein, before investing in the Notes issued under the Programme. Additional considerations and uncertainties not presently known to the Bank, or which the Bank currently deems immaterial, may also have an adverse effect on an investment in the Notes issued under the Programme. The occurrence of one or more events described below could have an adverse effect on the business, financial condition or results of operations of the Bank and its subsidiaries (the group).*

### 1. Considerations relating to Hong Kong

#### *The Bank is subject to minimum regulatory capital, leverage and liquidity requirements*

The Bank is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Minimum capital requirements now are more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of the Bank to maintain its minimum regulatory capital requirements could result in administrative actions or sanctions, which in turn may have a material adverse impact on the Bank's results of operations.

On 16 December 2010 and on 13 January 2011, the Basel Committee of Banking Supervision (the **Basel Committee**) issued revised global regulatory standards (known as **Basel III**). The Basel Committee's package of reforms includes increasing the minimum common equity (or equivalent) requirement and the total Tier 1 capital requirement. In addition, banks are required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of common equity Tier 1 to withstand future periods of stress. If there is excess credit growth in any given country resulting in a system-wide build-up of risk, a countercyclical buffer of common equity Tier 1 is to be applied as an extension of the conservation buffer. Furthermore, systemically important banks should have loss absorbing capacity beyond these standards. The Basel III reforms also require Tier 1 and Tier 2 capital instruments to be more loss-absorbing. The reforms therefore increase the minimum quantity and quality of capital which banks are obliged to maintain. There can be no assurance as to the availability or cost of such capital. The capital requirements are supplemented by a leverage ratio, and a liquidity coverage ratio and a net stable funding ratio are also introduced. The reforms have been adopted in Hong Kong through a series of legislative amendments, with many of the new rules having taken effect from 2013. However, the requirements are subject to a series of transitional arrangements and will be phased in over a period of time, to be fully effective by 2019.

There can be no assurance that the Basel Committee or other global regulatory bodies will not propose further reforms to the global regulatory capital framework. Proposals have, for example, been put forward by the Financial Stability Board that, if adopted, could require the Bank to maintain minimum levels of "Total Loss Absorbing Capacity" in addition to its minimum capital requirements. Further, the Hong Kong Monetary Authority (the **HKMA**) may impose additional capital requirements, which are different from what are currently envisaged, on authorised institutions. If the regulatory capital requirements, liquidity restrictions or ratios applied to the Bank are increased in the future, any failure of the Bank to maintain such increased regulatory capital requirements, liquidity restrictions or ratios could result in administrative actions or sanctions, which may have an adverse effect on the Bank's results of operations.

### 2. Considerations relating to all issues of Notes

A wide range of Notes may be issued under the Programme. The Issuer may issue Notes with principal and/or interest determined by reference to, one or more variables such as an index, formula, securities, interest rates, or other factors (each underlying 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 may have features which contain particular risks for investors. Set out below is a description of some of the risks that should be taken into consideration by prospective purchasers of Notes.

## ***General***

An investment in certain Notes may be speculative and may entail substantial risks. 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 Pricing Supplement. In the case of Notes linked to a Reference Asset or Reference Assets, any investment return on a Note determined by reference to changes in the level and/or the value of the Reference Asset(s), is subject to fluctuation and may be less than would be received by investing in a conventional debt instrument. Changes in the level and/or the value of the Reference Asset(s) cannot be predicted. If so provided in the relevant Pricing Supplement, the Notes may be subject to early redemption by reference to changes in the level and/or the value of the Reference Asset(s). On redemption, the Notes may be redeemed in such manner as the Pricing Supplement provides.

### ***Notes may not be a suitable investment for all investors***

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### ***Credit risk***

The Notes are direct, unsecured and unsubordinated obligations of the Issuer and not of any other person. If the Issuer's financial position were to deteriorate, there could be a risk that the Issuer would not be able to meet its obligations under the Notes (the Issuer's credit risk). If the Issuer becomes insolvent or defaults on its obligations under the Notes, in the worst case scenario investors in the Notes could lose all of their invested amounts.

Investors should be aware that any rating of the Issuer reflects the independent opinion of the relevant rating agency and is not a guarantee of the Issuer's credit quality. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

### ***The Notes are unsecured obligations***

It will be particularly important for the investor to evaluate the Issuer's credit risk when considering an investment in the Notes as the Notes are unsecured. If the Issuer became unable to pay amounts owed to the investor under the Notes, such investor does not have recourse to the Reference Assets or Reference Asset Component or any other security/collateral and, in a worst case scenario, may not receive any payments under the Notes.

### ***Notes issued under the Programme may not be ordinary debt securities***

An investment in the Notes is not an equivalent to an investment in a time deposit. The terms of certain Notes issued under the Programme may differ from those of ordinary debt securities because such Notes may not pay interest and, on redemption, depending on the performance of the relevant Reference Asset(s) or Reference Asset Component(s), as applicable, may return less than the amount invested or nothing.

The repayment of any amount invested in such Notes and any return on investment may be variable and not guaranteed. Unlike a savings account or similar investment with a lower return and little or no capital risk, certain Notes issued under the Programme may potentially have a greater return but there is a greater risk of loss of capital. As a result, the investors' capital can fall below the amount initially invested.

Certain Notes may be designed to track the value or level of underlying Reference Asset(s). The value or level of Reference Assets can alter sharply because they reflect the performance of the underlying value or general stock and other market conditions. Therefore, there is a risk that, if the underlying Reference Asset(s) does not move in the anticipated direction, such Notes may return less than the amount invested or, in a worst case scenario, nothing. In such circumstances, investors could lose their entire invested amount. In addition, investors should note that there may be a risk that if the issuer(s) of an underlying Reference Asset(s) becomes insolvent, the value of such Reference Asset(s) will become zero. As a result thereof the value of Notes linked to such Reference Asset(s) will be adversely affected and in a worst case scenario become zero as well. Investors in such Notes would then lose all of their invested amounts.

### ***Capital risks relating to Notes***

Unless the relevant Series of Notes is fully principal protected, the repayment of any amount invested in the Notes is not fully guaranteed. As a result the investors' capital can fall below the amount initially invested in such Notes.

### ***No ownership rights***

An investment in Notes relating to a Reference Asset or Reference Asset Component is not the same as an investment in the Reference Asset or any Reference Asset Component and does not (prior to settlement of any exchange of Notes for the Reference Asset, where applicable) provide a Noteholder with any of the rights that a holder of such security underlying a Reference Asset or any Reference Asset Component may have (such as voting rights and rights to receive dividends).

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

Any Series of Notes issued 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 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 Notes (as applicable), general economic conditions, commissions paid by the Issuer and the financial condition of the Issuer. Accordingly, the investor is subject to the risk that its investment in the Notes may be difficult or impossible to trade.

It is not possible to predict whether any trading market for the Notes will develop or, if it does, the price at which Notes will trade in the secondary market or whether such market will be liquid or illiquid. If any Notes are not listed or traded on any exchange, pricing information for the Notes may be more difficult to obtain and the liquidity of the Notes may be adversely affected. Also, to the extent that Notes are redeemed or purchased and cancelled, the number of Notes outstanding will decrease, resulting in a lessening of the liquidity of the Notes. A lessening of the liquidity of the Notes may cause, in turn, an increase in the volatility associated with the price of the Notes. An investor in the



Notes is subject to the risk therefore, that to the extent that there is no liquid market in the Notes, an investor may have to wait until redemption of such Notes in order to realise the value of its investment and, as such, an investor should proceed on the assumption that they may have to bear the economic risk of an investment in the Notes until their redemption.

### ***Force Majeure***

The Noteholders are subject to the risk that if the Calculation Agent determines in its absolute discretion that the performance of the Issuer's obligations under any Notes (or the Issuer's designated affiliates' obligations under any hedging or funding arrangement established in connection therewith) shall have become unlawful or impracticable in whole or in part, the Issuer may terminate its obligations under the Notes against payment of an amount determined by the Calculation Agent which is equal to the fair market value of such Note immediately prior to such termination (adjusted to account fully for any reasonable expenses and costs incurred by the Issuer and/or its affiliates in connection with the Issuer's obligations under the Notes or any related hedging or funding arrangements as a result of such events). Noteholders may suffer a loss of some or all of their investment as a result of such early termination, and will forego any future appreciation in the securities underlying the relevant Reference Asset and future interest payments applicable to such Notes (if any).

### ***Certain factors affecting the value and trading price of Notes***

The value of Notes prior to maturity is expected to depend on a number of factors: (i) the trading price of the Notes; (ii) the level and/or the value and the volatility of the Reference Asset(s) or Reference Asset Component(s); (iii) the time remaining to maturity; (iv) any change(s) in interim interest rates and dividend yields; (v) any change(s) in currency exchange rates; (vi) market conditions or liquidity of the Reference Asset(s) or Reference Asset Component(s) and (vii) any related transaction costs. As a result of these factors the price at which a Noteholder will be able to sell the Notes prior to maturity may be less than the initial amount invested in the Notes. Each of these factors interrelate in complex ways (for example, one factor may offset an increase in the trading value of the Notes caused by another factor). Investors are subject to the risk that the value of Notes may be adversely affected by one or more of the following factors:

(a) *Fluctuations in the level or value of the Reference Asset(s) or Reference Asset Component(s)*

Fluctuations in the value or level of the Reference Asset(s) or Reference Asset Component(s) may affect the value of the Notes, but equally an investor in the Notes is subject to the risk that expectations of fluctuation in value or level of the Reference Asset(s) or Reference Asset Component(s) during the remaining period to the maturity of the Notes or any earlier redemption would adversely affect amounts payable in respect of the Notes. The level of the Reference Asset or Reference Asset Component may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro-economic factors and speculation.

(b) *Interest rates*

Rising interest rates may lower the value of the Reference Asset(s) or Reference Asset Component(s), and thus, the value of the Notes. Changes in interest rates may also affect the economy of a country in which securities underlying the Reference Asset(s) or Reference Asset Component(s) are traded, and which may adversely affect the value of the Notes.

(c) *Volatility of the Reference Asset(s) or Reference Asset Component(s)*

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



(d) *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 level of the Reference Asset(s) or Reference Asset Component(s). Any such difference will reflect a “time premium” resulting from expectations concerning the Reference Asset(s) or Reference Asset Component(s) during the period prior to the maturity of the Notes. An investor in the Notes should be aware of the risk that, as the time remaining to the redemption of the Notes decreases, this time premium would likely decrease, which would adversely affect the value of the Notes.

(e) *Dividend rates*

An investor in the Notes is subject to the risk that changes in dividend or other distribution rates on the Reference Asset(s) or Reference Asset Component(s) may adversely affect the trading value of the Notes. If the dividend or other income rates on the Reference Asset(s) or Reference Asset Component(s) increase, the trading value of the Notes is likely to decrease as the Notes generally do not reflect such distributions by way of increase in amounts payable on redemption, or pass-through payments of such distributions.

***Pricing***

As part of the valuation mechanism, Notes may specify a time and an exchange or other venue in which the level or value of the Reference Asset(s) are to be observed. Depending on how the level or value of the Reference Asset(s) is calculated, the level or value of such Reference Asset(s) may fluctuate throughout the trading day, and they may change rapidly. As a result, investors should note that return on any Notes may be particularly sensitive to the choice of valuation times and valuation methods. The “price discovery” mechanism used to ascertain the value of the underlying at any given time on exchanges or other venues may not be uniform throughout the trading day. This may affect the valuation of any issuance of Notes. For example, exchanges may conduct auctions to set an opening or closing price, and trading characteristics and participants in after-hours trading sessions may differ from those during regular hour sessions.

***Potential conflicts of interest***

The Issuer or affiliates of the Issuer may from time to time: (i) advise the issuers of or obligors in respect of Reference Assets regarding transactions to be entered into by them; (ii) engage in transactions involving Reference Assets or Reference Asset Components for their proprietary accounts and for other accounts under their management; (iii) carry out hedging activities related to the Notes by purchasing the Reference Assets or Reference Asset Components; or (iv) publish research reports relating to certain Reference Assets or Reference Asset Components. Any such activities may have a negative effect on the value of such Reference Assets and therefore on the value of any Notes to which they relate.

Certain affiliates of the Issuer or the Issuer itself may (i) be the counterparty to the hedge of the Issuer’s obligations under an issue of Notes; (ii) be the Calculation Agent responsible for making determinations and calculations in connection with the Notes; or (iii) publish research reports which express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes referencing the Reference Assets. Accordingly, there is a risk that 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 Noteholders.

***Commission and cost of hedging***

The original issue price of the Notes may include the distribution commission or fee charged by the Issuer and/or its affiliates and the cost or expected cost of hedging the Issuer’s obligations under the Notes (if any). Accordingly, there is a risk that, upon issue, the price, if any, at which the Issuer or its affiliates would be willing to purchase Notes from the investor in the secondary market would be

lower than the original issue price. Such fee, commission and cost of hedging may also be deducted from the redemption amount payable upon early termination of the Notes. In addition, any such prices may differ from values determined by pricing models used by the Issuer or affiliates as a result of such compensation or other transaction costs.

#### *Effect of general economic conditions on the Notes*

The market for debt securities is influenced by economic and market conditions, interest rates, currency exchange rates and inflation rates in Asia and other regions and countries. There can be no assurance that events occurring elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes of that economic and market conditions will not have any other adverse effect.

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

The Issuer or its affiliates may carry out hedging activities related to the Notes, including purchasing Reference Assets 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 Assets 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 or Reference Asset Component and, accordingly, the value of the Notes.

#### *Calculation Agent's discretion and valuation*

Calculation of the interest payments (if applicable) and/or amount payable in respect of redemption may be by reference to certain specified screen rates or level or value published on an exchange or other quotation system, or if any such rate or level or value is not displayed at the relevant time a rate or level or value (as applicable) determined by the Calculation Agent in its sole and absolute discretion acting in good faith. The Notes may be 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. Accordingly, an investor in the Notes is subject to the risk that the calculation of payment and other determinations under the Notes are conclusively determined by one party which may be the Issuer itself or its affiliates and the investor cannot object to such calculation or determination.

The Calculation Agent may be permitted to use its proprietary models in setting the terms of an adjustment, and it may be difficult for investors to predict the resulting adjustments in advance. In such case, an investor would be subject to the risk that it would be difficult to verify that adjustments made to payments under the Notes are legitimate and consistent with the terms of an issue of Notes without expertise in applying valuation models.

All calculations and determinations made by the Calculation Agent in relation to the Notes shall (save in the case of manifest error at the time the relevant determination is made) be final and binding on the Issuer and all Noteholders. The Calculation Agent shall have no obligations to the holders of Notes, and shall only have the obligations expressed to be binding on it pursuant to the Terms and Conditions.

#### *Exchange rate risks and exchange control risks*

The Issuer will generally pay amounts in respect of the Notes in the currency specified in the relevant Pricing Supplement (the **Specified Currency**). As a result thereof there are various potential exchange rate risks that investors in the Notes need to consider.

#### *Investor converting amounts paid in the Specified Currency into the Investor's Currency*

If an investor anticipates that it will need to convert payments made under the Notes from the Specified Currency into a currency of its choice (the **Investor's Currency**) (for instance, if other obligations of the investor are payable in the Investor's Currency), then the investor is subject to the risk that the currency conversion rate which it must pay for exchanging the Specified Currency into the Investor's Currency becomes less attractive and therefore decreases the realisable value of its investment.

An appreciation in the value of the Investor's Currency relative to the Specified Currency at any time would decrease (i) the value of any redemption payable to the investor and (ii) the market value of the Notes, in each case where converted into the Investor's Currency at that time. As a result, the amount that the investors receive in respect of the Notes, as converted, may be less than expected or zero.

#### *Material risks involved in currency conversion*

The material risks involved in the currency conversion include the risk that exchange rates may change significantly. It is impossible to predict whether the value of one such currency relative to another will rise or fall during the term of the Notes.

#### *Exchange control risks*

Investors in Notes should also be aware that there is the risk that authorities with jurisdiction over the Investor's Currency or Specified Currency (as applicable) such as government and monetary authorities may impose or modify (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or transfer of funds in and out of the country. It is impossible to predict whether the value of one such currency relative to another will rise or fall during the term of the Notes. As a result of exchange controls and restrictions the Issuer may not be able to make payments under the Notes in the Specified Currency and may therefore pay the equivalent of the amounts due under the Notes in U.S. dollars or another currency. Investors in the Notes will therefore forego to any future appreciation of the Specified Currency. See for further details "*Considerations relating to Emerging Markets*".

#### *Certain considerations regarding hedging*

Investors intending to purchase Notes to hedge against the market risk associated with investing in a Reference Asset should recognise that there is a risk that the value of the Notes may not exactly correlate with the value of the Reference Asset to which they relate. Due to fluctuating supply and demand for the Notes, there is no assurance that their value will correlate with movements of the Reference Asset. This is, in part, due to fluctuating supply and demand for the Notes. In addition, the formula for redemption may be subject to a cap. 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. Accordingly, investors who invest in Notes as a means of hedging may be exposed to risks arising out of such differences in value.

#### *Value of Baskets*

The level and/or value of a basket of Reference Assets or Reference Asset Components to which any Notes relate may be affected by the number of Reference Assets or Reference Asset Components included in such basket. Generally, the level and/or value of a basket that includes Reference Assets or Reference Asset Components from a number of companies or obligors or other components or which gives relatively equal weight to each Reference Asset or Reference Asset Component will be less affected by changes in the level and/or value of any particular Reference Asset or Reference Asset Component included therein than a basket that includes fewer Reference Assets or Reference Asset Components or that gives greater weight to some Reference Assets or Reference Asset Components.

In particular, if the Reference Assets or Reference Asset Components included in a basket are all in or relate to a particular industry, the level and/or value of such a basket will be affected to a greater extent by the economic, financial and other factors affecting that industry than if the Reference Assets or Reference Asset Components 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.

Investors in the Notes are subject to the risk that other risks relating to the Reference Assets or Reference Asset Components which adversely affect the value of the Notes will be exacerbated due to the number of and/or type of Reference Assets or Reference Asset Components.

### ***Change of law***

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Offering Circular. There is a risk that the interpretation and/or effect of the Terms and Conditions may be subject to change in such a manner as to adversely affect the contractual rights of holders of the Notes. The value of the Notes may also be affected by changes in the laws of the jurisdiction of listing or incorporation of the Reference Asset(s) or Reference Asset Component(s).

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 Offering Circular.

### ***Clearing systems***

Because Notes may be held by or on behalf of the relevant clearing system as specified in the relevant Pricing Supplement, investors will be able to trade their interests only through the relevant clearing system and will have to rely on their procedures for transfer, payment and communication with the Issuer to receive payment under the Notes.

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

### ***Modification, waiver and substitution***

Investors in the Notes are subject to the risk that modifications to the Terms and Conditions of the Notes may be made without the consent of any Noteholders, as the case may be, where the Issuer determines that:

- the modification is not prejudicial to the interests of the Noteholders; or
- where the modification of the Notes is of a formal, minor or technical nature or is made to correct a manifest error or comply with mandatory provisions of law.

### ***Limitations on exercise or trading size***

If so indicated in the relevant Pricing Supplement, an investor must tender a specified minimum trading size or total consideration of Notes at any one time in order to exercise or on-sell the Notes. Thus, investors with fewer than the specified minimum trading size or total consideration of Notes will either have to sell their Notes or purchase additional Notes, incurring transaction costs in each case, in order to realise their investment. Furthermore, investors in such Notes incur the risk that there may be differences between the trading price of such Notes and the Maturity Redemption Amount or early redemption amount of such Notes (as applicable).

### ***Risk of early termination***

In relation to certain types of Notes mandatory early redemption or termination occurs if certain conditions (such as knock-out conditions) set out in the relevant Pricing Supplements are met. Investors should therefore be aware that certain types of Notes may terminate prior to the stated maturity date. As a result investors in such Notes may forego any future interest or other payments as well as any appreciation or depreciation (as applicable) in the underlying Reference Assets.

### ***Notes issued at a substantial discount or premium***

The market values of Notes 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. Such investor is subject to the risk that this will adversely affect the value of Notes. Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### ***Notes may be redeemed prior to maturity***

In the event that, amongst other things, the Issuer would be obliged to increase the amounts payable in respect of any series of Notes as a result of any change in the laws, regulations or rulings of Hong Kong or, in the case of any new issuer, the jurisdiction of incorporation of the relevant new issuer, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions of the Notes. If specified in the relevant Pricing Supplement, the amount payable by the Issuer in such circumstances may be less than the amount invested in the Notes or what would have been received under the Notes if the Notes had not been so redeemed and investors will forego any further interest payments (if any) in respect of the Notes. The Noteholders may not benefit from any appreciation in value or level of the Reference Asset(s) or Reference Asset Component(s) that may occur following such redemption.

### ***Payments may be delayed or reduced upon the occurrence of an event of default***

If the Calculation Agent determines that the Notes have become immediately due and payable following an Event of Default (as defined in the Terms and Conditions) with respect to the Notes, investors may not be entitled to the entire principal amount of the Notes, but only to that portion of the principal amount specified in the applicable Pricing Supplement, together with accrued but unpaid interest, if any.

### ***Meetings of Noteholders***

The Terms and Conditions of the Notes contain provisions for calling meetings of the holders of Notes of any Series to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of Notes of such Series including holders of Notes of such Series who did not attend and vote at the relevant meeting and holders of Notes of such Series who voted in a manner contrary to the majority, so investors in the Notes are subject to the risk that the Terms and Conditions may be modified without their consent.

### ***Specific risks relating to Fixed Rate Notes***

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Investors will not benefit from any increases in market interest rates above the fixed rate payable in respect of the relevant Notes.

### ***Specific risks relating to Floating Rate Notes***

Floating Rate Notes have returns that are variable as a result of the method by which the interest is calculated. The rate of interest is not fixed and is tied to the performance of an underlying benchmark and, if so specified in the relevant Pricing Supplement, may be subject to a maximum rate or minimum rate on the interest payable. The rate of interest can periodically go down and therefore return on the Notes is not guaranteed and may in a worst case become zero. Investors should be aware that in respect of Floating Rate Notes which are subject to a maximum return on the Notes is limited to such maximum and therefore investors will not benefit from any further increases of the underlying benchmark above such maximum return.

### ***Notes subject to optional early redemption by the Issuer***

An optional early redemption feature is likely to limit the market value of Notes. 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 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. Investors should consider reinvestment risk in light of other investments available at that time. As a result of the exercise of a call right by the Issuer, investors will forego any further interest payments (if any) in respect of the Notes and, if so specified in the Pricing Supplement, investors may receive less than their invested amount.

### ***Effect of interest rates on the Notes***

Investors in Notes are exposed to the risk that subsequent changes in interest rates may adversely affect the value of the Notes. Investments in the Notes may involve interest rate risk with respect to the currency of denomination of the Notes. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Notes.

### ***FX Rates***

The value of certain Notes may be affected by changes in foreign exchange rates. For example, an appreciating U.S.\$ relative to local currency may lower the value of the relevant Notes while a depreciating U.S.\$ may increase the value of the relevant Notes.

### ***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market and additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

### ***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

### ***Interest on the Notes may be subject to the EU Savings Directive***

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.



For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

Council Directive 2003/48/EC may, however, be repealed in due course in order to avoid overlap with the amended Council Directive 2011/16/EU on administrative cooperation in the field of taxation, pursuant to which Member States will be required to apply other new measures on mandatory automatic exchange of information. The timing and extent of any such repeal is currently unclear.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

### *Taxation in relation to the Notes*

Transactions involving the Notes may have tax consequences for potential purchasers which may depend, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. 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 are physically settled.

### *U.S. Foreign Account Tax Compliance Act withholding may affect payments on the Notes*

Whilst the Notes are in global form and held within the CMU Service, Euroclear Bank SA/NV or Clearstream Banking, *société anonyme* (together the ICSDs), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) will affect the amount of any payment received by the ICSDs (see “*Taxation — U.S. Foreign Account Tax Compliance Act*”). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Notes are discharged once it has made payment to, or to the order of, the common depository or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an **IGA**) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make provided such foreign financial institutions are compliant with the terms of the relevant IGA and implementing legislation.



### ***Hiring Incentives to Restore Employment Act withholding may affect payments on the Notes***

The U.S. Hiring Incentives to Restore Employment Act (the **HIRE Act**) imposes a 30% withholding tax on amounts attributable to U.S. source dividends that are paid or “deemed paid” under certain financial instruments if certain conditions are met. While significant aspects of the application of the relevant provisions of the HIRE Act to the Notes are uncertain, if the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should refer to the section “*Taxation — Hiring Incentives to Restore Employment Act*”.

### ***French FTT***

Pursuant to the Article 235 ter ZD of the French tax code, acquisitions for consideration of equity securities in the meaning of Article L 212-1 A of the French Monetary and Financial Code or similar instruments in the meaning of Article L 211-41 of the French Monetary and Financial Code that provide or could provide access to capital or voting rights, admitted to trading on a French, European or foreign regulated market within the meaning of Articles L 421-4, L 422-1 or L 423-1 of the French Monetary and Financial Code and issued by a company having its head office in France and a market capitalisation in excess of €1 billion (**French Qualifying Securities**), are subject to the French financial transactions tax (**French FTT**), levied at the rate of 0.2%. The French FTT also applies to acquisitions of securities issued by an issuer whose head office is not in France when these securities represent French Qualifying Securities, such as depositary receipts (**Synthetic French Qualifying Securities**).

The French FTT could be triggered if the Issuer and/or its affiliates choose to purchase Reference Assets or securities underlying Reference Indices to hedge their exposure under the Notes if such Reference Assets or securities underlying Reference Indices are French Qualifying Securities or Synthetic French Qualifying Securities and assuming none of the French FTT exemptions provided for by Article 235 ter ZD of the French tax code applies to the relevant acquisition. Therefore, Noteholders are subject to the risk that payments under the Notes may be adversely affected by the French FTT, where applicable, as this tax may be deducted from the amounts payable to the Noteholders.

In case redemption of the Notes would give rise to an acquisition of Qualifying Securities or Synthetic French Qualifying Securities by the Noteholders, the French FTT would apply to this acquisition and the corresponding cost would be borne by the Noteholders.

### ***Italian financial transactions tax may apply to Notes linked to Reference Assets that are securities issued by Italian issuers***

In addition to the risk factors set out above, the following risk factor also applies for Notes relating to Reference Assets (including through underlying a Reference Index) for which the reference jurisdiction is Italy.

A financial transactions tax (**Italian FTT**) has been introduced under Italian law (pursuant to Article 1, Law 24 December 2012, no. 228). The Italian FTT applies, inter alia, on cash settled derivatives (**FTT on Derivatives**) executed or modified on or after 1 September 2013, whose underlying are mainly Italian shares or participated financial instruments issued by Italian resident companies or value of Italian shares, including certificates. The condition is met when more than 50% of the equity portion of the underlying is represented by the market value of Italian shares or participated financial instruments issued by Italian resident companies (with the exclusion of Italian shares listed in regulated markets or multilateral trading facilities issued by companies having a market capitalisation of less than €500 million).

Accordingly, there is a risk that the FTT on Derivatives could be triggered where the issuer of a Reference Asset relating to the Notes, where deemed to represent the underlying equity instruments or characterised as derivative instruments (the **Affected Instruments**), is an Italian resident or the issuer of a security underlying a Reference Index is an Italian resident. Residence and nationality of

the Issuer and any holder of the Affected Instruments, and the place of execution of the Affected Instrument would be irrelevant as the application of the FTT on Derivatives is exclusively dependent on the residence of the issuer of the underlying Reference Asset or securities underlying a Reference Index.

FTT on Derivatives applies at fixed amount, due by both parties equally, as follows:

- Index-linked Affected Instruments where a security underlying the Reference Index is issued by an Italian-resident company: from €0.01875 to €15, depending on the notional value of the contract;
- Equity-Linked Affected Instruments where an underlying Reference Asset is issued by an Italian resident company: from €0.125 to €100, depending on the notional value of the contract; and
- Affected Instruments linked to a basket of Reference Assets or Reference Indices: from €0.25 to €200 depending on the notional value of the contract.

The above amounts are reduced by 80% where the transaction is implemented in a regulated market or in a multilateral trading facility. An investor in the Affected Instruments is subject to the risk that payments under the Affected Instruments will be adversely affected by this Italian transaction tax as these charges will be deducted from the Maturity Redemption Amount.

Besides the FTT on Derivatives, the Italian FTT also applies to transfers of certain shares and participating financial instruments issued by Italian resident companies and other instruments representing the latter (**FTT on Shares**).

FTT on Shares applies on transactions negotiated and settled as from 1 March 2013. Accordingly, there is a risk that the FTT on Shares could be triggered where the Issuer and/or its affiliates choose to purchase Reference Assets or securities underlying Reference Indices to hedge their exposure under the Affected Instruments if such securities are shares and participating financial instruments issued by Italian resident companies and other instruments representing the latter and are not exempted from the FTT requirement (**in-scope securities**). Residence and nationality of the parties to the transaction and the place of execution of the transaction would be irrelevant as the application of the FTT on Shares is exclusively dependent on the residence of the issuer of the in-scope securities.

The FTT on Shares would be applicable in the case in-scope securities are transferred to investors in Affected Instruments upon physical settlement of the relevant Affected Instruments.

An investor in the Affected Instruments is subject to the risk that payments under the Affected Instruments will be adversely affected by this Italian financial transactions tax as these charges may be deducted from the Maturity Redemption Amount.

The FTT on Shares is to be levied at the following rates, which would be due from the Issuer and/or its Affiliates on acquisition of the shares:

- 0.1% of the acquisition price on transfers transacted on a Qualified Market (as defined below); and
- 0.2% of the acquisition price otherwise.

For the purpose of the application of the lower rate, Qualifying Markets are deemed to be:

- (i) regulated markets or multilateral trading facilities pursuant to Directive 1004/39/CE of the European Parliament and Council of 21 April 2004;
- (ii) markets recognised by the Italian regulator Consob, established in an EU Member State or a state which allows an adequate exchange of information with Italy.

### 3. Considerations relating to Notes denominated and/or settled in Renminbi

Notes denominated and/or settled in Renminbi (the **RMB Notes**) may be issued under the Programme. Prospective investors should carefully take into account the following considerations, in addition to the other information contained in this Offering Circular, before investing in the RMB Notes.

***Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into or out of the PRC which may adversely affect the liquidity of RMB Notes***

Renminbi is not freely convertible at present. The government of the PRC (the **PRC Government**) continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction over the years by the PRC Government of control over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Currently, participating banks in Hong Kong, Singapore, Taiwan and an expanding number of financial centres have been permitted to engage in the settlement of Renminbi trade transactions. However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually. As a result of the restrictions imposed by the PRC Government on cross border RMB fund flows, the availability of RMB outside of the PRC is limited, which may adversely affect the liquidity of Notes and thus the value of the Notes.

There is no assurance that the PRC Government will continue to liberalise control over crossborder remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under RMB Notes.

**There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service such RMB Notes**

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited.

Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBoC has also established a Renminbi clearing and settlement mechanism for participating banks in Hong Kong, Singapore, Taiwan and an expanding number of financial centres. The PBOC has entered into settlement agreements with a bank in each of such financial centres to act as the RMB clearing bank therein (each an **RMB Clearing Bank**).

However, the current size of Renminbi-denominated financial assets outside the PRC is limited.

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. They are only allowed to square their open positions with the relevant RMB Clearing Bank after consolidating the Renminbi trade position of banks outside such financial centres in which any of the RMB Clearing Banks are located that are in the same bank group of the participating banks concerned with their own trade position, and the relevant RMB Clearing Bank only has access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross border trade settlement. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions as a result of other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the RMB Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the RMB Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

***Investment in the RMB Notes is subject to exchange rate risks***

The value of Renminbi against the U.S. dollars and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The Issuer will make all payments of interest and principal with respect to the RMB Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar or other applicable foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

Offshore RMB represents a market which is different from that of RMB deliverable in the PRC. The exchange rate of Offshore RMB against the U.S. dollar, Hong Kong dollar or other foreign currencies may be different from the exchange rate of RMB deliverable in the PRC against such currencies. Apart from its own supply and demand, the Offshore RMB exchange rate may be influenced by the onshore exchange rate (which currently trades within a band set by authorities in the onshore interbank market), and the two rates may converge with or diverge from each other.

Further liberalisation (if any) of foreign exchange control in Mainland China and further progress on RMB internationalisation may or may not occur, and even if it does occur, it may or may not influence the Offshore RMB exchange rate. Should the prevailing Offshore RMB exchange rate fluctuates as a result, the value of the RMB Notes may fluctuate as well.

***Investment in the RMB Notes is subject to interest rate risks***

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The RMB Notes may carry a fixed interest rate. Consequently, the trading price of the RMB Notes will vary with the fluctuations in the Renminbi interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

***Payments in respect of the RMB Notes will only be made to investors in the manner specified in the terms and conditions of the relevant Notes***

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in the relevant Offshore RMB Centre. Except in the limited circumstances stipulated in Condition 8.5, all payments to investors in respect of the RMB Notes will be made solely (i) for so long as the RMB Notes are represented by global notes or global registered notes held with the common depositary or common safekeeper, as the case may be, for Euroclear, Clearstream, Luxembourg, the CMU Service or any alternative clearing system, by transfer to a Renminbi bank account maintained in the relevant Offshore RMB Centre in accordance with prevailing Euroclear and/or Clearstream, Luxembourg and/or the CMU Service rules and procedures, or (ii) for so long as the RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in the relevant Offshore RMB Centre in accordance with the law and applicable regulations and guidelines issued by the relevant authorities in the relevant Offshore RMB Centre. Other than as described in the Terms and Conditions, the Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

***The RMB Notes may be subject to Inconvertibility, Non-transferability or Illiquidity***

The RMB Notes may provide that, if Renminbi is not available at or about the time when a payment is due to be made under the RMB Notes or it is impracticable for the Issuer to satisfy its obligations to pay any amounts due under the RMB Notes because of Inconvertibility, Non-transferability or Illiquidity (each as defined in the Conditions) the Issuer shall be entitled to settle payments in an Alternative Payment Currency (as specified in the relevant Pricing Supplement). These circumstances could include the imposition of exchange controls or a disruption in the currency market which prevents the Issuer from obtaining Renminbi. In this case, the investment considerations in the section entitled “*Considerations relating to issue of all Notes — Exchange rate risks and exchange control risks*” would apply as if the Alternative Payment Currency were the Specified Currency.

***Gains on the transfer of the RMB Notes may become subject to income taxes under PRC tax laws***

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementation rules, as amended from time to time, any gain realised on the transfer of RMB Notes by non-PRC resident enterprise or individual holders may be subject to PRC enterprise income tax (EIT) or PRC individual income tax (IIT) if such gain is regarded as income derived from sources within the PRC. While the PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise Noteholders from the transfer of the Notes, its implementation rules have reduced the EIT rate to 10 per cent. In accordance with the PRC Individual Income Tax Law and its implementation rules (as amended from time to time), any gain realised by a non-PRC resident individual Noteholder from the transfer of the Notes may be regarded as being sourced from the PRC and thus be subject to IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident individual Noteholder from the transfer of the Notes. However, there remains uncertainty as to whether the gain realised from the transfer of the RMB Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and their respective implementation rules. If such gains are determined as income sourced in the PRC by the relevant PRC tax authorities, (i) the non-PRC resident enterprise Noteholders may be subject to EIT at the rate of 10 per cent. of the gains derived by such non-PRC resident enterprise Noteholders and (ii) the non-PRC resident individual Noteholders may be subject to IIT at the rate of 20 per cent. of the gains derived by such non-PRC resident individual Noteholders, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC resident enterprise or individual resident holders of RMB Notes reside that reduces or exempts the relevant EIT or IIT), the value of their investment in RMB Notes may be materially and adversely affected.

**4. Considerations relating to Emerging Markets**

***Specific risks relating to Notes linked to Reference Asset(s) or Reference Asset Component(s) located in emerging market(s)***

Notes issued may relate to Reference Asset(s) or Reference Asset Component(s) which are located in emerging market(s). Investors in such Notes should be aware that these markets are subject to greater risks than well-developed markets. The value or level of the Reference Asset(s) or Reference Asset Component(s) which are linked to an emerging market country may therefore be volatile and investment in such Notes will involve additional risks and special considerations not typically associated with investing in Notes which are linked to other more established economies.

The Issuer considers the following risks to be material:

(a) *Settlement procedures*

Many emerging market countries have only recently developed organised securities markets, and the institutions on which they depend, with the result that the procedures for settlements, clearing and registration of securities transactions can give rise to technical and practical problems. In addition, since most emerging markets have civil law systems, which do not recognise a distinction between legal and beneficial ownership, it is not usually possible to use nominees (which may affect how interests in the Reference Asset(s) or Reference Asset



Component(s) are held) and the provision of custody services is a relatively novel practice in most emerging markets, and the controls put in place in more mature markets may not be available. Inefficient systems may result in delayed payments on the Reference Asset(s) or Reference Asset Component(s), which may in turn delay payments under the Notes.

(b) *Exchange controls and repatriation of profits*

Most emerging market countries operate exchange controls affecting the transfer of money in and out of the country and the convertibility of the local currency. Some countries also impose restrictions on the ability of foreign investors to repatriate profits or the proceeds of sale of their investments without an official permit. In some cases the currency is non-convertible although many currencies are “semi-convertible”. An investor in the Notes where the underlying Reference Asset(s) or Reference Asset Component(s) are linked to an emerging market country or in Notes which are denominated and/or settling in an emerging market currency are subject to the risk that, if such Notes cease to be convertible into the Settlement Currency or become only semi-convertible, then unless “Payment of Alternative Payment Currency Equivalent” is specified as applicable in the relevant Pricing Supplement, Notes may return less on maturity than the amount invested or nothing.

Moreover the value of investments in the underlying Reference Asset(s) or Reference Asset Component(s) can fluctuate significantly due to volatile exchange rates and high inflation. Emerging markets may experience higher volatility in their foreign exchange rate movements than other countries, and changes in the foreign exchange rates may have a negative impact on issuers of Reference Asset(s) and Reference Asset Component(s) whose businesses are heavily reliant on exports and, as a consequence, the general economic conditions in emerging market countries which are heavily reliant on exports. The risk for an investor in the Notes is that the price of the Notes might be more volatile (as the amounts payable under the Notes are linked to the value of the Reference Asset or Reference Index) or that issuers of the underlying Reference Assets or constituent securities of a Reference Index will not perform at an expected level, which may cause payments due under the Notes to be lower than expected.

(c) *Disclosure and information*

The level of disclosure of information relating to a company’s business and ownership to shareholders, and to the stock exchange on which its shares are listed, is much less extensive in most emerging markets than in more sophisticated markets. Although many emerging markets now have insider dealing laws, it cannot be assumed that the regulatory authorities have both the ability and the will to enforce the legislation rigorously. Similarly, although money laundering regulations have been introduced in some jurisdictions, their practical effect has yet to be assessed.

Accordingly, an investor in Notes linked to an emerging market country are subject to the risk that information available on the Reference Assets and Reference Indices which might form the basis of its investment decision in respect of the Notes may be of poorer quality than that available on Reference Assets and Reference Indices linked to well-developed markets and investors may not receive relevant information relating to the Reference Assets and Reference Indices at the same time as other market participants, which may cause price volatility and the market price of the Notes may drop at a later point in time once all relevant information becomes available.

(d) *Market liquidity and volatility*

The stock exchanges of emerging market countries are generally much smaller (in terms of market capitalisation, turnover, and number of stocks traded) and are still in a premature stage when compared to the well-developed markets. The likelihood of exchange or market disruption e.g. temporary exchange closures, broker defaults, settlement delays and broker strikes and disputes among listed companies, the stock exchanges and other regulatory bodies, could be higher than the well-developed markets. These disruptions could have adverse effect on the overall market sentiment and on the value of the Reference Asset(s) or Reference Asset Component(s). The capital market of emerging market countries could be heavily influenced by

government policies and a limited number of major shareholders. The governing bodies could from time to time impose restrictions on trading in certain securities, limitations on price movements and margin requirements. Such events in turn may affect overall market sentiment and lead to fluctuations in the market prices of the Reference Asset(s), thus adversely affecting the value of the Notes.

Therefore, there is a risk that the trading price of such Notes may be more volatile and that value of the underlying Reference Asset(s) or Reference Asset Component(s) may be adversely affected (following which, amounts payable under the Notes would be adversely affected as a consequence).

(e) *Accounting standards*

In some emerging market countries, accounting standards and practices vary significantly from internationally accepted standards. It is therefore difficult in such jurisdictions to obtain reliable historic financial information on Reference Asset(s) and Reference Asset Component(s) which may underlie the Notes even where accountancy laws have been reformed to bring them into line with international standards (a problem which hyper-inflation has exacerbated in some markets). Great care must therefore be taken to assess asset and business valuations. Entities in emerging market countries may not generally be subject to uniform accounting, auditing and financial reporting standards and auditing practices and requirements may not be comparable to those applicable to obligors located in developed countries.

(f) *Political risks*

The pace of political and social change will be more rapid than in well-developed markets. This is a common feature of emerging market countries and is often related to the transition from a centrally planned economy to a modern market economy. Far-reaching legal and political reforms have inevitably resulted in new constitutional and social tensions, and the possibility of continuing instability and even a reaction against market reforms cannot be discounted. Such instability may discourage investors from investing in the particular emerging market, which could reduce the market value of the underlying Reference Asset(s) or Reference Asset Component(s) and therefore reduce the market value of the Notes any amounts payable thereunder.

The unique political and diplomatic status of each emerging market relative to other countries may also make the equities and debt market in such emerging market more volatile and more price sensitive to global or regional economic and political developments than other markets. Such increased price volatility could lead to the Notes' trading price (during the life of the Notes) or the relevant amount payable thereunder being lower than expected.

There is particular risk that policies in emerging markets encouraging foreign investment may be abandoned or reversed. Restrictions imposed on foreign investment or restrictions which concern the repatriation of capital invested in emerging markets may increase the transaction costs payable by the Issuer and/or its affiliates which, as such costs are passed to the investor, may thereby decrease the payments due under the Notes, or entitle the Issuer to terminate the Notes early. On a political level, such restrictions could lead to renationalisation of privatised industries and expropriation of private property without compensation which may have a negative effect on the financial position of the issuers of the Reference Asset(s) or the Reference Asset Component(s).

(g) *Currency exchange rate fluctuations*

The rapid pace of political and social change in emerging market countries increases the likelihood that currency exchange risks will eventuate where the Reference Asset(s) or Reference Asset Component(s) are located in emerging market(s). Currency exchange risks are also described in detail above in the section entitled "*Considerations relating to all issues of Notes — Exchange rate risks and exchange control risks*".



(h) *Economic risks*

The economies of individual emerging market countries may differ favourably or unfavourably from the economies of developed countries in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resource self-sufficiency and the balance of payments position. In the past, a number of emerging market countries' markets have experienced significant adverse economic developments, including substantial depreciation in currency exchange rates against major currencies, increased interest rates and inflation, reduced economic growth rates, increases in foreign currency debts, corporate bankruptcies, declines in market values of listed shares and government imposed austerity measures. All of these economic factors may adversely affect the value and performance of Reference Asset(s) or Reference Asset Component(s) and therefore the value of the Notes.

(i) *Restrictions and controls*

Notes may be subject to risk that restrictions and controls on the Reference Asset(s) or Reference Asset Component(s) are imposed by governments, governmental or regulatory bodies, regulators or exchanges of emerging markets jurisdictions. As a result of such restrictions and controls, potential delays might occur in respect of payments due under the Notes linked to such Reference Asset(s) or even funds may not be payable under the Notes on settlement following exercise, sale, redemption or termination of the Notes. Also, taxes and charges levied in respect of buying and selling equity or debt securities relating to such restrictions and controls may be deducted from amounts payable under the Notes.

(j) *Legal and Regulatory framework*

The sophisticated legal and regulatory systems necessary for the proper and efficient functioning of modern capital markets may yet to have been developed in some emerging market countries. A high degree of legal uncertainty may therefore exist as to the nature and extent of investors' rights and the ability to enforce those rights in the courts. Many advanced legal concepts which now form significant elements of mature legal systems are not yet in place or if they are in place, have yet to be tested in the courts. It is difficult to predict with any degree of certainty the outcome of judicial proceedings (often because the judges themselves have little or no experience of complex business transactions), or even the quantum of damages which may be awarded following a successful claim. It may also be difficult to obtain and enforce a judgment relating to emerging markets debt in the jurisdiction in which the majority of the assets of an obligor is located.

***Specific risks relating to Notes settling in emerging markets currencies***

Notes issued under the Programme may be denominated and/or settled in an emerging market currency. Investors in such Notes should be aware that these markets are subject to greater risks than well developed markets. Investment in the Notes will involve additional risks and special considerations not typically associated with investing in Notes which are settled in more conventional currencies such as U.S. dollar.

**5. Considerations relating to Equity-Linked Notes and Index-Linked Notes**

***Information***

No investigation has been made of the financial condition or creditworthiness of any issuer of any Reference Asset(s) or Reference Asset Component(s) in connection with the issue of any Equity/Index-Linked Notes. Investors in the Equity/Index-Linked 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(s) or Reference Asset Component(s). In addition, 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.

***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 Equity/Index-Linked Notes relate or for which the Equity/Index-Linked Notes are exchangeable, the sponsor of an index to which Equity/Index-Linked 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 Equity/Index-Linked Notes, including actions that may give rise to an adjustment to, or early redemption or termination (as applicable) of, the Equity/Index-Linked Notes.

***Market Disruption Events***

Investors in the Equity/Index-Linked Notes are subject to the risk that a Market Disruption Event will occur in relation to a Reference Asset or Reference Asset Component. A Market Disruption Event may occur in respect of Notes if, as determined by the Calculation Agent: a related stock exchange closes early without notice; limitations are imposed on trading; trading is suspended; or market participants are prevented from obtaining valuations or effecting transactions.

If the Calculation Agent determines that a Market Disruption Event has occurred, any consequential postponement of or adjustment of valuation provided in any Notes may have an adverse effect on the value of such Notes. The closing level or value of the Reference Asset may be calculated by reference to the remaining securities comprised in the relevant Reference Asset.

***Additional Disruption Events***

Investors should note that Additional Disruption Events may occur in relation to the relevant Notes in certain circumstances described in the Terms and Conditions. If any Additional Disruption Event occurs in relation to the relevant Notes, the Issuer may, at its sole and absolute discretion determine whether or not the Notes should continue and, if so, determine any adjustments to be made, or the Calculation Agent may designate an early redemption date in respect of the Notes and the Noteholders will receive an “Early Termination Settlement Amount” based on the determinations made by the Calculation Agent of what is fair in the circumstances by way of compensation.

The following Additional Disruption Events may be specified to be applicable in the relevant Pricing Supplement:

- “Change in Law” may occur where the Issuer determines it will or has become illegal for it to hedge its obligations under the Notes or where the Issuer or its designated affiliates would incur materially increased costs in performing its obligations under the Notes, each due to a change in law;
- “Failure to Deliver” may occur if illiquidity in the market of relevant Securities due to be delivered in respect of the Notes results in such Securities being unable to be delivered;
- “Hedging Disruption” may occur if the Issuer or its affiliates become unable to hedge or realise, recover or remit the proceeds of a hedge relating to the Notes; and
- “Increased Cost of Hedging” may occur where the Issuer would incur a materially increased cost, other than as a consequence of deterioration in its own creditworthiness, in hedging its obligations under the Notes.

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

## 6. Specific investment considerations relating to Index-Linked Notes

### *Successor Index, Index Modification, Index Calculation*

In certain circumstances, certain adjustments may be made to the index or indices to which Notes are linked (a **Reference Index**), which may result in a loss to the Noteholders. The occurrence of any of the following (each an **Index Adjustment Event**):

- (i) on any Valuation Date the relevant sponsor fails to calculate and announce a relevant Reference Index;
- (ii) the modification of the relevant Reference Index by the relevant Sponsor which may have a material effect on the Notes; or
- (iii) the cancellation of the relevant Reference Index by the relevant Sponsor,

may, if the Calculation Agent determines that such Index Adjustment Event has a material effect on the Notes, result in either (A) the termination of the relevant Notes upon payment to the holders thereof such an amount as in the opinion of the Calculation Agent is fair in the circumstances, which may result in a loss to such holders or (B) the continuation of the Notes, in which case the relevant level of the Reference Index will be determined by the Calculation Agent in its sole and absolute discretion.

### *Calculation of indices managed by the Issuer or an entity in HSBC Group/the Issuer or an entity in HSBC Group as index sponsor*

With respect to Notes which are linked to one or more Reference Indices managed by the Issuer or an entity in the HSBC Group, investors should understand that, although the Issuer or an entity in the HSBC Group is the *sponsor* of such Reference Indices managed by the Issuer or an entity in the HSBC Group (as relevant), such Reference Indices are calculated independently and the Issuer or the entity in the HSBC Group (as relevant) as *sponsor* will make determinations of the level of the Reference Indices managed by the Issuer or an entity in the HSBC Group, and of any adjustments that need to be made to the Reference Indices managed by the Issuer or an entity in the HSBC Group, without considering the interests of investors in the Notes.

Reference Indices which are managed by the Issuer or an entity in the HSBC Group may have an index sponsor and/or an index calculation agent which is the same entity as the Issuer or an entity within the HSBC Group. The role of the Issuer as index sponsor and index calculation agent may be performed by different divisions of the Issuer. The roles of these various divisions within the Issuer may give rise to various potential and actual conflicts of interest. In its capacity as either the index sponsor or index calculation agent, the Issuer does not act as fiduciary for or an advisor to the Noteholder in respect of any determination or judgment or otherwise. Also, in its capacity as index sponsor or index calculation agent, the Issuer or an entity in the HSBC Group may have economic interests adverse to those of the Noteholders, including with respect to certain determinations and judgments that the index sponsor and/or index calculation agent may be required to make pursuant to the terms of the Reference Index, any of which may affect payments in respect of the Notes. The Issuer or an entity in the HSBC Group may act in its own interests in such capacities and need not have regard to the interests of the Noteholders.

Where Reference Indices are calculated by a third party calculation agent as defined in the relevant index rules or summary thereof, the index sponsor may not have responsibility for the calculation of the Reference Indices and does not guarantee or represent or warrant the accuracy or completeness of the Reference Indices or the data comprised therein.

## **7. Specific investment considerations relating to Equity-Linked Notes**

### ***Extraordinary Events***

There is a risk in respect of Equity-Linked Notes that certain events may occur in respect of Reference Asset(s) (such as a merger, a tender offer or exchange offer, delisting, nationalisation or transfer to a governmental agency or the insolvency or bankruptcy of the issuer of the Reference Asset(s)). If such event has occurred, the Calculation Agent may take certain actions, such as adjusting certain Terms and Conditions or redeeming the Notes.

Upon the occurrence of such an early redemption of the relevant Equity/Index-Linked Notes, the holders thereof may suffer a loss of some or of all of their investment and will forego any future appreciation in the relevant Reference Asset(s) that may occur following such redemption or termination.

### ***Potential Adjustment Events***

Investors in Equity-Linked Notes are subject to the risk that certain circumstances in respect of Reference Asset(s) occur (such as a subdivision, consolidation or reclassification of securities, a distribution of dividends or extraordinary dividend, a call or repurchase by the underlying company of the Reference Asset(s) or any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Reference Asset(s)). If the Calculation Agent determines that such circumstances have occurred, the Calculation Agent may make a corresponding adjustment(s) as it in its sole and absolute discretion determines to be appropriate, to the number of Reference Asset(s) to which each Equity-Linked Notes relates, the formula for redemption and to any other settlement, payment or other term of the relevant Equity-Linked Notes and determine the effective date(s) of such adjustment(s). As a result of such adjustments the value of the relevant Equity-Linked Notes may be adversely affected and the holders thereof may suffer a loss of some or all of their investment as a result. The Calculation Agent may also determine that the relevant Notes shall be terminated upon payment to the holders thereof such an amount as in the opinion of the Calculation Agent is fair in the circumstances, which may result in a loss to such holders.

### ***Specific investment considerations relating to Equity-Linked Notes where Securities are Units in a Fund***

In respect of Equity-Linked Notes where the Reference Asset(s) are Units in a Fund, one of the following events may occur (amongst other things):

- (i) the Fund is dissolved or has a resolution passed for its dissolution, winding-up or official liquidation;
- (ii) breach by the relevant Fund of any applicable leverage restriction or any contractual restriction binding on or affecting the Fund or any of its assets;
- (iii) resignation, termination or replacement of the Trustee, the Manager, the Supervisory Committee or the Promoter (as defined in the Fund Documents);
- (iv) any change or modification of the Fund Documents that could reasonably be expected to affect the value of the Units or the rights or remedies of any holders thereof from those prevailing on the Issue Date;
- (v) any breach of any strategy or investment guidelines stated in the Fund Documents that is reasonably likely to affect the value of the Units or the rights or remedies of any holders thereof;

- (vi) the Issuer, or any of its affiliates, is unable, or it is impractical for it, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to the Units of entering into and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction or asset;
- (vii) cancellation, suspension or revocation of the registration or approval of the Units or the Fund by any governmental, legal or regulatory entity with authority over the Units or the Fund;
- (viii) any change in the legal, tax, accounting or regulatory treatments of the Fund, its Manager, Trustee or Promoter that is reasonably likely to have an adverse impact on the value of the Units or on any investor therein;
- (ix) the relevant Fund or any of its Manager, Trustee or Promoter becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged breach of applicable law for any activities relating to or resulting from the operation of the Fund;
- (x) the occurrence of any event affecting the Units that, in the determination of the Calculation Agent, would make it impossible or impracticable to determine the value of the Units, and such event continues for the foreseeable future;
- (xi) any failure of the Fund to deliver, or cause to be delivered relevant information it has agreed to deliver or has previously delivered, or such information deemed necessary by the Calculation Agent to monitor the Fund's compliance with investment policies;
- (xii) on or after the trade date of the Notes, due to a change in any applicable law or regulation, or interpretation by any relevant court, tribunal or regulatory authority, the Calculation Agent determines in good faith that (A) it has become illegal to hold, acquire or dispose of Units relating to the Notes, or (B) it will incur a materially increased cost in performing its obligations under the Notes;
- (xiii) the Issuer would incur a materially increased costs in respect of any hedges deemed necessary to hedge the price risk relating to the Units of entering into and performing its obligations with respect to the Notes; or
- (xiv) (A) cancellation or cessation of any relevant index in respect of which any investment made by the Fund is based upon, (B) a material change in the formula for or the method of calculating or any other material modification to any such index, (C) the relevant sponsor of such index fails to calculate and announce such index, or (D) the cancellation or cessation of the licence agreement with the index sponsor.

Following the occurrence of such event (**Extraordinary Fund Event**), the Calculation Agent may make certain adjustments or substitutions for the Affected Units as the Calculation Agent may determine in its sole and absolute discretion, or the Calculation Agent may determine in its sole and absolute discretion that the relevant Notes shall be terminated upon payment to the holders thereof such an amount as in the opinion of the Calculation Agent is fair in the circumstances, each of which may result in a loss to such holders.

#### *Tax and Currency Risk*

The tax status of Funds in those jurisdictions in which they conduct their business and/or any change in taxation rules or treatment in such jurisdictions could affect the value of the assets of such Funds or the ability of Funds to achieve their investment objectives. Consequently this could adversely affect the value of the Notes linked to such Funds. In addition, remittance of income and capital gains generated by underlying investments of Funds in certain countries may be dependent on there being

liquidity in the relevant local currency and the absence of foreign exchange controls which inhibit or prevent the repatriation of such gains. In any such circumstances, the value of the notional shares of Funds may be adversely affected and as a result the relevant Funds and the value of the Notes may be adversely affected.

#### *Class of Investments*

Prospective purchasers or investors should note that Funds may have legal or other discretions in relation to their investments and no assurance can be given that the exercise of such discretions will achieve the investment objectives of such Funds. Therefore, there is a risk that return on an investment in Funds may not be achieved. This would have an adverse effect on the value of the Notes and any amounts payable thereunder.

#### *Investment Risk*

There can be no assurance that any Fund will achieve its investment objectives. The investment income of each Fund is based on the income earned on the securities it holds, less expenses incurred. Therefore, the Funds' investment income may be expected to fluctuate in response to changes in such expenses or income and this may have an adverse effect on the value of the Notes and any amounts payable thereunder.

#### *High yield*

Some Funds may invest in high yield securities. High yield securities are typically medium or lower rated securities and are sometimes referred to as "junk bonds". Such securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, which primarily react to movements in the general level of interest rates. The risk of loss due to default by issuers of high yield securities is significantly greater because lower rated and unrated securities of comparable quality generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness. In addition, Funds which invest in such securities may find it more difficult to sell high yield securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Furthermore, such Funds may experience difficulty in valuing certain securities at certain times. Prices realised upon the sale of such lower rated (or unrated) securities, under these circumstances, may be less than the prices used in calculating the value of such Funds. All such risks could adversely affect the value of Notes linked to Funds which invest in high yield securities.

#### *Provision of information*

None of the Issuer or any of its affiliates is under any obligation to provide information in respect of any Fund underlying the Notes (including any information relating to the creditworthiness of such Funds) or monitor whether or not any event or circumstance in respect of any Funds underlying the Notes has occurred. The Issuer may have acquired, or during the term of the Notes may acquire, non-public information with respect to one or more Funds. The Issuer is not under any obligation to make such information available to holders of such Notes. Therefore, an investor in the Notes should obtain and evaluate information concerning the relevant Funds as it would if it were investing directly in such Funds.

#### *Additional investment considerations and risk factors set out in the offering documents relating to funds*

Investors in Notes which are linked to Units of funds (including, but not limited to, exchange-traded funds) should note that there may be particular investment considerations and risk factors set out in the offering documentation relating to such funds and are advised to read and consider such offering documentation in making an investment decision to invest in such Notes. Such information is not incorporated by reference and does not form part of this Offering Circular.



## 8. Considerations relating to Interest Rate-Linked Notes

The Issuer may issue Interest Rate-Linked Notes pursuant to the terms and condition to be set out in the relevant Pricing Supplement.

### *Volatility*

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.

### *Interest income risk*

In relation to certain types of Interest Rate-Linked Notes, interest only accrues on days on which the interest related Reference Asset fixes within a predetermined range set out in the Pricing Supplement. If the interest related Reference Asset does not fix within such range on one or more days during the term of the Notes, then the return on the Notes may be lower than traditional fixed rate securities, or even zero. Holders should note that no interest accrues on days when the interest related Reference Asset fixes outside of the range.

## 9. Considerations relating to Equity-Linked Notes where Reference Assets are units in synthetic exchange-traded funds

Equity-Linked Notes may link to Reference Assets which are units in synthetic exchange-traded funds (**ETFs**). Typically, synthetic ETFs follow a strategy of investing in swaps and derivative instruments with an aim to replicate the performance of an underlying index or benchmark. Investors investing in Notes linked to synthetic ETFs should consider the following risks.

### (a) *Counterparty risk*

In addition to exposure to the Issuer's credit risk and the credit risk in respect of the underlying ETF, prospective investors are also exposed to the credit risk of counterparties which have issued the swaps or derivative instruments that underlie synthetic ETFs (**Derivatives Issuers**). In addition, investors should be aware that as Derivatives Issuers are predominantly international financial institutions there is a risk that the failure of one Derivatives Issuer could have a "knock-on" effect and lead to the insolvency of other Derivatives Issuers. Although Derivatives Issuers may have collateralised their obligations under the relevant derivative instruments, there is a residual risk that the market value of the collateral posted could have fallen substantially when the synthetic ETFs seeks to realise the collateral and could worth less than the outstanding obligations under the relevant derivative instruments. In such case, the Noteholders may suffer loss of their investment in the Notes for the amount of the shortfall between the value of the collateral and the amounts due under the Notes linked to such synthetic ETFs.

### (b) *Management risk*

Synthetic ETFs are managed in a "passive" manner. This means that investments are made in swap and derivative instruments relating to underlying indices or benchmarks without the possibility to acquire or dispose of assets on an active basis in accordance with economic, financial and market analysis and investment judgements made by the fund's investment adviser. Accordingly, there is a risk that the passive investment strategy of such fund's investment adviser may not produce the intended results. For instance, the synthetic ETF may not be able to reduce the downside of poorly performing investments through timely disposition of assets in the portfolio. This may have an adverse effect on the value of synthetic ETF and therefore on the Notes linked to such synthetic ETFs.



(c) *Liquidity risk*

There is a risk that synthetic ETFs are not liquid or not as liquid as other ETFs. This is because swaps and derivative instruments may not be traded on the secondary market. As a consequence of the limited liquidity wider bid-offer spreads may apply to such derivative instruments and this may result in increased operating costs and potential losses for the synthetic ETFs and accordingly the value of the Notes linked to such synthetic ETFs will be adversely affected.

(d) *Tracking error*

Although synthetic ETFs track the underlying index or benchmark, there is a risk that discrepancy occurs between the value of the synthetic ETF and the value of the underlying index or benchmark to which the synthetic ETF is linked. This could be the results of a failure of the tracking strategy of the synthetic ETF, currency differences between the ETF and the underlying index or benchmark, fees and expenses charged in connection with the synthetic ETF.

(e) *Trading at a discount or a premium*

There is a risk that synthetic ETFs are traded at a premium or discount of their net asset value. This may occur if the underlying index or benchmark is subject to restrictions or limitation for instance a limitation on foreign investment imposed in the jurisdiction to which the index or benchmark relates. Investors that acquire Notes linked to a synthetic ETF at a premium are subject to the risk that they may not be able to recover the premium in the event of termination of underlying ETFs or the Notes.

## **10. Considerations relating to Dual Currency Notes**

### ***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 Specified Currency and Reference Currencies, the Denomination Currency and the Settlement Currency and the Settlement Currency and Alternative Payment Currency (as applicable) may result in a decrease in the value of interest payments or the principal payable on the Notes at maturity. As a consequence, the market value of the Notes may also fall.

### ***FX Disruption Event***

Investors in the Notes should be aware that, following the occurrence of a FX Disruption Event, the Calculation Agent may delay the determination of the Underlying Currency Pair Exchange Rate until such rate can be obtained provided that if the FX Disruption Event continues for five days following the original fixing date the Calculation Agent may determine to redeem the Notes against payment of an amount determined by the Calculation Agent to be the fair market value of the Notes less the cost to the Issuer of unwinding any underlying related hedging arrangements. Such amount may be less than any amount received at maturity and may result in a loss to the investors. Also, if the Notes are redeemed early investors will forego any future appreciation or depreciation in the underlying currency.

### ***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 payable in one or more currencies which may be different from the currency in which the Notes are denominated (**Dual Currency Notes**). Prospective investors should be aware that:

- (i) the market price of such Notes may be very volatile;
- (ii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iii) they may lose all or a substantial portion of their principal and/or interest payments;

- (iv) the relevant currencies may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; and
- (v) the timing of changes in a relevant currency 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 currency, the greater the effect on yield.

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached.

### **Bearer Notes**

Each Tranche of Bearer Notes will be in bearer form and will be represented on issue by a temporary global note in bearer form (each a **Temporary Bearer Global Note**) or, if so specified in the applicable Pricing Supplement, a permanent global note in bearer form (each a **Permanent Bearer Global Note**) which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depository (the **Common Depository**) for, Euroclear and Clearstream, Luxembourg or (ii) a sub-custodian for the CMU Service.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or the Lodging Agent and (in the case of a Temporary Bearer Global Note delivered to a Common Depository for Euroclear and Clearstream, Luxembourg) Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Issuing and Paying Agent (as defined in “*Terms and Conditions of the Notes*”). On and after the Exchange Date, as specified in Condition 1.2, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that the purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The CMU Service may require that any such exchange for a Permanent Global Bearer Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a “CMU Instrument Position Report” or any other relevant notification supplied to the Lodging Agent by the CMU Service) have so certified. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a “CMU Instrument Position Report” or any other relevant notification supplied to the Lodging Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon either (a) not earlier than the Exchange Date (i), in the case of Notes held by a Common Depository for Euroclear and Clearstream, Luxembourg, from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Issuing and Paying Agent as described therein or (ii), in the case of Notes held through a sub-custodian for the CMU Service, from the relevant account holders therein to the Lodging Agent as described therein or (b) only upon the occurrence of an Exchange

Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 6) has occurred and is continuing or (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have, or in the case of Notes cleared through the CMU Service, the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) if so specified in the Pricing Supplement, at the option of the bearer thereof (or, if and for so long as the Bearer Notes represented by the Permanent Global Note in definitive form is held through the CMU Service, relevant account holders therein), and upon the request of the bearer (or, if and for so long as the Bearer Notes represented by the Permanent Global Note in definitive form is held through the CMU Service, relevant account holders therein). The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary for Euroclear and Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Issuing and Paying Agent or, as the case may be, the Lodging Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Issuing and Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Issuing and Paying Agent or, as the case may be, the Lodging Agent.

The following legend will appear on all Notes (other than Temporary Global Notes) and on all interest coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be.

### **Registered Notes**

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a **Registered Global Note**, together with any Bearer Global Note, the **Global Notes** and each a **Global Note**). Prior to expiry of the distribution compliance period (as defined in Regulation S), if any, applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear, Clearstream, Luxembourg or the CMU Service and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Registered Global Notes will be deposited with a Common Depositary for, and registered in the name of a common nominee of, Euroclear, Clearstream, Luxembourg and/or deposited with a sub-custodian for the CMU Service (if applicable), as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the person shown on the register kept by the Registrar as the registered holder of the Registered Global Notes. None of the relevant Issuer, the Guarantor, the Fiscal Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 8.2(c)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) if so specified in the Pricing Supplement, at the option of the bearer thereof (or, if and for so long as the Bearer Notes represented by the Permanent Global Note in definitive form is held through the CMU Service, relevant account holders therein), and upon the request of the bearer (or, if and for so long as the Bearer Notes represented by the Permanent Global Note in definitive form is held through the CMU Service, relevant account holders therein) or (iii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg and, in the case of Notes cleared through the CMU Service, the CMU Service have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system is available. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) and/or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein may give notice to the Registrar or the Lodging Agent, as the case may be, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Registrar requesting exchange. In the event of the occurrence of an Exchange Event as described in (ii) above, the bearer thereof (or, if and for so long as the Bearer Notes represented by the Permanent Global Note in definitive form is held through the CMU Service, relevant account holders therein) must, not less than 45 days before the date upon which the delivery of such Definitive Notes and/or Registered Notes is required, deposit the Bearer Notes represented by the Permanent Global Note in definitive form with the Issuing and Paying Agent at its specified office with the form of exchange notice endorsed thereon duly completed.

### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear, Clearstream, Luxembourg and the CMU Service, in each case to the extent applicable.

### **General**

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Issuing and Paying Agent or, as the case may be, the Lodging Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CMU instrument number which are different from the common code, CMU instrument number and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act), if any, applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg or the CMU Service, each person (other than Euroclear and/or Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor, the Fiscal Agent and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purposes the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the relevant Issuer, the Guarantor, the Fiscal Agent and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the Lodging Agent by the CMU Service in a relevant “CMU Instrument Position Report” or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge the obligation of the relevant Issuer or, as the case may be, the Guarantor in respect of that payment under such Note.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 6. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 6.00 p.m. (Hong Kong time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear, Clearstream, Luxembourg and/or the CMU Service, as the case may be, will become entitled to proceed directly against the relevant Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and/or the CMU Service on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 12 March 2014 and executed by the relevant Issuer.



## TERMS AND CONDITIONS OF THE NOTES

*The following (disregarding the italicised paragraphs) are the Terms and Conditions of the Notes which as supplemented, modified or replaced in relation to any Notes by the relevant Pricing Supplement, will be applicable to each Series or Tranche of Notes:*

This Note is one of a Series (as defined below) of Notes issued by The Hongkong and Shanghai Banking Corporation Limited (the **Bank**) or any additional issuer which has acceded to the Programme by executing a deed of adherence (the **Deed of Adherence**) pursuant to the terms of the Issuing and Paying Agency Agreement referred to below (each a **New Issuer** and together with the Bank, the **Issuers** and each an **Issuer**).

The Notes are issued pursuant to and in accordance with an amended and restated issuing and paying agency agreement (as amended, supplemented or replaced from time to time, the **Issuing and Paying Agency Agreement**) dated 12 March 2014 and made between the Bank, The Hongkong and Shanghai Banking Corporation Limited as issuing and paying agent (the **Issuing and Paying Agent**, which expression shall include any successor to The Hongkong and Shanghai Banking Corporation Limited in its capacity as such) and as principal registrar (the **Principal Registrar**, which expression shall include any successor to The Hongkong and Shanghai Banking Corporation Limited in its capacity as such). The Issuing and Paying Agency Agreement contains provisions for the appointment of additional paying agents (the **Paying Agents**, which expression shall include the Issuing and Paying Agent and any substitute paying agents appointed in accordance with the Issuing and Paying Agency Agreement). Notes issued by the Bank have the benefit of a deed of covenant (as amended, supplemented or replaced from time to time, the **Deed of Covenant**) dated 12 March 2014 executed by the Bank in relation to the Notes. Notes issued by a New Issuer have the benefit of a new deed of covenant (as amended, supplemented or replaced from time to time, the **New Deed of Covenant** (in or substantially in the form scheduled to the Issuing and Paying Agency Agreement)) executed by the New Issuer (and the term **Deed of Covenant** in relation to any such New Issuer shall be deemed to include the New Deed of Covenant). Notes issued by a New Issuer have the benefit of a deed of guarantee (as amended, supplemented or replaced from time to time, the **Deed of Guarantee** (in or substantially in the form scheduled to the Issuing and Paying Agency Agreement)) executed by The Hongkong and Shanghai Banking Corporation Limited (the **Guarantor**). Copies of the Issuing and Paying Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection during normal business hours at the specified office of each of the Paying Agents and the Principal Registrar. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issuing and Paying Agency Agreement, the Deed of Covenant and the Deed of Guarantee insofar as they relate to the relevant Notes.

The Notes are issued in series (each, a **Series**), and each Series may comprise one or more tranches (**Tranches** and each, a **Tranche**) of Notes. Each Tranche will be the subject of a pricing supplement (each, a **Pricing Supplement**), a copy of which will be available for inspection during normal business hours at the specified office of the Issuing and Paying Agent and/or, as the case may be, the Registrar (as defined in Condition 2.2). In the case of a Tranche of Notes in relation to which application has not been made for listing on any stock exchange, copies of the Pricing Supplement will only be available for inspection by a Holder (as defined in Condition 2) of or, as the case may be, a Relevant Account Holder (as defined in the Deed of Covenant) in respect of, such Notes.

References in these Terms and Conditions to:

- (i) the Issuer are to whichever one of the Bank or any New Issuer as is specified as such in the Pricing Supplement(s) prepared in relation to the Notes of the relevant Tranche or Series;
- (ii) Notes are to Notes of the relevant Tranche or Series and any references to Coupons (as defined in Condition 1.6) are to Coupons relating to Notes of the relevant Series; and
- (iii) the Pricing Supplement are to the Pricing Supplement(s) prepared in relation to the Notes of the relevant Tranche or Series.

In respect of any Notes, references herein to these Terms and Conditions are to these terms and conditions as supplemented or modified or (to the extent thereof) replaced by the Pricing Supplement.

## 1. Form and Denomination

- 1.1 Notes are issued in bearer form (**Bearer Notes**) or in registered form (**Registered Notes**), as specified in the Pricing Supplement and are serially numbered. Registered Notes will not be exchangeable for Bearer Notes.

### *Bearer Notes*

- 1.2 The Pricing Supplement shall specify whether U.S. Treasury Regulation section 1.163-5(c)(2)(i)(D) or substantially similar rules issued under Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the **TEFRA D Rules**) or U.S. Treasury Regulation section 1.163-5(c)(2)(i)(C) or substantially similar rules issued under Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the **TEFRA C Rules**) shall apply, or whether TEFRA shall not be applicable. Unless the Pricing Supplement specifies that TEFRA C rules are applicable in respect of the Notes or that TEFRA is not applicable and that the Notes are represented on issue by a permanent global note (a **Permanent Global Note**), each Tranche of Bearer Notes is represented upon issue by a temporary global Note (a **Temporary Global Note**).

Where the Pricing Supplement applicable to a Tranche of Bearer Notes specifies that the TEFRA C Rules apply or that TEFRA is not applicable, such Pricing Supplement shall also specify whether such Tranche is represented upon issue by a Temporary Global Note or a Permanent Global Note.

Interests in a Temporary Global Note may be exchanged for:

- (a) interests in a Permanent Global Note; or
- (b) if so specified in the Pricing Supplement, definitive notes in bearer form (**Definitive Notes**) and/or (in the case of a Series comprising both Bearer Notes and Registered Notes and if so specified in the Pricing Supplement) Registered Notes.

Exchanges of interests in 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 specified in the Pricing Supplement) and (unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Notes or that TEFRA is not applicable) provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in such form as is customarily issued in such circumstances by the relevant clearing system) has been received. An exchange for Registered Notes will be made at any time or from such date as may be specified in the Pricing Supplement, in each case, without any requirement for certification.

- 1.3 The bearer of any Temporary Global Note shall not (unless, upon due presentation of such Temporary Global Note for exchange (in whole but not in part only) for a Permanent Global Note or for delivery of Definitive Notes and/or Registered 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.
- 1.4 Unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Notes or that TEFRA is not applicable and subject to Condition 1.3 above, 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 U.S. Treasury regulations (in such form as is customarily issued in such circumstances by the relevant clearing system) has been received by the Issuing and Paying Agent (in the case of a Temporary Global Note lodged with a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **HKMA**)) (the

**CMU Service**) or (in any other case) by Euroclear Bank SA/NV (**Euroclear**) or Clearstream Banking, société anonyme, Luxembourg (**Clearstream, Luxembourg**) or any other relevant clearing system. Payments of amounts due in respect of a Permanent Global Note or (subject to Condition 1.3 above) a Temporary Global Note (if the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Notes or that TEFRA is not applicable) will be made through the CMU Service or Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.

- 1.5 Interests in a Permanent Global Note will be exchanged by the Issuer in whole but not in part only at the option of the Holder of such Permanent Global Note, for Definitive Notes and/or (in the case of a Series comprising both Bearer and Registered Notes and if so specified in the Pricing Supplement) Registered Notes, (a) if an Event of Default occurs in respect of any Note of the relevant Series; or (b) if Notes represented by the Permanent Global Note are held on behalf of the CMU Service or Euroclear or Clearstream, Luxembourg or any other relevant clearing system and the relevant clearing system 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 (c) if so specified in the Pricing Supplement, at the option of the Holder of such Permanent Global Note upon such Holder's request, in all cases at the cost and expense of the Issuer. In order to exercise the option contained in paragraph (c) of the preceding sentence, the Holder must, not less than forty-five days before the date upon which the delivery of such Definitive Notes and/or Registered Notes is required, deposit the relevant Permanent Global Note with the Issuing and Paying Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If the Issuer does not make the required delivery of Definitive Notes and/or Registered Notes by 6.00 p.m. (Hong Kong time) on the day on which the relevant notice period expires or, as the case may be, the thirtieth day after the day on which such Permanent Global Note becomes due to be exchanged and, in the case of (a) above, such Note is not duly redeemed (or the funds required for such redemption are not available to the Issuing and Paying Agent for the purposes of effecting such redemption and remain available for such purpose) by 6.00 p.m. (Hong Kong time) on the thirtieth day after the day on which such Note became immediately redeemable such Permanent Global Note will become void in accordance with its terms but without prejudice to the rights conferred by the Deed of Covenant.
- 1.6 Interest-bearing Definitive Notes have attached thereto at the time of their initial delivery coupons (**Coupons**), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. Interest-bearing Definitive Notes, if so specified in the Pricing Supplement, have attached thereto at the time of their initial delivery, a talon (**Talon**) for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.

#### *Global Registered Note Certificates*

- 1.7 Registered Notes of each Tranche may be represented by one or more global Notes in registered form without Coupons or Talons. Unless specified otherwise in the applicable Pricing Supplement, Registered Notes sold outside the United States in reliance on Regulation S (**Regulation S**) under the United States Securities Act of 1933, as amended (the **Securities Act**), (**Unrestricted Notes**) in global form will be either (i) deposited on or before the relevant issue date therefor with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or (ii) lodged on or before the relevant issue date therefor with a sub-custodian in Hong Kong for the CMU Service. Unless specified otherwise in the applicable Pricing Supplement, Registered Notes sold within the United States in reliance on Rule 144A (**Rule 144A**) under the Securities Act (**Restricted Notes**) in global form will be deposited on or before the relevant issue date therefor with a custodian for, and registered in the name of a nominee for, one or more clearing system(s). Interests in such global Unrestricted Notes and/or Restricted Notes will be exchangeable for individual Notes in registered form (**Individual Registered Note Certificates**) if so specified in the relevant Pricing Supplement and in accordance with their respective terms.

## *Denomination*

### *Denomination of Bearer Notes*

- 1.8 Bearer Notes are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Pricing Supplement. Bearer Notes of one denomination may not be exchanged for Bearer Notes of any other denomination.

### *Denomination of Registered Notes*

- 1.9 Registered Notes are in the minimum denomination specified in the Pricing Supplement or integral multiples thereof.

### *Currency of Notes*

- 1.10 The Notes are denominated in such currency as may be specified in the Pricing Supplement. Any currency may be so specified (including, without limitation, Australian Dollars (**AUD**), Canadian Dollars (**CAD**), euro (**EUR**), Hong Kong dollars (**HK\$**), Indonesian Rupiah (**IDR**), Japanese Yen (**JPY**), Malaysian Ringgit (**MYR**), New Zealand Dollars (**NZD**), Pounds Sterling (**GBP**), Renminbi (**RMB** or **CNY**), Singapore Dollars (**SGD**), Thai Baht (**THB**) and United States dollars (**U.S.\$**)), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

## **2. Title and Transfer**

- 2.1 Title to Bearer Notes and Coupons passes by delivery. References herein to the **Holders** or **Noteholders** of Bearer Notes or Coupons are to the bearers of such Bearer Notes or such Coupons.
- 2.2 Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar. The Issuing and Paying Agency Agreement enables the Issuer and the Guarantor to appoint a registrar (the **Alternative Registrar**) other than the Principal Registrar in relation to any Series comprising Registered Notes. For the purposes of these Terms and Conditions, **Registrar** means, in relation to any Series comprising Registered Notes, the Principal Registrar or, as the case may be, the Alternative Registrar, as specified in the Pricing Supplement provided always that where such Series is listed on the Hong Kong Stock Exchange, the Registrar shall have its specified office in Hong Kong. References herein to the **Holders** or **Noteholders** of Registered Notes are to the persons in whose names such Registered Notes are so registered in the relevant register.
- 2.3 The Holder of any Bearer Note, Coupon or Registered Note will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

### *Transfer of Registered Notes and exchange of Bearer Notes for Registered Notes*

- 2.4 A Registered Note may, upon the terms and subject to the conditions set forth in the Issuing and Paying Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the Pricing Supplement) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. 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.
- 2.5 If so specified in the Pricing Supplement, 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 Issuing and Paying Agent or of the Registrar 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 in Condition 2.7) where the exchange date would, but for the provisions of Condition 2.6, occur between the Record Date (as defined in Condition 8.2(c)) for such payment of interest and the date on which such payment of interest falls due.

- 2.6 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 collection by each relevant Holder at the specified office of the Registrar 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. For these purposes, a form of transfer or request for exchange received by the Registrar or the Issuing and Paying Agent after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar or the Issuing and Paying Agent until the day following the due date for such payment.
- 2.7 For the purposes of these Terms and Conditions:
- (a) **Relevant Banking Day** means a day on which commercial banks are open for 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 Issuing and Paying Agent, in the place where the specified office of the Issuing and Paying 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 Condition 2.5; 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 Condition 2.4.
- 2.8 The issue of new Registered Notes on transfer or on the exchange of Bearer Notes for Registered Notes will be effected without charge by or on behalf of the Issuer, the Issuing and Paying Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Issuing and Paying Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.
- 2.9 Upon the transfer, exchange or replacement of Registered Notes bearing the private placement legend (the **Private Placement Legend**) set forth in the form of Registered Note scheduled to the Issuing and Paying Agency Agreement, the Registrar shall deliver only Registered Notes that also bear such legend unless either (i) such transfer, exchange or replacement occurs three or more years after the later of (1) the original issue date of such Notes or (2) the last date on which the Issuer or (except in the case of Notes issued by the Bank) the Guarantor or any affiliates (as defined below) of the Issuer or (except in the case aforesaid) the Guarantor as notified to the Registrar by the Issuer or (except in the case aforesaid) the Guarantor as provided in the following sentence, was the beneficial owner of such Note (or any predecessor of such Note) or (ii) there is delivered to the Registrar 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 to the effect that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws. The Issuer and (except in the case of Notes issued by the Bank) the Guarantor covenant and agree that they will not acquire any beneficial interest, and will cause their “affiliates” (as defined in Rule



144(a)(1) under the Securities Act) not to acquire any beneficial interest, in any Registered Note bearing the Private Placement Legend unless they notify the Registrar of such acquisition. The Registrar and all Holders shall be entitled to rely without further investigation on any such notification (or lack thereof).

- 2.10 For so long as any of the Registered Notes bearing the Private Placement Legend remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer and (except in the case of Notes issued by the Bank) the Guarantor covenant and agree that they shall, during any period in which they are not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934, as amended, the **Exchange Act** nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Holder of such Notes in connection with any sale thereof and any prospective purchaser of such Notes from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

### 3. Status and Guarantee

#### 3.1 Notes

- (a) This Condition 3.1 is applicable to all Notes which are specified in the applicable Pricing Supplement as being Notes issued by the Bank.
- (b) The Notes of each Series issued by the Bank constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank, ranking *pari passu* without any preference among themselves and, at their date of issue, ranking *pari passu* with all other present and future unsecured and unsubordinated obligations of the Bank other than any such obligations preferred by provisions of law that are both mandatory and of general application.

#### 3.2 Guaranteed Notes

- (a) This Condition 3.2 is applicable to all Notes which are specified in the applicable Pricing Supplement as being Guaranteed Notes issued by any New Issuer (**Guaranteed Notes**).
- (b) The Guaranteed Notes of each Series constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant New Issuer, ranking *pari passu* without any preference among themselves and, at their date of issue, ranking *pari passu* with all other present and future unsecured and unsubordinated obligations of the relevant New Issuer other than any such obligations as are preferred by provisions of law that are both mandatory and of general application.
- (c) The Guaranteed Notes will be guaranteed as to payment of principal and interest by the Bank upon the terms of the guarantee (the **Guarantee**) to be contained in a deed of guarantee (as amended, supplemented or replaced from time to time) (the **Deed of Guarantee**).
- (d) In relation to each Series of Guaranteed Notes, claims in respect of the Guarantee rank, at the date of issue of such Notes, *pari passu* with all other present and future unsecured and unsubordinated obligations of the Bank other than any such obligations as are preferred by provisions of law that are both mandatory and of general application.

#### 3.3 Definition of “Subsidiary”

In these Conditions, **Subsidiary** means a subsidiary as defined in section 2 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong.



## 4. Interest

### *Interest*

- 4.1 Notes may be interest-bearing or non interest-bearing, as specified in the Pricing Supplement. Words and expressions appearing in this Condition 4 and not otherwise defined herein or in the Pricing Supplement shall have the meanings given to them in Condition 4.11.

### *Interest-bearing Notes*

- 4.2 Notes which are specified in the Pricing Supplement as being interest-bearing shall bear interest from their Interest Commencement Date at the Interest Rate and such interest shall be payable in arrear on each Interest Payment Date.

### *Floating Rate Notes*

- 4.3 If the Pricing Supplement specifies the Interest Rate applicable to the Notes as being Floating Rate it shall also specify which page (the **Relevant Screen Page**) on the Reuters Screen or any other information vending service shall be applicable. If such a page is so specified, the Interest Rate applicable to the relevant Notes for each Interest Accrual Period shall be determined by the Calculation Agent on the following basis:

- (a) the Calculation Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 per cent. being rounded up to 0.0001 per cent.) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Accrual Period on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (b) if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Calculation Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the Relevant Market, selected by the Calculation Agent, at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Market for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;
- (c) if, on any Interest Determination Date, only two or three rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or
- (d) if fewer than two rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre selected by the Calculation Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres as aforesaid)) on the first day of the relevant Interest Accrual Period for loans in the relevant currency to leading European banks for a period for the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

and the Interest Rate applicable to such Notes during each Interest Accrual Period will be the sum of the relevant margin (the **Relevant Margin**) specified in the Pricing Supplement and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) so determined provided, however, that, if the Calculation Agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any Interest Accrual Period, the Interest Rate applicable to such Notes during such Interest Accrual Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) determined in relation to such Notes in respect of the last preceding Interest Accrual Period.

#### *Index-Linked Interest*

- 4.4 If Notes are specified in the Pricing Supplement as being Index-Linked Interest Notes, the Interest Rate(s) applicable to the Notes for each Interest Period will be determined in the manner specified in the Pricing Supplement.

#### *Dual Currency Notes*

- 4.5 If Notes are specified in the Pricing Supplement as being Dual Currency Notes, the principal or interest payable in respect of such Notes may be denominated in a different currency (or currencies) from the currency in which the Notes are denominated, as further specified in the relevant Pricing Supplement.

#### *Maximum or Minimum Interest Rate*

- 4.6 If any maximum or minimum Interest Rate is specified in the Pricing Supplement, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

#### *Accrual of Interest*

- 4.7 Interest shall accrue on the principal amount of each Note during each Interest Accrual Period from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor unless upon due presentation or surrender thereof (if required), payment in full of the Redemption Amount (as defined in Condition 5.11) is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at the Interest Rate then applicable or such other rate as may be specified for this purpose in the Pricing Supplement until the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Issuing and Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 14 that the Issuing and Paying Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

#### *Interest Amount(s), Calculation Agent and Reference Banks*

- 4.8 If a Calculation Agent is specified in the Pricing Supplement, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount (as defined in Condition 5.11), obtain any quote or make any determination or calculation) will determine the Interest Rate and calculate the amount(s) of interest payable (the **Interest Amount(s)**) in respect of each Denomination of the Notes (in the case of Bearer Notes) and the minimum denomination (in the case of Registered Notes) for the relevant Interest Accrual Period, calculate the Redemption Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date or, as the case may be, the Redemption Amount to be notified to the Issuing and Paying Agent, the Registrar (in the case of Registered Notes), the Issuer, the Guarantor (except in the case of Notes issued by the Bank), the Holders in accordance with Condition 14 and, if the Notes are listed on a stock exchange and such exchange so requires, such exchange as soon as possible after their determination or calculation but in no event later than the fourth Hong Kong Banking Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the relevant stock exchange. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or the Interest Period. If the Notes become due and payable under Condition 6, the Interest Rate and the accrued interest payable in respect of the

Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount and Redemption Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon the Issuer, the Guarantor (except in the case of Notes issued by the Bank) and the Holders and neither the Calculation Agent nor any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer and (except in the case of Notes issued by the Bank) the Guarantor will procure that there shall at all times be such Reference Banks as may be required for the purpose of determining the Interest Rate applicable to the Notes and a Calculation Agent, if provision is made for one in the Terms and Conditions.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Accrual Period or to calculate the Interest Amounts or any other requirements, the Issuer and (except in the case of Notes issued by the Bank) the Guarantor will appoint a leading bank engaged in the Relevant Market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

#### *Calculations and Adjustments*

4.9 The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate to:

- (a) in the case of Notes which are represented by a global Note (a **Global Note**), the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are partly paid Notes, the aggregate amount paid up); or
- (b) in the case of Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction (and rounding the resultant figure to the nearest sub-unit of the relevant specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention), save that if the Pricing Supplement specifies a specific amount in respect of such period, the amount of interest payable in respect of such Note for such period will be equal to such specified amount. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods. Where the Denomination of a Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Denomination, without any further rounding.

In the Conditions, **sub-unit** means, with respect to any currency other than euro and Renminbi, the lowest amount of such currency that is available as legal tender in the country of such currency, with respect to euro, one cent, and in the case of Renminbi, means CNY0.01.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4, by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor (except in the case of Notes issued by the Bank), the Issuing and Paying Agent, the Registrar, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

## *Non-Interest Bearing Notes*

4.10 If any Maturity Redemption Amount (as defined in Condition 5.1) in respect of any Note in respect of which the Zero Coupon Note provisions are specified as applicable in the Pricing Supplement is not paid when due, interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortisation Yield defined in, or determined in accordance with the provisions of, the Pricing Supplement or at such other rate as may be specified for this purpose in the Pricing Supplement until the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Issuing and Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 14 that the Issuing and Paying Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated in accordance with the provisions of Condition 4.9 as if the Interest Rate was the Amortisation Yield, the principal amount was the overdue sum and the Day Count Fraction was as specified for this purpose in the Pricing Supplement or, if not so specified, 30E/360 (as defined in Condition 4.11).

## *Definitions*

4.11 For the purposes of these Terms and Conditions:

**Additional Relevant Jurisdiction** means each of the jurisdiction(s) specified as such in the relevant Pricing Supplement.

**Affected Reference Asset Component** has the meaning given to it in Condition 9.1(b).

**Alternative Payment Currency** means the currency specified as such in the relevant Pricing Supplement.

**Alternative Payment Currency Equivalent** means the relevant amount in the Settlement Currency converted into the relevant Alternative Payment Currency using the Alternative Payment Currency Exchange Rate for the relevant Alternative Payment Currency Fixing Date.

**Alternative Payment Currency Exchange Rate** has the meaning set out in the relevant Pricing Supplement.

**Alternative Payment Currency Fixing Date** means the second day prior to the date on which the relevant payment falls due. For the purposes of this definition, “day” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business and dealings in foreign exchange in the Settlement Currency Jurisdiction, Alternative Payment Currency Jurisdiction and Additional Relevant Jurisdiction as may be specified in the relevant Pricing Supplement.

**Alternative Payment Currency Jurisdiction** means the jurisdiction specified as such in the relevant Pricing Supplement.

**Applicable Business Day Convention** means the “Business Day Convention” which may be specified in the Pricing Supplement as applicable to any date in respect of the Notes unless the Pricing Supplement specifies “No Adjustment” in relation to any date in which case such date shall not be adjusted in accordance with any Business Day Convention. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any Notes.

**Banking Day** means, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

**Business Day** means (i) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business and settle payments in the relevant currency in the Relevant Financial Centre in respect of the relevant Notes and/or in any other place or any other days as may be specified in the Pricing Supplement and (ii) in relation to Notes denominated or redenominated or payable in euro, a day on which the TARGET2 system is operating.

**Business Day Convention** means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Pricing Supplement in relation to any date applicable to any Notes, shall have the following meanings:

- (a) **Following Business Day Convention** means that such date shall be postponed to the first following day that is a Business Day;
- (b) **Modified Following Business Day Convention** or **Modified Business Day Convention** means that such date shall be postponed to 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;
- (c) **Preceding Business Day Convention** means that such date shall be brought forward to the first preceding day that is a Business Day; and
- (d) **FRN Convention** or **Eurodollar Convention** means that each such date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Pricing Supplement after the calendar month in which the preceding such date occurred Provided that:
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.

**Calculation Agent** means such agent as may be specified in the Pricing Supplement as the Calculation Agent.

**Day Count Fraction** means, in respect of the calculation of an amount for any period of time from and including the first day of such period to but excluding the last (whether or not constituting an Interest Period or an Interest Accrual Period, the **Calculation Period**):

- (a) if **Actual/Actual (ICMA)** is so specified, means:
  - (i) 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

- (ii) where the Calculation Period is longer than one Regular Period during which it falls, the sum of:
- (A) 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
  - (B) the actual number of days in such Calculation Period falling in the next Regular 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;
- (b) if **Actual/Actual (ISDA)** or **Actual/Actual** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if **Actual/365 (Fixed)** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if **Actual/360** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if **30/360** is so specified, means
- (i) in respect of Fixed Rate Notes only, the number of days in the Calculation Period (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(ii) in respect of Notes other than Fixed Rate Notes,

the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;



- (f) if **30E/360** or **Eurobond Basis** is so specified means, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (g) if **30E/360 (ISDA)** is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

**Denomination Currency** means the currency specified as such in the relevant Pricing Supplement.

**Denomination Currency Jurisdiction** means the jurisdiction specified as such in the relevant Pricing Supplement.

**Foreign Exchange Dealer** means an independent foreign exchange dealer of international repute active in the foreign exchange market in the relevant Settlement Currency Jurisdiction.

**FX Disruption Event** means the occurrence and/or existence of any of the following circumstances:

- (a) the occurrence and/or existence as determined by the Calculation Agent, acting in a commercially reasonable manner, of an event on any day with respect to the Reference Currency or Denomination Currency (as applicable) that has the effect of preventing or delaying the Issuer or any of its affiliates acting as its hedge counterparty for the Notes directly or indirectly from: (i) converting the Reference Currency into the specified Currency or the Denomination Currency into the Settlement Currency (as applicable) through customary legal channels, (ii) converting the Reference Currency into the specified Currency or the Denomination Currency into the Settlement Currency (as applicable) at a rate at least as favourable as the rate for domestic institutions located in the Reference Currency Jurisdiction or Denomination Currency Jurisdiction (as applicable), (iii) delivering the specified Currency from accounts inside the Reference Currency Jurisdiction to accounts outside the Reference Currency Jurisdiction and Additional Relevant Jurisdiction (as may be specified in the relevant Pricing Supplement) or delivering the Settlement Currency from accounts inside the Denomination Currency Jurisdiction to accounts outside the Denomination Currency Jurisdiction (as applicable); (iv) delivering the Reference Currency or specified Currency between accounts inside the Reference Currency Jurisdiction or to a party that is a non-resident of the Reference Currency Jurisdiction or delivering the Denomination Currency between accounts inside the Denomination Currency Jurisdiction or to a party that is a non-resident of the Denomination Currency Jurisdiction (as applicable), or (v) effectively realising the value of its underlying hedge in the specified Currency or Settlement Currency (as applicable) at any time;
- (b) the government of the Denomination Currency Jurisdiction or Reference Currency Jurisdiction (as applicable) imposing, or giving public notice of its intention to impose, any capital controls (including, without limitation, the imposition of an upper limit on the amount of the Denomination Currency or Reference Currency (as applicable) denominated assets in the Denomination Currency Jurisdiction or Reference Currency Jurisdiction (as applicable) which can be held by any party) which the Calculation Agent determines in good faith are likely to materially affect the ability of the Issuer or any of its affiliates acting as its hedge counterparty for the Notes to hedge its position under the Notes or to unwind such hedge.

**Governmental Authority** means any *de facto* or *de jure* government (or any agency or instrumentality 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) in the Settlement Currency Jurisdiction or Additional Relevant Jurisdiction (as may be specified in the relevant Pricing Supplement). Where the Settlement Currency is Offshore RMB, the Settlement Currency Jurisdiction for the purpose of the definition of Governmental Authority shall include the PRC and Hong Kong.

**Illiquidity** means where the general exchange market in the Settlement Currency Jurisdiction becomes illiquid and, as a result of which, the Issuer cannot obtain sufficient Settlement Currency in order to satisfy its obligation to pay any amount in respect of the Notes as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation (if practicable) with two Foreign Exchange Dealers.

**Inconvertibility** means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general exchange market in the Settlement Currency Jurisdiction, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation).

**Interest Accrual Period** means, in respect of an Interest Period, each successive period beginning on and including an Interest Period End Date and ending on but excluding the next succeeding Interest Period End Date during that Interest Period provided always that the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of final maturity.

**Interest Commencement Date** means the date of issue of the Notes (as specified in the Pricing Supplement) or such other date as may be specified as such in the Pricing Supplement.

**Interest Determination Date** means, in respect of any Interest Accrual Period, the date falling such number (if any) of Banking Days in such city(ies) as may be specified in the Pricing Supplement prior to the first day of such Interest Accrual Period, or if none is specified:

- (a) in the case of Notes denominated in Hong Kong dollars or Pounds Sterling, the first day of such Interest Accrual Period; or
- (b) in the case of Notes denominated in euro, the date falling two TARGET2 Business Days prior to the first day of such Interest Accrual Period; or
- (c) in any other case, the date falling two London Banking Days prior to the first day of such Interest Accrual Period.

**Interest Payment Date** means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement and, if an Applicable Business Day Convention is specified in the Pricing Supplement, as the same may be adjusted in accordance with the Applicable Business Day Convention or if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Pricing Supplement as being the Interest Period, each of such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the date of issue of the Notes (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

**Interest Period** means each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date provided always that the first Interest Period shall commence on and include the Interest Commencement Date and the final Interest Period shall end on but exclude the date of final maturity.

**Interest Period End Date** means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement and, if an Applicable Business Day Convention is specified in the Pricing Supplement, as the same may be adjusted in accordance with the Applicable Business Day Convention or, if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Pricing Supplement as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the Pricing Supplement, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Notes.

**Interest Rate** means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of relevant currency) of interest payable in respect of the Notes specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

**ISDA Definitions** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.).

**Non-transferability** means the occurrence of any event that makes it impossible for the Issuer to transfer Settlement Currency between accounts inside the Settlement Currency Jurisdiction or from an account inside the Settlement Currency Jurisdiction to an account outside the Settlement Currency Jurisdiction and any Additional Relevant Jurisdiction (as may be specified in the relevant Pricing Supplement), or from an account outside the Settlement Currency Jurisdiction and any Additional Relevant Jurisdiction (as may be specified in the relevant Pricing Supplement) to an account inside the Settlement Currency Jurisdiction, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation). Where the Settlement Currency is Offshore RMB, the occurrence of any event that makes it impossible to transfer the Settlement Currency from an account inside the Offshore RMB Centre to an account inside the PRC shall not constitute “Non-transferability”.

**Offshore RMB** means RMB that is freely deliverable between accounts in the Offshore RMB Centre in accordance with the law and applicable regulations and guidelines issued by relevant authorities in the Offshore RMB Centre prevailing as of the trade date of the Notes.

**Offshore RMB Centre** means the jurisdiction specified as such in the relevant Pricing Supplement.

**Participating Member State** means a member state of the European Union which adopts the euro as its lawful currency in accordance with the Treaty.

**Reference Banks** means such banks as may be specified in the Pricing Supplement as the Reference Banks or, if none are specified, **Reference Banks** has the meaning given in the ISDA Definitions, *mutatis mutandis*.

**Reference Currency** means the currency specified as such in the relevant Pricing Supplement.

**Reference Currency Jurisdiction** means the jurisdiction specified as such in the relevant Pricing Supplement.

**Regular Period** means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, 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; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, 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 other than the Interest Payment Date falling at the end of the irregular Interest Period.

**Relevant Financial Centre** means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of “Business Day” in the ISDA Definitions.

**Relevant Market** means the London interbank market or such other market as may be specified in the Pricing Supplement.

**Relevant Time** means the time as of which any rate is to be determined as specified in the Pricing Supplement or, if none is specified, at which it is customary to determine such rate.

**Reuters Screen** means, when used in connection with a 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 for the purpose of displaying such information).

**Settlement Currency** means the currency specified as such in the relevant Pricing Supplement.

**Settlement Currency Jurisdiction** means the jurisdiction specified as such in the relevant Pricing Supplement.

**TARGET2** means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System.

**TARGET2 Business Day** means a day on which the TARGET2 system is operating.

**Treaty** means the Treaty on the Functioning of the European Union, as amended.

**Underlying Currency Pair Exchange Rate** has the meaning set out in the relevant Pricing Supplement.

## 5. Redemption and Purchase

### *Redemption at Maturity*

- 5.1 Unless previously redeemed, or purchased and cancelled or unless such Note is specified in the Pricing Supplement as having no fixed maturity date, each Note shall be redeemed at its maturity redemption amount (the **Maturity Redemption Amount**) (which shall be its principal amount or such other redemption amount as may be specified in or determined in accordance with the formula or other means specified in the Pricing Supplement) on the date or dates (or, in the case of Notes which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the Pricing Supplement (the **Maturity Date**) and, in the case of Equity-Linked Notes in respect of which the relevant Option (as defined in the Pricing Supplement) has been exercised, in accordance with the provisions set out in the relevant Pricing Supplement.

### *Early Redemption for Taxation Reasons*

- 5.2 If, in relation to any Series of Notes, as a result of any change in the laws, regulations or rulings of Hong Kong or, in the case of Notes issued by any New Issuer, the jurisdiction of incorporation of the relevant New Issuer, or (in any such case) of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of such Notes or any other date specified in the Pricing Supplement, the Issuer or (except in the case of Notes issued by the Bank), if the Guarantee was called, the Guarantor would be required to pay additional amounts as provided in Condition 7, the Issuer may, at its option and having given no less than thirty nor more than sixty days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Notes in accordance with Condition 14 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes comprising the relevant Series at their early tax redemption amount (the **Early Redemption Amount (Tax)**) (which shall be their principal amount or, in the case of Notes which are non-interest bearing, their Amortised Face Amount (as defined in Condition 5.12) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement), together with accrued interest (if any) thereon Provided, however, that no such notice of redemption may be given earlier than 90 days (or, in the case of Notes which bear interest at a floating rate a number

of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 days) prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under Condition 5.7.

#### *Early Redemption for reasons of Force Majeure*

- 5.3 (a) This Condition 5.3 is applicable to the Notes only if it is specified in the relevant Pricing Supplement as being applicable.
- (b) The Issuer shall have the right to terminate its obligation under the Notes if the Calculation Agent shall have determined, in its absolute discretion, that performance of such obligations (or the Issuer's or the Issuer's affiliate's obligations under any hedging or funding arrangement established in connected therewith) shall have become unlawful or impracticable in whole or in part, including without limitation 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 at an amount equal to the fair market value of the Notes (as determined by the Calculation Agent) immediately prior (and ignoring the circumstances leading) to such early redemption, adjusted to account fully for any reasonable expenses and costs incurred by the Issuer and/or its affiliates in connection with the Issuer's obligations under the Notes or any related hedging or funding arrangements (including, without limitation, the holding of any underlying and/or any swaps or other instruments of any type whatsoever hedging the Issuer's obligations under the Notes) as a result of such events, including, without limitation, the costs of unwinding any such related hedging and funding arrangements.

#### *Optional Early Redemption (Call)*

- 5.4 If this Condition 5.4 is specified in the Pricing Supplement as being applicable, then the Issuer may, having given the appropriate notice and subject to such conditions as may be specified in the Pricing Supplement, redeem all (but not, unless and to the extent that the Pricing Supplement specifies otherwise, some only) of the Notes of the relevant Series at their call early redemption amount (the **Early Redemption Amount (Call)**) (which shall be their principal amount or, in the case of Notes which are non-interest bearing, their Amortised Face Amount (as defined in Condition 5.12) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement), together with accrued interest (if any) thereon on the date specified in such notice.

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under Condition 5.7.

- 5.5 The appropriate notice referred to in Condition 5.4 is a notice given by the Issuer to the Holders of the Notes of the relevant Series in accordance with Condition 14, which notice shall be irrevocable and shall specify:

- the Series of Notes subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and (except in the case of a Temporary Global Note or Permanent Global Note) the serial numbers of the Notes of the relevant Series which are to be redeemed;



- the due date for such redemption, which shall be not less than thirty days nor more than sixty days after the date on which such notice is given and which shall be such date or the next of such dates (**Call Option Date(s)**) or a day falling within such period (**Call Option Period**), as may be specified in the Pricing Supplement and which is, in the case of Notes which bear interest at a floating rate, a date upon which interest is payable; and
- the Early Redemption Amount (Call) at which such Notes are to be redeemed.

*Partial Redemption*

5.6 If the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 5.4:

- in the case of Bearer Notes (other than a Temporary Global Note or Permanent Global Note), the Notes to be redeemed shall be drawn by lot in such European city as the Issuing and Paying Agent may specify, or identified in such other manner or in such other place as the Issuing and Paying Agent may approve and deem appropriate and fair;
- in the case of a Temporary Global Note or a Permanent Global Note, the Notes to be redeemed shall be selected in accordance with the rules of the CMU Service and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; and
- 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 integral multiple thereof,

subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Notes may be listed.

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 Conditions 2.4 to 2.10 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.

*Optional Early Redemption (Put)*

5.7 If this Condition 5.7 is specified in the Pricing Supplement as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Note of the relevant Series, redeem such Note on the date specified in the relevant Put Notice (as defined below) at its put early redemption amount (the **Early Redemption Amount (Put)**) (which shall be its principal amount or, if such Note is non-interest bearing, its Amortised Face Amount (as defined in Condition 5.12) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than forty-five days before the date on which such redemption is required to be made as specified in the Put Notice (which date shall be such date or the next of the dates (**Put Date(s)**) or a day falling within such period (**Put Period**) as may be specified in the Pricing Supplement), deposit the relevant Note (together, in the case of an interest-bearing Definitive Note, with all unmatured Coupons appertaining thereto other than any Coupon maturing on or before the date of redemption (failing which the provisions of Condition 8.1(f) apply)) during normal business hours at the specified office of, 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 early redemption notice (**Put 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 specifying, in the case of a Temporary Global Note or Permanent Global Note or Registered Note, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Pricing Supplement or an integral multiple thereof). No Note so deposited and option exercised may be withdrawn (except as provided in the Issuing and Paying Agency Agreement).

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 Conditions 2.4 to 2.10 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.

The Holder of a Note may not exercise such option in respect of any Note which is the subject of a prior exercise by the Issuer of its option to redeem such Note under either Condition 5.2, 5.3 or 5.4.

#### *Purchase of Notes*

5.8 The Issuer, the Guarantor (except in the case of Notes issued by the Bank) and any of their respective subsidiaries may at any time purchase Notes in the open market or otherwise and at any price provided that all unmatured Coupons appertaining thereto are purchased therewith.

#### *Cancellation of Redeemed and Purchased Notes*

5.9 Notes and Coupons purchased in accordance with this Condition 5 may be held, surrendered for cancellation or reissued or resold, and any Notes so reissued or resold shall for all purposes be deemed to form part of the original Series of Notes. All unmatured Notes and Coupons redeemed in accordance with this Condition 5 will be cancelled forthwith and may not be reissued or resold.

#### *Further Provisions applicable to Redemption Amounts*

5.10 The provisions of Condition 4.8 and the last paragraph of Condition 4.9 shall apply to any determination or calculation of the Redemption Amount required by the Pricing Supplement to be made by the Calculation Agent (as defined in Condition 4.11).

5.11 References herein to **Redemption Amount** shall mean, as appropriate, the Maturity Redemption Amount, Early Redemption Amount (Tax), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount (as defined in Condition 6.2) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement.

5.12 In the case of any Note which is non-interest bearing, the **Amortised Face Amount** shall be an amount equal to the sum of:

- (a) the Issue Price specified in the Pricing Supplement; and
- (b) the product of the Amortisation Yield (compounded annually) being applied to the Issue Price from (and including) the Issue Date specified in the Pricing Supplement to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction (as defined in Condition 4.11) specified in the Pricing Supplement for the purposes of Condition 4.10.

5.13 If any Redemption Amount (other than the Maturity Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortised Face Amount shall be calculated as provided in Condition 5.12 but as if references in subparagraph (ii) to the date fixed for redemption or the date upon which such Note becomes due and repayable were replaced by references to the earlier of:

- (a) the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made; and

- (b) (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Issuing and Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 14 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

## **6. Enforcement**

### **6.1 Events of Default**

- (a) The following events or circumstances as modified by, and/or such other events as may be specified in, the Pricing Supplement (each an **Event of Default**) shall be acceleration events in relation to the Notes of any Series, namely, default is made in the payment of any amount of principal or interest in respect of the Notes on the due date for payment thereof and such default continues for 14 days, provided that it shall not be an Event of Default to withhold or refuse any such payment (i) 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 (ii) 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 14 days by independent legal advisers of recognised standing as to such validity or applicability.
- (b) If any Event of Default shall occur in relation to any Series of Notes, any Holder of a Note of the relevant Series may, by written notice to the Issuer, at the specified office of the Issuing and Paying Agent, declare that such Note and (if the Note is interest-bearing) all interest then accrued on such Note shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its Early Termination Amount (as defined in Condition 6.2), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Notes of the relevant Series shall have been cured.

### **6.2 Winding-up of the Bank**

In the event of an order being made or an effective resolution being passed for the winding-up of the Bank in Hong Kong (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved by an Extraordinary Resolution (as defined in the Issuing and Paying Agency Agreement) of the Holders of the relevant Series of Notes) any Holder of a Note may, by written notice to the Issuer, at the specified office of the Issuing and Paying Agent, declare such Note and (if the Note is interest-bearing) all interest then accrued on such Note to be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the **Early Termination Amount**) (which shall be its principal amount (unless otherwise specified in the applicable Pricing Supplement) or, if such Note is non-interest bearing, its Amortised Face Amount (as defined in Condition 5.12) (unless otherwise specified in the applicable Pricing Supplement)).

### **6.3 No Other Remedies**

No remedy against any New Issuer or the Bank other than as specifically provided by this Condition 6 shall be available to the Noteholders or Couponholders in respect of any Series of Notes whether for the recovery of amounts owing in respect of such Notes or the Coupons appertaining thereto or in respect of any breach by any New Issuer or the Bank of any obligation, condition or provision under such Notes or Coupons or otherwise.

## 7. Taxation

- 7.1 All payments (whether in respect of principal, interest or otherwise) in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or (in the case of Notes issued by any New Issuer) the jurisdiction of incorporation of the relevant New Issuer, or (in any such case) any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Holder of such amounts as would have been received by such Holder if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:
- (a) by or on behalf of a Holder 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 Hong Kong or the jurisdiction of incorporation of the relevant New Issuer (in the case of Notes issued by a New Issuer) other than the mere holding of such Note or Coupon; or
  - (b) more than thirty days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of thirty days; or
  - (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
  - (d) by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
  - (e) any withholding or deduction required pursuant to Section 871(m) of the U.S. Internal Revenue Code of 1986 (the **Code**), an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.
- 7.2 For the purposes of these Terms and Conditions, the **Relevant Date** means whichever is the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been duly paid to the Issuing and Paying Agent, or as the case may be, the Registrar in accordance with the Issuing and Paying Agency Agreement on or prior to such due date, the date on which, such full amount having been so duly paid and remaining available for payment to Holders, notice to that effect has been given to the Holders of the Notes of the relevant Series in accordance with Condition 14.
- 7.3 If the Issuer or (except in the case of Notes issued by the Bank) the Guarantor becomes subject at any time to any taxing jurisdiction other than Hong Kong or the jurisdiction of incorporation of the relevant New Issuer, as relevant, references in Condition 5.2 and Condition 7.1 to Hong Kong or the jurisdiction of incorporation of such New Issuer shall be read and construed as references to Hong Kong or the jurisdiction of incorporation of such New Issuer and/or to such other jurisdiction(s).
- 7.4 Any reference in these Terms and Conditions to **principal** and/or **interest** in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 7. Unless the context otherwise requires, any reference in these Terms and Conditions to “principal” shall include any premium payable in respect of a Note, any Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and “interest” shall include all amounts payable pursuant to Condition 4 and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.

## 8. Payments

### 8.1 Payments - Bearer Notes

- (a) This Condition 8.1 is applicable in relation to Notes in bearer form.
- (b) Payment of amounts (other than interest) due in respect of Bearer Notes will be made against presentation and (save in the case of partial payment) surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents.
- (c) Payment of amounts in respect of interest on Bearer Notes will be made:
  - (i) in the case of a Temporary Global Note or Permanent Global Note, against presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents outside (unless Condition 8.1(d) applies) the United States (which term, as used therein, means the United States of America and its possessions) and, in the case of a Temporary Global Note, upon due certification as required therein;
  - (ii) in the case of Definitive Notes without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Notes at the specified office of any of the Paying Agents outside (unless Condition 8.1(d) applies) the United States; and
  - (iii) in the case of Definitive Notes delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Notes, in either case at the specified office of any of the Paying Agents outside (unless Condition 8.1(d) applies) the United States.
- (d) Payments of amounts due in respect of interest on the Bearer Notes and exchanges of Talons for Coupon sheets in accordance with Condition 8.1(g) will not be made at the specified office of any Paying Agent in the United States 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. If paragraphs (a) and (b) of the previous sentence apply, the Issuer and (except in the case of Notes issued by the Bank) the Guarantor shall forthwith appoint a further Paying Agent with a specified office in New York City.
- (e) If the due date for payment of any amount due in respect of any Bearer Note is not a Relevant Financial Centre Day (as defined in Condition 8.3(d)), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located 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 Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4.7 or, if appropriate, Condition 4.10.
- (f) Each Definitive Note initially delivered with Coupons or Talons attached thereto should be presented and, save in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Coupons and Talons relating thereto, failing which:
  - (i) if the Pricing Supplement specifies that this paragraph (i) of Condition 8.1(f) is applicable (and, in the absence of specification, this paragraph (i) shall apply to



Definitive Notes which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such Redemption Amount;

- (ii) if the Pricing Supplement specifies that this paragraph (ii) of Condition 8.1(f) is applicable (and, in the absence of specification, this paragraph (ii) shall apply to Notes which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them; and
- (iii) in the case of Definitive Notes initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 8.1(f) notwithstanding, 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 by paragraph (i) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Note, 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, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the Redemption 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 determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

- (g) 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 (unless Condition 8.1(d) applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

## **8.2 Payments - Registered Notes**

- (a) This Condition 8.2 is applicable in relation to Notes in registered form.
- (b) Payment of the Redemption Amount (together with accrued interest) due 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 Registered Notes at the specified office of the Registrar. If the due date for payment of the Redemption Amount of any Registered Note is not a Relevant Financial Centre Day (as defined in Condition 8.3(d)), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and, will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a



day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located 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 Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4.7 or, as appropriate, Condition 4.10.

- (c) 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 kept by the Registrar (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, Luxembourg, a day on which Euroclear and Clearstream, Luxembourg are open for business, and in respect of Notes clearing through the CMU Service, the CMU Service is open for business) before the relevant due date, and (ii) where in definitive form, as at opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.7) before the due date for such payment (the **Record Date**).
- (d) Notwithstanding the provisions of Condition 8.3(b), payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be made in the currency in which such amount is due by cheque (in the case of payment in Pounds Sterling, drawn on a town clearing branch of a bank in the city of London) and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.7) 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 and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency (or if the relevant currency is euro, any other account to which euro may be transferred or credited) in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located 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 Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4.7 or, as appropriate, Condition 4.10.

### **8.3 Payments - General Provisions**

- (a) Save as otherwise specified in these Terms and Conditions, this Condition 8.3 is applicable in relation to Notes whether in bearer or in registered form.
- (b) Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due (a) by cheque (in the case of payment in Pounds Sterling, drawn on a town clearing branch of a bank in the city of London) or (b) at the option of the payee, by transfer to an account denominated in the relevant currency (or if the relevant currency is euro, any other account to which euro may be transferred or credited) specified by the payee, except where payments of amounts due (whether principal, interest or otherwise) in respect of Notes are in Offshore Renminbi, such payments will be made by credit or transfer to an account denominated in Offshore Renminbi and maintained by the payee with a bank in the relevant Offshore RMB Centre in accordance with applicable laws, rules and regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to settlement in Offshore Renminbi in the relevant Offshore RMB Centre). Payments will, without prejudice to the provisions of Condition 7, be subject in all cases to any applicable fiscal or other laws and regulations in the place of payment.

- (c) Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7; (ii) any withholding or deduction required pursuant to Section 871(m) of the Code; and (iii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.
- (d) For the purposes of these Terms and Conditions:
  - (i) **Relevant Financial Centre Day** means (i) a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other place specified in the Pricing Supplement and (ii) in the case of euro, a day on which the TARGET2 system is operating; and
  - (ii) **local banking day** means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Note or, as the case may be, Coupon.
- (e) No commissions or expenses shall be charged to the Holders of Notes or Coupons in respect of such payments.

#### **8.4 Redenomination, Renominalisation and Reconventioning**

- (a) This Condition 8.4 is applicable to the Notes only if it is specified in the relevant Pricing Supplement as being applicable.
- (b) If the country of the currency in which the Notes are denominated becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Holders of the Notes and the Holders of the Coupons, on giving at least 30 days' prior notice to the Holders of the Notes and the Paying Agents (and, in the case of Registered Notes, the Registrar) in accordance with Condition 14, designate a date (the **Redenomination Date**), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.
- (c) Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:
  - (i) the Notes shall be deemed to be redenominated in 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 relevant currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Union regulations); *provided, however, that*, if the Issuer determines, with the agreement of the Issuing and Paying Agent that the then market practice in respect of the redenomination in 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 Holders of the Notes and the Holders of the Coupons, each stock exchange (if any) on which the Notes are then listed and the Paying Agents (and, in the case of Registered Notes, the Registrar) of such deemed amendments;

(ii) if Notes have been issued in bearer definitive form:

- (A) all unmatured Coupons denominated in the relevant 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 Holders of the Notes 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 relevant 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 8.4) 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 currency in such manner as the Issuing and Paying Agent may specify and as shall be notified to the Holders of the Notes in the Euro Exchange Notice.
- (d) Following redenomination of the Notes pursuant to this Condition 8.4, where Notes have been issued in bearer definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the Calculation Amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant Holder.
- (e) If the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable and Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the date falling two TARGET2 Business Days before the first day of the relevant Interest Period.

#### **8.5 *Payment of Alternative Payment Currency Equivalent***

- (a) This Condition 8.5 is applicable to Notes for which the Settlement Currency is RMB and if it is specified in the relevant Pricing Supplement as being applicable.
- (b) If by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments in respect of the Notes when due in Offshore RMB in the relevant Offshore RMB Centre, the Issuer may settle any such payment in U.S. dollars or any other currency specified as the Alternative Payment Currency in the relevant Pricing Supplement on the due date at the Alternative Payment Currency Equivalent of any such amount due.
- (c) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 8.5 (*Payments — Payment of Alternative Payment Currency Equivalent*) by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Noteholders. 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 Currency Equivalent by the Calculation Agent.

#### **8.6 *FX Disruption Event***

- (a) This Condition 8.6 is applicable to the Notes only if it is specified in the relevant Pricing Supplement as being applicable.
- (b) If on any day on which the Calculation Agent is required to determine the Underlying Currency Pair Exchange Rate as further set out in the relevant Pricing Supplement (a **Scheduled FX Fixing Day**), a FX Disruption Event occurs, then such Scheduled FX Fixing Day shall be postponed until the first day after the Scheduled FX Fixing Day on which no

FX Disruption Event occurs (the **Revised FX Fixing Day**), provided that if the Revised FX Fixing Day has not occurred within 5 calendar days following the Scheduled FX Fixing Day, then the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue. If the Issuer determines that the relevant Notes shall continue, the Calculation Agent may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to any terms of the Notes and such adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion. If the Issuer 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 the entitlements of the Noteholders to receive any amount of interest and/or the Maturity Redemption Amount at maturity (or any other payment or settlement amount to be made by the Issuer under the Notes) shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of an amount (which may be in the Settlement Currency or such other currency as determined by the Calculation Agent) determined by the Calculation Agent to be the fair market value of the Notes less any reasonable costs and expenses of the Issuer and/or any affiliate of the Issuer of unwinding any underlying and/or related hedging and/or funding arrangements. If the Revised FX Fixing Day would fall on a day which is less than five Relevant Financial Centre Days prior to the Maturity Date, the Calculation Agent will determine the relevant Underlying Currency Pair Exchange Rate in its sole and absolute discretion acting in good faith. Without limiting the obligation of the Calculation Agent to notify the Noteholders of the occurrence of a FX Disruption Event, failure by the Calculation Agent to notify the Noteholders of the occurrence of a FX Disruption Event shall not affect the validity of the occurrence and effect of such FX Disruption Event on the Notes.

## **9. Valuation, Adjustments, Extraordinary Events affecting Securities and Indices**

### **9.1 Valuation, Market Disruption and Averaging Dates**

(a) **Valuation Time** means:

- (i) in relation to each Security to be valued or each Index (other than a Multiple Exchange Index) the level of which is to be determined, the time on the relevant Valuation Date or Averaging Date or Fixing Date (as applicable) specified as such in the relevant Pricing Supplement or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date or Fixing Date (as applicable), as the case may be, in relation to such Security or Index, provided that 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,
- (ii) in relation to a Multiple Exchange Index, (a) for the purposes of determining whether a Market Disruption Event has occurred: (1) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (2) in respect of any options contracts or future contracts on the Multiple Exchange Index, the close of trading on the Related Exchange; and (b) in all other circumstances, the time at which the official closing level of the Multiple Exchange Index is calculated and published by the Sponsor.

(b) **Valuation Date** means:

(i) *Index-Linked Notes*

- (A) in respect of an Index-Linked Note (as specified in the relevant Pricing Supplement) which relates to a single Index, each date specified or otherwise determined as provided in the relevant Pricing Supplement (such date, a

“Specified Valuation Date”), or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day; or

- (B) in respect of an Index-Linked Note (as specified in the relevant Pricing Supplement) which relates to a basket of Indices, the Specified Valuation Date, or (I) if such date is not a Scheduled Trading Day in respect of an Index (such Index, an “Affected Index”) and “Common Scheduled Trading Days” is not specified as applying in the applicable Pricing Supplement, (x) the Valuation Date for each Index for which the Specified Valuation Date is a Scheduled Trading Day shall be the Specified Valuation Date and (y) the Valuation Date for each Affected Index shall be the next following Scheduled Trading Day in respect of such Affected Index or (II) if such date is not a Scheduled Trading Day in respect of an Index and “Common Scheduled Trading Days” is specified as applying in the applicable Pricing Supplement, the Valuation Date for all Indices shall be the next following Common Scheduled Trading Day, unless, in each case, Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day.

If such day is a Disrupted Day then:

- (C) in the case of an Index-Linked Note (as specified in the relevant Pricing Supplement) which relates to a single Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the Valuation Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Valuation Date is a Disrupted Day. In that case: (I) the Deemed Valuation Date (as specified in the Pricing Supplement) shall be deemed to be the Valuation Date notwithstanding the fact that such day is a Disrupted Day and (II) the Calculation Agent shall determine the level of the Index including a Multiple Exchange Index, as of the Valuation Time on the Deemed Valuation Date 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 the Deemed Valuation Date of each security/commodity comprised in the Index or each Component Security of the Multiple Exchange Index, as the case may be (or if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity or Component Security, as the case may be, on the Deemed Valuation Date, its good faith estimate of the value for the relevant security/commodity or Component Security, as the case may be, as of the Valuation Time on the Deemed Valuation Date); or
- (D) in the case of an Index-Linked Note (as specified in the relevant Pricing Supplement) 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 (each an “Affected Index”) shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Index, unless each of the Valuation Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Affected Index. In that case, (I) the Deemed Valuation Date (as specified in the Pricing Supplement) shall be deemed to be the Valuation Date for the Affected Index, notwithstanding the fact that such day is a Disrupted Day, and (II) the Calculation Agent shall determine the level of that Index as of the Valuation Time on the Deemed Valuation Date 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 the Deemed Valuation Date of each security/commodity comprised in that Index or each Component Security of the Multiple Exchange



Index, as the case may be (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity or Component Security, as the case may be, on the Deemed Valuation Date, its good faith estimate of the value for the relevant security/commodity or Component Security, as the case may be, as of the Valuation Time on the Deemed Valuation Date).

(ii) *Equity-Linked Notes*

- (A) in respect of an Equity-Linked Note (as specified in the relevant Pricing Supplement) which relates to a single Security, each date specified or otherwise determined as provided in the relevant Pricing Supplement (the “Specified Valuation Date”), or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day; or
- (B) in respect of an Equity-Linked Note (as specified in the relevant Pricing Supplement) which relates to a basket of Securities, the Specified Valuation Date, or (I) if such date is not a Scheduled Trading Day in respect of a Security (such Security, an “Affected Security”) and “Common Scheduled Trading Days” is not specified as applying in the applicable Pricing Supplement, (x) the Valuation Date for each Security for which the Specified Valuation Date is a Scheduled Trading Day shall be the Specified Valuation Date and (y) the Valuation Date for each Affected Security shall be the next following Scheduled Trading Day in respect of such Affected Security or (II) if such date is not a Scheduled Trading Day in respect of a Security and “Common Scheduled Trading Days” is specified as applying in the applicable Pricing Supplement, the Valuation Date for all Securities shall be the next following Common Scheduled Trading Day, unless, in each case, Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day.

If such day is a Disrupted Day then:

- (C) in the case of an Equity-Linked Note (as specified in the relevant Pricing Supplement) which relates to a single Security, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the Valuation Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (I) the Deemed Valuation Date (as specified in the Pricing Supplement) shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (II) the Calculation Agent shall determine its good faith estimate of the value for the Security as of the Valuation Time on the Deemed Valuation Date; or
- (D) in the case of an Equity-Linked Note (as specified in the relevant Pricing Supplement) which 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 (each an “Affected Security”) by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Security, unless each of the Valuation Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Security. In that case, (I) the Deemed Valuation Date (as specified in the Pricing Supplement) shall be deemed to be the Valuation Date for the Affected Security, notwithstanding the fact that such day is a Disrupted Day, and (II) the Calculation Agent shall determine its good faith estimate of the value for the Affected Security as of the Valuation Time on the Deemed Valuation Date.



(iii) *Notes linked to a basket of Reference Asset Components*

In respect of a Note (as specified in the relevant Pricing Supplement) linked to a basket of Reference Asset Components, each date specified or otherwise determined as provided in the relevant Pricing Supplement (the “Specified Valuation Date”), or (A) if such date is not a Scheduled Trading Day in respect of a Reference Asset Component (such Reference Asset Component an “Affected Reference Asset Component”) and “Common Scheduled Trading Days” is not specified as applying in the applicable Pricing Supplement, (I) the Valuation Date for each Reference Asset Component for which the Specified Valuation Date is a Scheduled Trading Day shall be the Specified Valuation Date and (II) the Valuation Date for each Affected Reference Asset Component shall be the next following Scheduled Trading Day in respect of such Affected Reference Asset Component or (B) if such date is not a Scheduled Trading Day and “Common Scheduled Trading Days” is specified as applying in the applicable Pricing Supplement, the Valuation Date for all Reference Asset Components shall be the next following Common Scheduled Trading Day, unless, in each case, Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day.

If such day is a Disrupted Day then, the Valuation Date for each Reference Asset Component not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Reference Asset Component affected (each an “Affected Reference Asset Component”) by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Reference Asset Component, unless each of the Valuation Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Reference Asset Component. In that case, (A) the Deemed Valuation Date (as specified in the Pricing Supplement) shall be deemed to be the Valuation Date for the Affected Reference Asset Component, notwithstanding the fact that such day is a Disrupted Day, and (B) the Calculation Agent shall determine its good faith estimate of the value for the Affected Reference Asset Component as of the Valuation Time on the Deemed Valuation Date.

(c) **Market Disruption Event** in relation to an Index-Linked Note or an Equity-Linked Note (as specified in the relevant Pricing Supplement) means:

(i) in respect of an Index (other than a Multiple Exchange Index) to which an Index-Linked Note relates:

(A) the occurrence or existence of:

(i) a Trading Disruption; or

(ii) an Exchange Disruption,

which in either case the Calculation Agent determines, in its sole and absolute discretion, to be material at any time during the one hour period that ends at the relevant Valuation Time; or

(B) an Early Closure.

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 security/commodity included in the Index at any time, then the relevant percentage contribution of that security/commodity to the level of the Index shall be based on a comparison of (i) the portion of the level of the Index attributable to that security/commodity and (ii) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event;

(ii) in respect of a Security to which an Equity-Linked Note relates:

(A) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:

(i) 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:

(aa) relating to the Security on the Exchange; or

(bb) in futures or options contracts relating to the Security on any relevant Related Exchange; or

(ii) any event (other than an event described in (B) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the Securities on the Exchange, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Security on any relevant Related Exchange,

which in either case the Calculation Agent determines, in its sole and absolute discretion, to be material; or

(B) the closure on any Exchange Business Day of any relevant Exchange(s) or Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to the earlier of (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or (B) 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; and

(iii) in respect of a Multiple Exchange Index to which an Index-Linked Note relates, either:

(A) the occurrence or existence, in respect of any Component Security, of:

(i) a Trading Disruption, or

(ii) an Exchange Disruption,

which in either case the Calculation Agent determines, in its sole and absolute discretion, to be material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or

(iii) an Early Closure;

where 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 Multiple Exchange Index; or

(B) the occurrence or existence, in respect of futures or options contracts relating to the Multiple Exchange Index of:

(i) a Trading Disruption; or

(ii) an Exchange Disruption,

which in either case the Calculation Agent determines, in its sole and absolute discretion, to be material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Related Exchange; or

(iii) 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 Multiple Exchange Index shall be based on a comparison of (x) the portion of the level of the Multiple Exchange Index attributable to that Component Security to (y) the overall level of the Multiple Exchange Index, in each case using the official opening weightings as published by the Sponsor as part of the market “opening data”.

(d) If Averaging Dates are specified in the relevant Pricing Supplement, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index or Securities:

(i) **Averaging Date** means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the relevant Pricing Supplement (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day).

(ii) The Maturity Redemption Amount will be:

(A) in respect of an Index-Linked Note or an Equity-Linked Note settled by way of Cash Settlement which, in either 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 Securities on each Averaging Date;

(B) 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 Pricing Supplement at the relevant Valuation Time on each Averaging Date or, if no means for determining the Maturity Redemption Amount 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 Pricing Supplement); and

(C) in respect of an Equity-Linked Note settled by way of Cash Settlement which relates to a basket or 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 Pricing Supplement at the relevant Valuation Time on each Averaging Date or, if no means for determining the Maturity Redemption Amount is so provided, the arithmetic mean of the amounts 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 relevant number of such Securities comprised in such basket.

(iii) In the case of any Averaging Date being a Disrupted Day, if the consequence specified in the relevant Pricing Supplement is in relation to **Averaging Date Market Disruption**:

(A) **Omission**, then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Maturity Redemption Amount. If through the operation of this provision no Averaging Date would

occur with respect to the relevant Valuation Date, then Condition 9.1(b) will apply for purposes of determining the relevant level, price or amount on the final Averaging Date with respect to that Valuation Date as if such final Averaging Date were a Valuation Date that was a Disrupted Day;

(B) **Postponement**, then Condition 9.1(b) 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 Note; or

(C) **Modified Postponement**, then:

(i) in the case of an Index-Linked Note or an Equity-Linked 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 each of the Averaging Rollover Days (as specified in the Pricing Supplement) 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 respect of the relevant Scheduled Valuation Date, then:

(aa) in respect of an Index-Linked Note, the Deemed Averaging Date (as specified in the Pricing Supplement) shall be deemed to be the Averaging Date, (irrespective of whether the Deemed Averaging Date is already an Averaging Date), and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant level for that Averaging Date in accordance with Condition 9.1(b)(i)(C); and

(bb) in respect of an Equity-Linked Note, the Deemed Averaging Date (as specified in the Pricing Supplement) shall be deemed to be the Averaging Date (irrespective of whether the Deemed Averaging Date 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 9.1(b)(ii)(C); and

(ii) in the case of an Index-Linked Note or an Equity-Linked Note which relate 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 Pricing Supplement 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 each of the Averaging Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Final Averaging Date that, but for the occurrence of another Averaging Date (or Disrupted Day), would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then:

(aa) in respect of an Index-Linked Note, the Deemed Averaging Date (as specified in the Pricing Supplement) shall be deemed to be the Averaging Date (irrespective of whether the Deemed Averaging Date is already an Averaging Date) in relation to such Index, and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant level for that Averaging Date in accordance with Condition 9.1(b)(i)(D); and

(bb) in respect of an Equity-Linked Note, the Deemed Averaging Date (as specified in the Pricing Supplement) shall be deemed to be the Averaging Date (irrespective of whether the Deemed Averaging Date 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 9.1(b)(ii)(D).

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

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, as the case may be, the relevant Settlement Date 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.

(iv) If (1) on or prior to any Averaging Date in respect of an Index-Linked Note which relates to a single Index or a basket of Indices, as the case may be, an Index Modification or Index Cancellation (in each case, as defined in Condition 9.2) occurs, or (2) on any Averaging Date in respect of an Index-Linked Note which relates to a single Index or a basket of Indices, as the case may be, an Index Disruption (as defined in Condition 9.2) occurs, then the consequences in respect of Index Adjustment Event (as defined in Condition 9.2) for the purpose of Condition 9.2 shall apply to such Index-Linked Note.

(e) **Fixing Date** means:

(i) *Index-Linked Notes*

(A) in the case of an Index-Linked Note (as specified in the relevant Pricing Supplement) which relates to a single Index, each date specified or otherwise determined as provided in the relevant Pricing Supplement (such date, a “Specified Fixing Date”), or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day; or

(B) in respect of an Index-Linked Note (as specified in the relevant Pricing Supplement) which relates to a basket of Indices, the Specified Fixing Date, or (I) if such date is not a Scheduled Trading Day in respect of an Index (such Index, an “Affected Index”) and “Common Scheduled Trading Days” is not specified as applying in the applicable Pricing Supplement, (x) the Fixing Date for each Index for which the Specified Fixing Date is a Scheduled Trading Day shall be the Specified Fixing Date and (y) the Fixing Date for each Affected Index shall be the next following Scheduled Trading Day in respect of such Affected Index or (II) if such date is not a Scheduled Trading Day in respect of an Index and “Common Scheduled Trading Days” is specified as applying in the applicable Pricing Supplement, the Fixing Date for all Indices shall be the next following Common Scheduled Trading Day, unless, in each case, Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day.

If such day is a Disrupted Day then:

- (C) in the case of an Index-Linked Note (as specified in the relevant Pricing Supplement) which relates to a single Index, the Fixing Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the Fixing Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Fixing Date is a Disrupted Day. In that case: (I) the Deemed Fixing Date (as specified in the Pricing Supplement) shall be deemed to be the Fixing Date notwithstanding the fact that such day is a Disrupted Day and (II) the Calculation Agent shall determine the level of the Index including a Multiple Exchange Index, as of the Valuation Time on the Deemed Fixing Date 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 the Fixing Date of each security/commodity comprised in the Index or each Component Security of the Multiple Exchange Index, as the case may be (or if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity or Component Security, as the case may be, on the Deemed Fixing Date, its good faith estimate of the value for the relevant security/commodity or Component Security, as the case may be, as of the Valuation Time on the Deemed Fixing Date); or
- (D) in the case of an Index-Linked Note (as specified in the relevant Pricing Supplement) which relates to a basket of Indices, the Fixing Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Fixing Date, and the Fixing Date for each Index affected by the occurrence of a Disrupted Day (each an “Affected Index”) shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Index, unless each of the Fixing Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Fixing Date is a Disrupted Day relating to that Affected Index. In that case, (I) the Deemed Fixing Date (as specified in the Pricing Supplement) shall be deemed to be the Fixing Date for the Affected Index, notwithstanding the fact that such day is a Disrupted Day, and (II) the Calculation Agent shall determine the level of that Index as of the Valuation Time on the Deemed Fixing Date 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 the Deemed Fixing Date of each security/commodity comprised in that Index or each Component Security of the Multiple Exchange Index, as the case may be (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity or Component Security, as the case may be, on the Deemed Fixing Date, its good faith estimate of the value for the relevant security/commodity or Component Security, as the case may be, as of the Valuation Time on the Deemed Fixing Date).

(ii) *Equity-Linked Notes*

- (A) in the case of an Equity-Linked Note (as specified in the relevant Pricing Supplement) which, relates to a single Security each date specified or otherwise determined as provided in the relevant Pricing Supplement (the “Specified Fixing Date”), or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day; or
- (B) in respect of an Equity-Linked Note (as specified in the relevant Pricing Supplement) which relates to a basket of Securities, the Specified Fixing Date, or (I) if such date is not a Scheduled Trading Day in respect of a Security (such Security, an “Affected Security”) and “Common Scheduled Trading Days” is not specified as applying in the applicable Pricing Supplement, (x) the Fixing Date



for each Security for which the Specified Fixing Date is a Scheduled Trading Day shall be the Specified Fixing Date and (y) the Fixing Date for each Affected Security shall be the next following Scheduled Trading Day in respect of such Affected Security or (II) if such date is not a Scheduled Trading Day in respect of a Security and “Common Scheduled Trading Days” is specified as applying in the applicable Pricing Supplement, the Fixing Date for all Securities shall be the next following Common Scheduled Trading Day, unless, in each case, Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day.

If such day is a Disrupted Day then:

- (C) in the case of an Equity-Linked Note (as specified in the relevant Pricing Supplement) which relates to a single Security, the Fixing Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the Fixing Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Fixing Date is a Disrupted Day. In that case (I) the Deemed Fixing Date (as specified in the Pricing Supplement) shall be deemed to be the Fixing Date, notwithstanding the fact that such day is a Disrupted Day, and (II) the Calculation Agent shall determine its good faith estimate of the value for the Security as of the Valuation Time on the Deemed Fixing Date; or
- (D) in the case of an Equity-Linked Note (as specified in the relevant Pricing Supplement) which relates to a basket of Securities, the Fixing Date for each Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Fixing Date, and the Fixing Date for each Security affected (each an “Affected Security”) by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Security, unless each of the Fixing Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Fixing Date is a Disrupted Day relating to the Affected Security. In that case, (I) the Deemed Fixing Date (as specified in the Pricing Supplement) shall be deemed to be the Fixing Date for the Affected Security, notwithstanding the fact that such day is a Disrupted Day, and (II) the Calculation Agent shall determine its good faith estimate of the value for the Affected Security as of the Valuation Time on the Deemed Fixing Date.

(iii) *Notes linked to a basket of Reference Asset Components*

In respect of a Note (as specified in the relevant Pricing Supplement) linked to a basket of Reference Asset Components, each date specified or otherwise determined as provided in the relevant Pricing Supplement (the “Specified Fixing Date”), or (A) if such date is not a Scheduled Trading Day in respect of a Reference Asset Component (such Reference Asset Component an “Affected Reference Asset Component”) and “Common Scheduled Trading Days” is not specified as applying in the applicable Pricing Supplement, (I) the Fixing Date for each Reference Asset Component for which the Specified Fixing Date is a Scheduled Trading Day shall be the Specified Fixing Date and (II) the Fixing Date for each Affected Reference Asset Component shall be the next following Scheduled Trading Day in respect of such Affected Reference Asset Component or (B) if such date is not a Scheduled Trading Day and “Common Scheduled Trading Days” is specified as applying in the applicable Pricing Supplement, the Fixing Date for all Reference Asset Components shall be the next following Common Scheduled Trading Day, unless, in each case, Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day.

If such day is a Disrupted Day then, the Fixing Date for each Reference Asset Component not affected by the occurrence of a Disrupted Day shall be the Scheduled Fixing Date, and the Fixing Date for each Reference Asset Component affected (each an “Affected Reference Asset Component”) by the occurrence of a Disrupted Day

shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Reference Asset Component, unless each of the Fixing Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Fixing Date is a Disrupted Day relating to the Affected Reference Asset Component. In that case, (A) the Deemed Fixing Date (as specified in the Pricing Supplement) shall be deemed to be the Fixing Date for the Affected Reference Asset Component, notwithstanding the fact that such day is a Disrupted Day, and (B) the Calculation Agent shall determine its good faith estimate of the value for the Affected Reference Asset Component as of the Valuation Time on the Deemed Fixing Date.

## 9.2 *Adjustments to Index*

This Condition 9.2 is applicable only in relation to Notes specified in the relevant Pricing Supplement as being Index-Linked Notes.

If the relevant Index is (i) not calculated and announced by the agreed sponsor (the **Sponsor**), but is calculated and announced by a successor to the Sponsor (the **Successor Sponsor**) acceptable to the Issuer or (ii) replaced by a successor Index using, in the determination of the Calculation Agent (such determination to be at the Calculation Agent's sole and absolute discretion), the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then that Index (the **Successor Index**) will be deemed to be the index so calculated and announced by the Successor Sponsor or that successor Index, as the case may be.

If (i) on or prior to any Valuation Date, the Sponsor or (if applicable) the Successor Sponsor makes or announces that it will make a material change in the formula for or the method of calculating the relevant 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, capitalisation or other routine events) (an **Index Modification**) or permanently cancels the Index and no Successor Index exists (an **Index Cancellation**), or (ii) on any Valuation Date the Sponsor or (if applicable) the Successor 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 if such Index Adjustment Event has a material effect on the Notes and, if so, shall determine, in its sole and absolute discretion, 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, without limitation, determine the payment under the Notes 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 that change or failure, but using only those securities/commodities that comprised that Index immediately prior to that Index Adjustment Event (other than those securities that have since ceased to be listed on any relevant Exchange).

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 Holders to receive the relevant Maturity Redemption Amount shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of the Early Termination Settlement Amount.

If the level of an Index published or announced on a given day and used or to be used by the Calculation Agent to determine the payment under the Notes is subsequently corrected and the correction is published or announced by the Sponsor or a Successor Sponsor on any day before the date on which the relevant payment instructions are given (as notified by the Issuer to the Calculation Agent), the Calculation Agent shall determine the payment under the Notes that is payable as a result of that correction.

### 9.3 *Settlement Disruption*

This Condition 9.3 is applicable only in relation to Equity-Linked Notes which are to be redeemed by the delivery of a Securities Transfer Amount.

In case of Notes to which this Condition 9.3 is applicable, 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 eight relevant Clearance System Business Days immediately following the original date (or during such other period (the **Disruption Period**) specified in the relevant Pricing Supplement) that, but for the Settlement Disruption Event, would have been the Settlement Date. In that case, if the Securities are Government Bonds or other 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 Pricing Supplement, 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.

In the case of an Equity-Linked Note (as specified in the relevant Pricing Supplement) which relates to a basket of Securities, if as a result of a Settlement Disruption Event some but not all of the Securities comprised in a basket of Securities are affected, the Settlement Date for Securities not affected by the Settlement Disruption Event will be the original Settlement Date and the Settlement Date for the Securities that are affected by the Settlement Disruption Event shall be determined as provided above. In the event that a Settlement Disruption Event will result in the delivery on a Settlement Date of some but not all of the Securities comprised in a basket of Securities, the Calculation Agent shall determine in its discretion the appropriate *pro rata* portion of the amount payable to be paid by the Issuer in respect of that partial settlement.

For the purposes hereof:

**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.

### 9.4 *Delivery Disruption*

This Condition 9.4 is applicable only in relation to Equity-Linked Notes which are to be redeemed by the delivery of a Securities Transfer Amount.

In the case of Notes to which this Condition 9.4 is applicable, 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 Holder(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 Holder(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 Holder(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 9.4 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 Holders 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.

For the purposes hereof:

**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 where such failure to deliver or procure delivery is due to illiquidity in the market for such Securities.

#### **9.5 *Adjustments and Extraordinary Events affecting Securities***

This Condition 9.5 is applicable only in relation to Equity-Linked Notes.

- (a) Adjustments

The Calculation Agent will determine, in its sole and absolute discretion, whether or not at any time a Potential Adjustment Event has occurred and where it determines that 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. If so, 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 Maturity Redemption Amount set out in the relevant Pricing Supplement, 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).

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 Holders to receive the relevant Maturity Redemption Amount shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of the Early Termination Settlement Amount.

For the purposes hereof:

**Extraordinary Dividend** means, an amount per Security declared by the Underlying Company and characterised by the Calculation Agent, in its absolute discretion, to have a diluting effect on the theoretical value of the relevant Security. For the avoidance of doubt, an Extraordinary Dividend only relates to the occurrence of a Potential Adjustment Event; and

**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 (1) such Securities or (2) 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 any such Securities or (3) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Underlying Company as a result of a spin-off or other similar transaction or (4) any other type of securities, rights or warrants or other assets, in any case for payment (cash or otherwise) 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 in the relevant Pricing Supplement.

With respect to Securities which are Units in a Fund, “Potential Adjustment Event” shall also include:

- (ix) the occurrence of any Potential Adjustment Event in relation to the Units of the Fund or any other shares or securities represented by the Fund;
- (x) a distribution, issue or dividend to existing holders of the relevant Units of (i) an additional amount of such Units or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Fund equally or proportionately with such payments to holders of such Units or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the



Fund as a result of a spin-off or other similar transaction or (iv) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent; and

- (xi) a repurchase by the Fund or any of its subsidiaries of relevant Units whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise, other than in respect of a redemption of Units initiated by an investor in such Units that is consistent with the Fund Documents.

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) in respect of the relevant Underlying Securities and (y) the making of any amendment or supplement to the terms of the Deposit Agreement.

(b) Merger Event and Tender Offer

Following the occurrence of any Merger Event in relation to which the Merger Date is on or before the Maturity Date or any Tender Offer in relation to which the Tender Offer Date is on or before the Maturity Date, 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 (i) make such adjustment as it, in its sole and absolute discretion, determines to be appropriate, if any, to the exercise, settlement, payment or any other terms of the relevant Notes as the Calculation Agent determines appropriate to account for the economic effect on such Notes of such Merger Event or Tender Offer (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Securities or to such Notes), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event or Tender Offer by an options exchange to options on the relevant Securities traded on such options exchange and (ii) determine the effective date of that adjustment. 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 Holders to receive the relevant Securities Transfer Amount or Maturity 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 the Early Termination Settlement Amount.

For the purposes hereof:

**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; or
- (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Underlying Company is the continuing entity and which does not result in any such reclassification or change of all of such Securities outstanding); or
- (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. 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 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 per cent. of the outstanding Securities immediately following such event, in each case if the Merger Date is on or before the Valuation Date or, if the Notes are to be redeemed by delivery of Securities or Securities Transfer Amount, the Maturity 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.

**Merger Date** means 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 in its sole and absolute discretion;

**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 per cent. and less than 100 per cent. 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; and

**Tender Offer Date** means in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

- (c) Nationalisation, Insolvency, Insolvency Filing, Delisting or Extraordinary Fund Event

If:

- (i) all the Securities (or, if the Notes are DR Linked Notes, the relevant Underlying Securities) or all the assets or substantially all the assets of the Underlying Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof (**Nationalisation**); or
- (ii) by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the Underlying Company (a) all the Securities (or where the Notes are DR Linked Notes, the relevant Underlying Securities) of the Underlying Company are required to be transferred to a trustee, liquidator or other similar official or (b) holders of the Securities become legally prohibited from transferring them (**Insolvency**);
- (iii) the Underlying Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment 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 by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Underlying Company shall not be deemed an Insolvency Filing (**Insolvency Filing**);

(iv) 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 with the European Union, in any member state of the European Union) (**Delisting**); or

(v) an Extraordinary Fund Event occurs,

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, to account for the economic effect on such Notes of such Nationalisation, Insolvency, Insolvency Filing, Delisting or Extraordinary Fund Event (as the case may be).

Where the Underlying Company is a Fund, the definitions of “Nationalization” and “Insolvency” in Condition 9.5(c) shall be construed, in relation to the Fund, as if references to the Securities issued by the Underlying Company were references to the relevant Units of the Fund or any other shares or securities represented by the Fund.

If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then:

- (i) in the case of an Equity-Linked Note which relates to a single Security, the relevant Notes shall be terminated as of the date determined by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Holders to receive the relevant Securities Transfer Amount or Maturity 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 the Early Termination Settlement Amount; and
- (ii) in the case of an Equity-Linked Note which relates to a basket of Securities, the relevant Notes or a portion of the relevant Notes represented by the affected Securities shall be terminated as of the date determined by the Calculation Agent in its sole and absolute discretion and the Issuer shall 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 Notes or the termination of the portion of the relevant Notes represented by the affected Securities, and in the case of a termination of a portion of the Notes the remainder of the Notes will continue with such basket comprising Securities that are not affected Securities, and the Calculation Agent shall adjust any relevant terms if necessary to preserve as nearly as practicable the economic terms of the Notes for the remaining Securities.

For the purposes hereof and for the purposes of any reference in a Pricing Supplement to “Announcement Date”:

**Announcement Date** means (A) in respect of a Nationalisation the date of the first public announcement to nationalise (whether or not subsequently amended) that leads to the Nationalisation, (B) in respect of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency, (C) in respect of a Delisting, the date of the first public announcement by the Exchange that the Securities will cease to be listed, traded or publicly quoted in the manner described in Condition 9.5(c)(iv), in each case as determined by the Calculation Agent in its sole and absolute discretion.

(d) Conversion

In respect of an Equity-Linked Note which relates to Government Bonds or other 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 Maturity Redemption Amount set out in the relevant Pricing Supplement, 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 the entitlements of the respective exercising Holders to receive the relevant Securities Transfer Amount or Maturity 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 the Early Termination Settlement Amount.

For the purposes hereof:

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

(e) Corrections to Published Prices affecting Government Bonds or debt securities

In respect of an Equity-Linked Note which relates to Government Bonds or other debt securities, if the price published or announced on a given day and used or to be used by the Calculation Agent to determine a Spot Price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement within 30 days of the original publication or announcement, and an amount is repayable to the Issuer as a result of that correction, the Issuer shall be entitled to reimbursement of the relevant payment by the relevant Holder, together with interest on that amount (at a rate per annum that the Calculation Agent determines, in its sole and absolute discretion, to be the spot offered rate for deposits in the relevant Currency (as specified in the Pricing Supplement) in the London interbank market as at approximately 11:00 a.m. London time, or, if spot rates for deposits in such Currency in the London interbank market, at a rate per annum that the Calculation Agent determines, in its sole and absolute discretion, to be the spot offered rate for deposits in the relevant Currency in the interbank market for such Currency as at approximately the time the spot offered rate is fixed for such Currency, on the relevant Cash Settlement Payment Date) for the period from and including the day of payment of the refund or payment resulting from that correction (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 agree with the Calculation Agent and notified to the relevant Holder by facsimile or telex.

## **9.6 *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 Maturity Redemption Amount set out in the relevant Pricing Supplement, 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 Holder 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:

- (a) the redenomination of any security into euro;
- (b) 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;
- (c) any change in the currency of denomination of any Index; or
- (d) 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.

## **9.7 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 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 amount, number or type of Securities, other property or securities which may be transferred under the Notes, including, without limitation, the formula for the Maturity Redemption Amount set out in the relevant Pricing Supplement and/or any other adjustment which the Calculation Agent, in its sole and absolute discretion, determines to be appropriate to account for the economic effect on such Notes of such Additional Disruption Event. Such 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 Holders to receive the relevant Securities Transfer Amount or Maturity 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 the Early Termination Settlement Amount. To the extent that the Calculation Agent determines that the Issuer shall suspend its obligations to make any payment or delivery in respect of the Notes as a result of the occurrence or continuation of any Additional Disruption Event, Holders shall not be entitled to any interest or other compensation in respect of any such suspension.

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

- (a) **Change in Law** means that, on or after the Issue Date specified in the Pricing Supplement (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 good faith that (X) it has become illegal to hold, acquire or dispose of Securities or Component Securities, or (Y) it 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);

- (b) **Failure to Deliver** means the failure of a party to deliver, when due, the relevant Securities in respect of the Notes, where such failure is due to illiquidity in the market for such Securities;
- (c) **Hedging Disruption** means that the Issuer or any of its affiliates 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 or any other relevant price risk including, without limitation, any currency risk of entering into the Notes 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
- (d) **Increased Cost of Hedging** means that the Issuer or any of its designated affiliates would incur materially increased costs (as compared with circumstances existing on the Issue Date), including, without limitation, amount of tax (including any potential tax which the Calculation Agent considers may arise), duty, expense or fee (other than brokerage commissions) to (A) hold, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge equity or any other price risk (including but not limited to, any currency risk) of entering into and performing the Issuer's obligations in respect of the Notes or (B) realise, recover, receive, transfer or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer or its designated affiliates, as applicable, shall not be deemed an Increased Cost of Hedging.

## 9.8 *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 or an Equity-Linked Note, the Calculation Agent may (in its discretion, but acting reasonably) make any additional adjustments to the Put Strike Price, the number and/or type of Securities and/or Indices to which such an Index-Linked Note or an Equity-Linked Note relates, and to any other exercise, settlement, payment or other term of such an Index-Linked Note or Equity-Linked 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, or Equity-Linked Note, and determine the effective date(s) of such adjustments.

## 9.9 *Definitions*

For the purposes of these Terms and Conditions:

**Additional Disruption Event** has the meaning ascribed thereto in Condition 9.7 (*Additional Disruption Events*).

**Cash Settlement** means, in relation to a Series of Notes, that the relevant Holder is entitled to receive from the Issuer on the Cash Settlement Payment Date an amount calculated in accordance with the relevant Pricing Supplement in the relevant Currency (as specified in the Pricing Supplement).

**Cash Settlement Payment Date** means, in relation to a Series of Notes, the date specified or otherwise determined as provided in the relevant Pricing Supplement. In the case of an Index-Linked Note or an Equity-Linked Note which relates to a basket of Indices or Securities and in relation to which the Cash Settlement Payment Date is expressed to be determined by

reference to a Valuation Date, if as a result of the occurrence of a Disrupted Day there is more than one Valuation Date with respect to 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, 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 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.

**Clearing System** means, in relation to a Series of Notes, Euroclear, Clearstream, Luxembourg and/or any other clearing system located outside the United States specified in the relevant Pricing Supplement 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.

**Common Scheduled Trading Day** means (i) in respect of a basket of Securities, each day which is a Scheduled Trading Day for all Securities comprising such basket, (ii) in respect of a basket of Indices, each day which is a Scheduled Trading day for all Indices comprising such basket and (iii) in respect of a basket of Reference Asset Components, each day which is a Scheduled Trading Day for all Reference Asset Components comprising such basket.

**Component Security** means with respect to a Multiple Exchange Index, each component security of that Multiple Exchange Index.

**Deemed Fixing Date** has the meaning ascribed thereto in the Pricing Supplement.

**Deemed Valuation Date** has the meaning ascribed thereto in the Pricing Supplement.

**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 Pricing Supplement 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) with respect to a Security or an Index (other than a Multiple Exchange Index), 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) with respect to a Multiple Exchange Index, any Scheduled Trading Day on which (i) the 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 which relate to one or more Securities which are Depositary Receipts.



**Early Closure** means:

- (a) with respect to an Index (other than a Multiple Exchange Index), the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities/commodities that comprise 20 per cent. or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to the earlier of (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or (B) 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) with respect to a Multiple Exchange Index, 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.

**Early Termination Settlement Amount** means 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.

**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 Pricing Supplement).

**Exchange** means (a) with respect to a Security or an Index (other than a Multiple Exchange Index), each exchange or quotation system specified as such in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities/commodities comprising such Index, in the case of an Index relating to Index-Linked Notes, or the Securities, in the case of a Security relating to Equity-Linked Notes, has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities/commodities comprising such Index, in the case of an Index relating to Index-Linked Notes, or the Securities, in the case of a Security relating to Equity-Linked Notes, on such temporary substitute exchange or quotation system 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 or quotation system specified as such in the applicable Pricing Supplement, as determined by the Calculation Agent (which exchange or quotation system as of the Issue Date specified as such in the applicable Pricing Supplement), any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Component Security has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the Component Security on such temporary substitute exchange or quotation system as on the original Exchange).

**Exchange Business Day** means (a) with respect to a Security or an Index (other than a Multiple Exchange Index), any Scheduled Trading Day on which each Exchange and each 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 Sponsor publishes the level of the Multiple Exchange 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) with respect to an Index (other than a Multiple Exchange Index), any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent in its sole and absolute discretion) the ability of market participants in general (A) to effect transactions in, or obtain market values for, on any relevant Exchange(s), securities/commodities that comprise 20 per cent. or more of the level of the relevant Index, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index 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 in its sole and absolute discretion) 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 Multiple Exchange Index on the relevant Related Exchange.

**Extraordinary Event** means a Merger Event, Tender Offer, Nationalisation, Insolvency, Insolvency Filing or Delisting. With respect to a Fund, “Extraordinary Event” shall also include an Extraordinary Fund Event.

**Extraordinary Fund Event** means in the determination of the Calculation Agent, the occurrence or existence of any of the following:

- (a) the Fund (A) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (B) makes a general assignment or arrangement with or for the benefit of its creditors; (C)(1) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment 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 by it or such regulator, supervisor or similar official, or (2) has instituted against it a proceeding seeking a judgment 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 such proceeding or petition is instituted or presented by a person or entity not described in clause (1) above and either (x) results in a judgment 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 (y) is not dismissed, discharged, stayed or restrained in each case within 15 days of the institution or presentation thereof; (D) 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; (E) 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 15 days thereafter; or (F) 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 clauses (A) through (E) above;
- (b) the Fund has violated any leverage restriction that is applicable to, or affecting, such Fund or its assets by operation of any law, any order or judgment of any court or other agency of government applicable to it or any of its assets, the Fund Documents or any contractual restriction binding on or affecting the Fund or any of its assets;
- (c) the resignation, termination, or replacement of the Trustee, the Manager, the Supervisory Committee or the Promoter (as defined in the Fund Documents);

- (d) any change or modification of the Fund Documents that could reasonably be expected to affect the value of such the Units or the rights or remedies of any holders thereof (in each case, as determined by the Calculation Agent) from those prevailing on the Issue Date;
- (e) any breach or violation of any strategy or investment guidelines stated in the Fund Documents that is reasonably likely to affect the value of the Units or the rights or remedies of any holders thereof (in each case, as determined by the Calculation Agent);
- (f) the Issuer, or any of its affiliates, is unable, or it is impractical for it, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to the Units of entering into and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction or asset, including, without limitation, where such inability or impracticability has arisen by reason of (1) any restrictions or increase in charges or fees imposed by the Fund on any investor's ability to redeem the Units, in whole or in part, or any existing or new investor's ability to make new or additional investments in such Units, or (2) any mandatory redemption, in whole or in part, of such Units imposed by the Fund (in each case other than any restriction in existence on the Issue Date);
- (g) (A) cancellation, suspension or revocation of the registration or approval of the Units or the Fund by any governmental, legal or regulatory entity with authority over the Units or the Fund, (B) cessation of the listing of the Units on the relevant Stock Exchange (as defined in the Fund Documents), (C) any change in the legal, tax, accounting, or regulatory treatments of the Fund or its Manager, Trustee or the Promoter that is reasonably likely to have an adverse impact on the value of the Units or on any investor therein (as determined by the Calculation Agent), or (D) the Fund or any of its Manager, Trustee or Promoter becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of such Fund;
- (h) (A) occurrence of any event affecting the Units that, in the determination of the Calculation Agent, would make it impossible or impracticable to determine the value of the Units, and such event continues for the foreseeable future; (B) any failure of the Fund to deliver, or cause to be delivered, (1) information that such Fund has agreed to deliver, or cause to be delivered to the Issuer and/or Calculation Agent, or (2) information that has been previously delivered to the Issuer and/or Calculation Agent in accordance with such Fund's, or its authorised representative's, normal practice and that the Issuer and/or Calculation Agent deems necessary for it to monitor such Fund's compliance with any investment guidelines, asset allocation methodologies or any other similar policies relating to the Units;
- (i) on or after the trade date of the Notes (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 Calculation Agent determines in good faith that (X) it has become illegal to hold, acquire or dispose of Units relating to the Notes, or (Y) it 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);
- (j) the Issuer would incur a materially increased (as compared with circumstances existing on the trade date of the Notes) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the price risk relating to the Units 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) or asset(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 Extraordinary Fund Event; and

- (k) (A) the cancellation or cessation of the index in respect of which any investment made by the Fund is based upon or (B) a material change in the formula for or the method of calculating or any other material modification to such index (other than a modification prescribed in that formula or method to maintain such index in the event of changes in constituent stock and capitalisation and other routine events), (C) the relevant sponsor of such index fails to calculate and announce such index or (D) the cancellation or cessation of the licence agreement with the index sponsor.

**Fixing Rollover Days** has the meaning ascribed thereto in the Pricing Supplement.

**Fund** means the exchange traded fund or similarly traded or listed fund as specified in the relevant Pricing Supplement.

**Fund Documents** means, in relation to any Fund, the constitutive and governing documents, subscription agreements and other agreements of such Fund specifying the terms and conditions relating to such Fund, in each case as amended and supplemented from time to time.

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

**Index** means, in relation to a Series of Notes, the index, as adjusted pursuant to Condition 9, to which the relevant Note relates, as specified in the relevant Pricing Supplement and may be a Multiple Exchange Index, and **Indices** shall be construed accordingly.

**Index-Linked Note** means a Series of Notes in respect of which the amount payable at maturity is calculated by reference to one or more indices and/or one or more formulae (as indicated in the relevant Pricing Supplement).

**Maturity Redemption Amount** has the meaning ascribed thereto in Condition 5.1.

**Multiple Exchange Index** means an Index specified as such in the Pricing Supplement.

**Option** has the meaning ascribed thereto in the relevant Pricing Supplement.

**Reference Asset Component** has the meaning ascribed thereto in the relevant Pricing Supplement.

**Related Exchange** means, in relation to an Index or a Security, each exchange or quotation system specified as such for such Index or Security in the applicable Pricing Supplement, 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 Index or Security, 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 Index or Security, as the case may be, on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where “All Exchanges” is specified as the Related Exchange in the applicable Pricing Supplement, **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 Index or Security, as the case may be.

**Relevant Price** has the meaning ascribed thereto in the relevant Pricing Supplement.

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

**Scheduled Trading Day** means (a) with respect for Security or an Index (other than a Multiple Exchange Index) any day on which each Exchange and each 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 Sponsor is scheduled to publish the level of the Multiple Exchange 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 the equity securities, Government Bonds, debt securities or other securities, Units of a Fund, depository receipts or property, as adjusted pursuant to Condition 9, to which the relevant Note relates, as specified in the relevant Pricing Supplement, and **Security** shall be construed accordingly.

**Securities Transfer Amount** has the meaning ascribed thereto in the relevant Pricing Supplement.

**Settlement Cycle** means, in relations to Securities, the period of Clearance System Business Days following a trade in such Securities on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

**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 Pricing Supplement, the date that falls one Settlement Cycle following the Maturity Date (or, if such date is not a Clearance System Business Day, the next following Clearance System Business Day) or, (b) in any other case, and unless otherwise specified in the relevant Pricing Supplement, the date specified as such in the relevant Pricing Supplement, subject to adjustment in accordance with the Following Business Day Convention unless another Business Day Convention is specified in the relevant Pricing Supplement. 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 9.3.

**Spot Price** has the meaning ascribed thereto in the relevant Pricing Supplement.

**Trading Disruption** means:

- (a) with respect to an Index (other than 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:
  - (A) on any relevant Exchange(s) relating to securities/commodities that comprise 20 per cent. or more of the level of the relevant Index; or
  - (B) in futures or options contracts relating to 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 (i) relating to any Component Security on the Exchange in respect of such Component Security, or (ii) in futures or options contracts relating to the Multiple Exchange Index on any relevant Related Exchange.



**Underlying Company** means the issuer of the Security as specified in the relevant Pricing Supplement and, if the Notes are DR Linked Notes, each of the Depository and the issuer of the relevant Underlying Security.

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

**Unit**, in relation to a Fund, has the meaning ascribed thereto in the relevant Pricing Supplement.

**Valuation Rollover Days** has the meaning ascribed thereto in the Pricing Supplement.

## **10. Prescription**

10.1 Claims for payment of principal and interest in respect of Notes will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date (as defined in Condition 7.2) for payment thereof.

10.2 In relation to Definitive Notes initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 8.1(f) or the due date for the payment of which would fall after the due date for the redemption of the relevant Note or which would be void pursuant to this Condition 9 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Note.

## **11. The Paying Agents, the Registrars and the Calculation Agent**

11.1 The initial Paying Agents and Registrars and their respective initial specified offices are specified below. The Calculation Agent in respect of any Notes shall be specified in the Pricing Supplement. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Issuing and Paying Agent) or the Registrar or the Calculation Agent and to appoint additional or other Paying Agents or another Registrar or another Calculation Agent Provided that there will at all times be (i) an Issuing and Paying Agent, (ii) in the case of Registered Notes, a Registrar, (iii) so long as the Notes are listed on the Hong Kong Stock Exchange and/or any other stock exchange, a Paying Agent (which may be the Issuing and Paying Agent) and a Registrar each with a specified office in Hong Kong and/or in such other place as may be required by such other stock exchange, (iv) in the circumstances described in Condition 8.1(d), a Paying Agent with a specified office in New York City, (v) a Calculation Agent where required by the Terms and Conditions applicable to any Notes and (vi) a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, such Directive (in the case of (i), (ii), (v) and (vi) with a specified office located in such place (if any) as may be required by the Terms and Conditions). The Paying Agents, the Registrar and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent, the Registrar or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 14.

11.2 The Paying Agents, the Registrar and the Calculation Agent act solely as agents of the Issuer and (except in the case of Notes issued by the Bank) the Guarantor and, save as provided in the Issuing and Paying Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Note or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Issuing and Paying Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

## **12. Replacement of Notes**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the Pricing Supplement (in the case of Bearer Notes and



Coupons) or of the Registrar (in the case of Registered Notes) (**Replacement Agent**), subject to all applicable laws and the requirements of any stock exchange on which the Notes are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and (except in the case of Notes issued by the Bank) the Guarantor and the Replacement Agent may require. Mutilated or defaced Notes and Coupons must be surrendered before replacements will be delivered therefor.

### **13. Meetings of Holders and Modification**

#### *Meetings of Holders*

13.1 The Issuing and Paying Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Notes of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution of these Terms and Conditions (such Extraordinary Resolution requiring an increased quorum), the Deed of Covenant and (except in the case of Notes issued by the Bank) the Deed of Guarantee insofar as the same may apply to such Notes. An Extraordinary Resolution passed at any meeting of the Holders of Notes of any Series will be binding on all Holders of the Notes of such Series, whether or not they are present at the meeting, and on all Holders of Coupons relating to Notes of such Series.

In addition, (i) a resolution in writing signed on behalf of all Holders who for the time being are entitled to receive notice of a meeting of Holders or (ii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Issuing and Paying Agent) by or on behalf of all Holders who for the time being are entitled to receive notice of a meeting of Holders, will, in each case, take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

#### *Modification*

13.2 The Issuer and (except in the case of Notes issued by the Bank) the Guarantor may, with the consent of the Issuing and Paying Agent, but without the consent of the Holders of Notes of any Series or the related Coupons (if any), make:

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of these Terms and Conditions, the Notes, the Coupons, the Talons, the Deed of Covenant, the Issuing and Paying Agency Agreement or (except in the case of Notes issued by the Bank) the Deed of Guarantee which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of these Terms and Conditions, the Notes, the Coupons, the Talons, the Deed of Covenant, the Issuing and Paying Agency Agreement or (except in the case of Notes issued by the Bank) the Deed of Guarantee 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.

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

### **14. Notices**

#### *To Holders of Bearer Notes*

14.1 Notices to Holders of Bearer Notes will, save where another means of effective communication has been specified herein or in the Pricing Supplement, be deemed to be validly given if published in a leading daily newspaper having general circulation in Hong Kong (which is expected to be the South China Morning Post) or, if such publication is not practicable, if

published in a leading English language daily newspaper having general circulation in Asia (or, if permitted by the relevant stock exchange, in the case of Notes represented by a Temporary Global Note or Permanent Global Note, if delivered to Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein or, in the case of Notes represented by a Temporary Global Note or a Permanent Global Note which is held in the CMU Service, if given to the persons shown, in a 'CMU Instrument Position Report' issued by the CMU Service on the business day immediately before the preceding Interest Payment Date, as holding interests in the relevant Temporary Global Note or Permanent Global Note, as the case may be). The Issuer shall also ensure that notices are duly published in compliance with the requirements of each stock exchange on which the Notes are listed. Any notice so given will be deemed to have been validly given on the date of 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) or, as the case may be, on the date of such delivery to Euroclear and Clearstream, Luxembourg and/or such other clearing system or the persons shown in the 'CMU Instrument Position Report'. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Notes in accordance with this Condition. A copy of each notice given pursuant to this Condition will in any event be delivered to the CMU Service, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system.

*To Holders of Registered Notes*

- 14.2 Notices to Holders of Registered Notes will be deemed to be validly given upon despatch by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar.

**15. Further Issues**

The Issuer may from time to time, without the consent of the Holders of any Notes or Coupons, create and issue further notes, bonds or debentures having the same terms and conditions as such Notes in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Notes of any particular Series.

**16. Currency Indemnity**

The currency in which the Notes are denominated or, if different, payable, as specified in the Pricing Supplement (the **Contractual Currency**), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Notes, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of a Note or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of a Note or Coupon in respect of such Note or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of a Note or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

## 17. Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder of any Note, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

## 18. Governing Law and Submission to Jurisdiction

18.1 The Deed of Covenant, the Issuing and Paying Agency Agreement, the Dealership Agreement, any Deed of Adherence, any New Deed of Covenant and any Deed of Guarantee (together, the **Transaction Documents**), the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with the Transaction Documents and/or the Notes, the Coupons and the Talons are governed by, and construed in accordance with, English law.

18.2 If the Issuer is represented by an attorney or attorneys in connection with the signing and/or execution and/or delivery of this Offering Circular or each agreement or document referred to herein or made pursuant hereto and the relevant power or powers of attorney is or are expressed to be governed by the laws of a particular jurisdiction, it is hereby expressly acknowledged and accepted by the other parties hereto that such laws shall govern the existence and extent of such attorney's or attorneys' authority and the effects of the exercise thereof (including without limitation any non-contractual obligations).

18.3 Subject to Condition 18.5 below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Transaction Documents and the Notes, and/or the Coupons and the Talons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Transaction Documents, the Notes and/or the Coupons and the Talons (a **Dispute**) and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

18.4 For the purposes of Conditions 18.3 to 18.5, the Issuer waives, and the Guarantor will waive in the Deed of Guarantee, any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

18.5 To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

18.6 The Issuer irrevocably appoints, and the Guarantor will agree in the Deed of Guarantee to appoint, HSBC Holdings plc at 8 Canada Square, London E14 5HQ as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and the Issuer and the Guarantor, as the case may be, agrees that, in the event of HSBC Holdings plc being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## 19. Right of Third Parties

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

## USE OF PROCEEDS

It is intended that the net proceeds of the issue of each Tranche of Notes will be used to develop and expand the business of the Bank and its subsidiaries (the **Bank Group**) and for general financing purposes, as may be further specified in the relevant Pricing Supplement.

# THE BANK GROUP

## Incorporation and business

The Bank was established with limited liability in the Hong Kong Special Administrative Region (the **Hong Kong SAR**) by The Hongkong and Shanghai Bank Ordinance 1866, as continued by The Hongkong and Shanghai Banking Corporation Limited Ordinance (Cap. 70) of Hong Kong (as amended) (the **Ordinance**). On 6 October 1989, the Bank was registered pursuant to Part IX of the then Companies Ordinance (Cap. 32) of Hong Kong, which is now Part 17 of the new Companies Ordinance (Cap. 622), with company number 263876 and its then name was changed to “The Hongkong and Shanghai Banking Corporation Limited”. On 6 June 1997, Memorandum and Articles of Association (the **M&A**) were adopted, replacing the Ordinance in part and superseding The Hongkong and Shanghai Bank Regulations (Cap. 70A) of Hong Kong which formerly were the constitutive documents of the Bank. Subsequently, a new set of Articles of Association was adopted in substitution for and to the exclusion of the M&A on 19 May 2014. Its registered and head office is situated at 1 Queen’s Road Central, Hong Kong. It is the largest bank incorporated in the Hong Kong SAR and is one of the three banks in the Hong Kong SAR which are currently authorised by the Government of the Hong Kong SAR to issue Hong Kong currency notes.

Serving the financial and wealth management needs of an international customer base, the Bank Group provides a range of personal, commercial and corporate banking and related financial services in 20 countries and territories in Asia-Pacific — with the largest network of any international financial institution in the region — and in three other countries around the world. Employing some 68,000 people, of whom 37,000 work for the Bank itself, the Bank Group had consolidated assets at 31 December 2014 of HK\$6,877 billion.

The Bank is a wholly-owned subsidiary of HSBC Holdings plc. HSBC Holdings plc and its subsidiaries (the **HSBC Group**) have an international network organised into five geographical regions: Europe, Asia, Middle East and North Africa, North America and Latin America.

## Directors and Secretary

As of the date of this Offering Circular, the Directors and Secretary of the Bank are set out below.

### Names of Directors

Stuart T Gulliver, *Chairman*  
Peter Wong Tung Shun, *Deputy Chairman and Chief Executive*  
Laura Cha May Lung\*, *GBS, Deputy Chairman*  
Zia Mody\*, *Deputy Chairman*  
Graham John Bradley\*  
Dr Christopher Cheng Wai Chee\*, *GBS, OBE*  
Dr Raymond Ch’ien Kuo Fung\*, *GBS, CBE*  
Naina L Kidwai  
Irene Lee Yun-lien\*  
Rose Lee Wai Mun  
Jennifer Li Xinzhe\*  
Victor Li Tzar Kuoi#  
James Riley\*  
John Robert Slosar\*  
Kevin Anthony Westley\*  
Dr Rosanna Wong Yick-ming\*, *DBE*  
Marjorie Yang Mun Tak\*, *GBS*  
Tan Sri Dr Francis Yeoh Sock Ping\*, *CBE*

# *non-executive Director*

\* *independent non-executive Director*

## Name of Secretary

Paul A Stafford, FCIS FCS

## Principal Subsidiaries

The principal subsidiaries of the Bank as at 31 December 2014 are set out below:

Name	Place of Incorporation	Class of share/ registered or charter capital	Bank's interest in issued share capital/ registered or charter capital	Principal activity
Hang Seng Bank Limited <sup>1</sup>	Hong Kong SAR	Ordinary	62.14 per cent.	Banking
HSBC Bank (China) Company Limited <sup>1</sup>	People's Republic of China	Registered capital	100 per cent.	Banking
HSBC Bank Malaysia Berhad <sup>1</sup>	Malaysia	Ordinary	100 per cent.	Banking
HSBC Bank Australia Limited <sup>2</sup>	Australia	Ordinary	100 per cent.	Banking
HSBC Bank (Taiwan) Limited <sup>2</sup>	Taiwan	Ordinary	100 per cent.	Banking
HSBC Insurance (Asia) Limited <sup>2</sup>	Hong Kong SAR	Ordinary	100 per cent.	Insurance
HSBC Life (International) Limited <sup>2</sup>	Bermuda	Ordinary	100 per cent.	Retirement benefits and life insurance
HSBC Bank (Vietnam) Ltd. <sup>1</sup>	Vietnam	Charter capital	100 per cent.	Banking

1 Held directly

2 Held indirectly

The principal places of operation are the same as the places of incorporation except for HSBC Life (International) Limited which operates mainly in the Hong Kong SAR.

## Share capital

The following shows the issued and fully paid-up share capital of the Bank as at 31 December 2014:

The issued and fully paid-up ordinary share capital of the Bank was made up of HK\$96,052,457,252.50 comprising 38,420,982,901 ordinary shares. The issued and fully paid-up preference share capital was U.S.\$4,703,000,000.00 comprising 1,050,000,000 cumulative redeemable preference shares, 3,253,000,000 non-cumulative irredeemable preference shares and 400,000,000 cumulative irredeemable preference shares.

In accordance with Hong Kong Accounting Standard 32 *Financial Instruments: Presentation*, the issued and fully paid up preference shares are presented as liabilities in the consolidated balance sheet and the balance sheet of the Bank.



### Total shareholders' equity

The total shareholders' equity of the Bank Group as at 31 December 2014 was HK\$557,835 million comprising HK\$96,052 million of share capital, HK\$14,737 million of other equity instruments<sup>(1)</sup>, HK\$107,985 million of other reserves, HK\$324,811 million of retained profits and HK\$14,250 million of proposed fourth interim dividend.

### Subordinated liabilities

Subordinated liabilities of the Bank Group, as at 31 December 2014 and 2013, consists of undated primary capital notes and other loan capital having an original term to maturity of five years or more, raised by the Bank Group for the development and expansion of its business.

	2014 <i>HK\$m</i>	2013 <i>HK\$m</i>
Bank Group subordinated liabilities	<u>12,832</u>	<u>13,107</u>

### Debt Securities in Issue

The debt securities in issue of the Bank Group as at 31 December 2014 were HK\$45,297 million.

The Bank has announced its financial results as of and for the year ended 31 December 2014 on 23 February 2015 in a news release headed "THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED 2014 CONSOLIDATED RESULTS — HIGHLIGHTS" (the **Highlights**), which is available for review at the following hyperlink: [https://www.hsbc.com.hk/1/PA\\_esf-ca-app-content/content/about/mediarelease/pdf/n15feb23e.pdf](https://www.hsbc.com.hk/1/PA_esf-ca-app-content/content/about/mediarelease/pdf/n15feb23e.pdf). For further information on the consolidated capitalisation of the Bank, please refer to pages 16 to 18 of the Highlights. Any information appearing on such website does not form part of this Offering Circular.

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(1) During 2014, the Bank issued new capital instruments that qualify as Basel III compliant additional tier 1 capital under the Banking (Capital) Rules.

## TAXATION

The statements below regarding taxation are based on relevant law and practice at the date of this Offering Circular and are subject to any subsequent changes in law or practice (which could be made on a retroactive basis). The following statements do not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and may not apply equally to all persons. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the tax consequences of their ownership of the Notes.

### Hong Kong

#### *Withholding Tax*

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising on the sale of the Notes.

#### *Profits Tax*

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

1.1 Interest on the Notes may be subject to profits tax in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong.

1.2 Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing on or after 22 June 1998, to a person other than a financial institution, on deposits (denominated in any currency) placed with an authorised institution in Hong Kong is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no prospectus involving the issue of the Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, the issue of the Notes by the Bank is expected to constitute a deposit to which the above exemption from payment will apply.

1.3 In addition, Hong Kong profits tax may be chargeable on profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption are or form part of a trade, profession or business carried on in Hong Kong.

#### *Stamp Duty in respect of the Notes*

Stamp duty may be payable on the issue of Bearer Notes if they are either (a) issued by the Bank or (b) issued in Hong Kong. Stamp duty will however not be payable in either case provided either:

- (i) the Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstance in the currency of Hong Kong; or
- (ii) the Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) (**SDO**) of Hong Kong).

If stamp duty is payable it is payable by the Issuer on issue of the Bearer Notes at a rate of 3 per cent. of the market value of the Notes.

No stamp duty will be payable on any subsequent transfer of the Bearer Notes.

No stamp duty is payable on the issue of the Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will however not be payable provided either:

- (i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstance in the currency of Hong Kong; or
- (ii) the Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of the Registered Notes, it will be payable at the rate of 0.1 per cent. each by the seller and the purchaser by reference to the amount of the consideration or market value of the Registered Notes, whichever is the greater. If, in the case of either the sale or purchase of the Registered Notes, stamp duty is not paid, both the seller and the purchaser are liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

#### *Stamp Duty in respect of Securities*

If Securities or Units of a Fund are transferred or delivered to the Noteholder pursuant to the terms of Equity-Linked Notes which are redeemed by the delivery of a Securities Transfer Amount, stamp duty will be payable on such delivery of the Securities or Units of a Fund comprising such Securities Transfer Amount at the rate of 0.2 per cent. of the amount, being the consideration for such delivery or the value of such Securities or Units of a Fund (as applicable) determined in accordance with the SDO and practice of the Inland Revenue Department of Hong Kong. Such stamp duty will be payable equally by the transferor and transferee. Unless the relevant Pricing Supplement states otherwise, the Noteholder will be liable to bear, pay or reimburse such stamp duty as transferee that is, 0.1 per cent. of the relevant amount.

#### *Estate Duty*

No estate duty will be payable in respect of the Bearer Notes and Registered Notes.

### **EU Savings Directive**

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

Council Directive 2003/48/EC may, however, be repealed in due course in order to avoid overlap with the amended Council Directive 2011/16/EU on administrative cooperation in the field of taxation, pursuant to which Member States will be required to apply other new measures on mandatory automatic exchange of information.

### **The proposed financial transactions tax (the FTT)**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

### **U.S. Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the Code impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer is, and other New Issuers may be, classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017.

This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is (A) with respect to Notes that give rise solely to foreign passthru payments, is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal

Register and (B) with respect to Notes that give rise to a dividend equivalent pursuant to section 871(m) of the Code (and therefore do not give rise to foreign passthru payments), is the date that is six months after the date on which obligations of their type are first treated as giving rise to dividend equivalents, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a “**Reporting FI**” not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes provided such FFI is compliant with the terms of the relevant IGA and implementing legislation. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Hong Kong have entered into an IGA based largely on the Model 2 IGA (the **US-Hong Kong IGA**).

If the Issuer is treated as a Reporting FI pursuant to the US-Hong Kong IGA, the Issuer would not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that the Issuer would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, each Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by any Issuer, any paying agent and the ICSDs, given that each of the entities in the payment chain between the Issuers and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.**

### **Hiring Incentives to Restore Employment Act**

The U.S. Hiring Incentives to Restore Employment Act introduced Section 871(m) of the Code, which treats a “dividend equivalent” payment as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30% U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the IRS. A “dividend equivalent” payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a “specified notional principal contract” that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) and (ii). Proposed U.S. Treasury regulations expand the scope of withholding under Section 871(m) beginning

1 January 2016. Under these rules, withholding may be required even in the absence of any actual dividend-linked payment made pursuant to the instrument. While the proposed regulations provide for an exception for indices that satisfy certain criteria, it is not clear whether this exception will apply to the relevant underlying index, if any. While significant aspects of the application of Section 871(m) to the Notes are uncertain, if the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should consult their tax advisers on the potential application of Section 871(m) to the Notes.



## PRO FORMA PRICING SUPPLEMENT

THE NOTES TO WHICH THIS PRICING SUPPLEMENT RELATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAWS AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

Pricing Supplement dated [●]

### THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

as [Issuer][Guarantor]

and

[[NAME OF NEW ISSUER]

as Issuer]

**U.S.\$20,000,000,000**

### Medium Term Note Programme

Issue of

[●]

This document constitutes the Pricing Supplement relating to the issue 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 Offering Circular dated 12 March 2015 [and the supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular 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 Offering Circular dated [original date] [and the Supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). 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 Pricing Supplement.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]<sup>1</sup>*

- |    |                   |  |
|----|-------------------|--|
| 1. | [(i)] Issuer:     | [The Hongkong and Shanghai Banking Corporation Limited]<br>[Name of New Issuer] <sup>2</sup> |
|    | [(ii)] Guarantor: | [The Hongkong and Shanghai Banking Corporation Limited]                                      |

<sup>1</sup> Include this if the New Issuer (if the New Issuer is not an authorised person permitted to accept deposits under the Financial Services and Markets Act 2000 (the “FSMA”) or is exempt under the FSMA) is the Issuer and the issue proceeds are received by the Issuer in the United Kingdom.

<sup>2</sup> The proceeds of each issue of Notes by the New Issuer must either be received by the Issuer from an authorised institution (as defined in the Banking Ordinance of Hong Kong) or a bank incorporated outside Hong Kong which is not an authorised institution (as so defined) or otherwise in compliance with the Banking Ordinance of Hong Kong.

2. (i) Series Number: [     ]
- (ii) Tranche Number: [     ]
- [(iii) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 29 below, which is expected to occur on or about [date]][Not Applicable]]
3. Currency or Currencies: [     ]  
(Condition 1.10)
4. Aggregate Nominal Amount: [     ]
- [(i) Series: [     ]
- [(ii) Tranche [     ]]
5. [(i) Issue Price: [     ] per cent. of the Aggregate Nominal Amount [(which comprises [     ] per cent. per annum discount rate and [     ] per cent. per annum Option premium rate, each of the Aggregate Nominal Amount)] [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
- [(ii) Net proceeds: [     ] (*Required only for listed issues*)]
6. (a) Denomination(s): [     ]  
(Condition 1.8 or 1.9)

*(N.B. Notes must have a minimum denomination of €100,000 (or equivalent) unless the issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive)*

*(Note — where multiple denominations above [U.S.\$200,000] or equivalent are being used the following sample wording should be followed:*

*“[U.S.\$200,000] and integral multiples of [U.S.\$1,000] in excess thereof up to and including [U.S.\$399,000]. No Notes in definitive form will be issued with a denomination above [U.S.\$399,000].”)*

*(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*

- (b) Calculation Amount: [     ]

*(If only one Denomination, insert the Denomination.*

*If more than one Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Denominations.)*

7. [(i)] Issue Date: [     ]  
 [(ii)] Interest Commencement Date (if different from the Issue Date): [     ]  
 (Condition 4.7)
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]  
 (Condition 5.1)
- [In relation to Notes issued by a New Issuer (if the New Issuer is not an authorised person permitted to accept deposits under the FSMA or is exempt under the FSMA), if the issue proceeds are received by the Issuer in the United Kingdom and the Maturity Date is earlier than the first anniversary of the Issue Date, the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and the Notes may not be transferred unless the redemption value of each Note is not less than £100,000 (or such an equivalent amount), and be sold only to “professional investors” (or another applicable exemption from section 19 of the Financial Services and Markets Act 2000 must be available).]
9. Interest Basis: [●% Fixed Rate]  
 (Condition 4) [[specify reference rate] +/-●% Floating Rate]  
 [Zero Coupon]  
 [Index-Linked Interest]  
 [Other (specify)]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index-Linked Redemption]  
 [Equity-Linked Redemption]  
 [Dual Currency]  
 [Partly Paid]  
 [Other (specify)]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]  
 [Not Applicable]
12. Put/Call Options: [Investor Put]  
 (Condition 5.4 and 5.7) [Issuer Call]  
 [(further particulars specified below)]  
 [Not Applicable]
13. [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [     ] [and [     ] respectively]]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*
14. Listing: [Hong Kong Stock Exchange/other (specify)/None]  
*(for Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes)*
15. Method of distribution: [Syndicated/Non-syndicated]

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Rate[(s)]: [ ] per cent. per annum payable in arrear  
(Condition 4.11) on each Interest Payment Date
  - (ii) Interest Payment Date(s): [ ] in each year [up to and including the  
(Condition 4.11) Maturity Date *(Amend in the case of irregular coupons)*]
  - (iii) Fixed Coupon Amount[(s)]: [ ] per Calculation Amount  
*(Applicable to Notes in definitive form.)*
  - (iv) Broken Amount(s): [ ] per Calculation Amount, payable on the  
*(Applicable to Notes in definitive Interest Payment Date falling [in/on] [ ]*  
*form.)* [Not Applicable]
  - (v) Day Count Fraction: [ ]  
(Condition 4.11)
  - (vi) Other terms relating to the method of [Not Applicable/*give details*]  
calculating interest for Fixed Rate *(Consider if day count fraction, particularly*  
Notes: *for euro denominated issues, should be on an*  
*Actual/Actual basis)*
17. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURIBOR is the appropriate reference rate in respect of euro denominated issues)*
- (i) [Interest Period(s)/Interest Payment [Specify Interest Payment Dates unless the  
Dates:] Applicable Business Day Convention in respect  
(Condition 4.11) of such dates is the FRN Convention, in which  
case specify a number of months]
  - (ii) Interest Period End Dates: [Specify, when the Applicable Business Day  
(Condition 4.11) Convention in respect of such dates is the FRN  
Convention]
  - (iii) Interest Accrual Period: [Specify a number of months, if the Applicable  
(Condition 4.11) Business Day Convention in respect of Interest  
Period End Dates is the FRN Convention]
  - (iv) Applicable Business Day Convention: [Floating Rate Convention/Following Business  
(Condition 4.11) Day Convention/Modified Following Business  
Day Convention/ Preceding Business Day  
Convention/other *(give details)*]
  - (v) Business Days: [Specify any additional/substitute places or  
(Condition 4.11) days]
  - (vi) Manner in which the Rate(s) of [Screen Rate Determination/other *(give*  
Interest is/are to be determined: *details)*]
  - (vii) Calculation Agent: [Name and specified office, if not the Issuing  
(Condition 4.11) and Paying Agent]

- (viii) Screen Rate Determination:
- Interest Determination Date(s): [ ]  
(Condition 4.11)
  - Relevant Screen Page: [ ]  
(Condition 4.3)
  - Relevant Time: [ ]  
(Condition 4.11)
  - Relevant Market: [Specify if not the London interbank market]  
(Condition 4.11)
- (ix) Relevant Margin(s): [+/-][ ] per cent. per annum  
(Condition 4.3)
- (x) Minimum Interest Rate: [ ] per cent. per annum  
(Condition 4.6)
- (xi) Maximum Interest Rate: [ ] per cent. per annum  
(Condition 4.6)
- (xii) Day Count Fraction: [ ]  
(Condition 4.11)
- (xiii) Reference Banks: [Specify if necessary]  
(Condition 4.11)
- (xiv) Fall back provisions, 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: [ ]
18. **Zero Coupon Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [ ] per cent. per annum  
(Condition 4.10)
  - (ii) Day Count Fraction: [ ]  
(Condition 4.11)
  - (iii) Rate of Interest on Overdue Amounts: [Specify, if not the Amortisation Yield]  
(Condition 4.10)
  - (iv) Any other formula/basis of determining amount payable: [ ]
19. **Index-Linked Interest Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula: [give or annex details]
  - (ii) Calculation Agent: [Name and specified office, if not the Issuing and Paying Agent]  
(Condition 4.11)
  - (iii) Party responsible for calculating the Interest Rate (if not the Calculation Agent) and Interest Amount (if not the Calculation Agent): [ ]
  - (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [ ]

- (v) Interest Period(s)/Interest Payment Dates: (Condition 4.11) [*Specify Interest Payment Dates unless the Applicable Business Day Convention in respect of such dates is the FRN Convention, in which case specify a number of months*]
- (vi) Applicable Business Day Convention: (Condition 4.11) [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
- (vii) Additional Business Days: (Condition 4.11) [*Specify any additional/substitute places or days*]
- (viii) Minimum Rate of Interest: (Condition 4.6) [ ] per cent. per annum
- (ix) Maximum Rate of Interest: (Condition 4.6) [ ] per cent. per annum
- (x) Day Count Fraction: (Condition 4.11) [ ]
20. **Dual Currency Interest Note Provisions** [Applicable/Not Applicable]  
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate of exchange/method of calculating rate of exchange: [*give or annex details*]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation Agent): (Condition 4.11) [*Name and specified office, if not the Issuing and Paying Agent*]
- (iii) Provisions applicable where calculation by reference to rate of exchange impossible or impracticable: and adjustment provisions] [*need to include a description of market disruption or settlement disruption events*]
- (iv) Person at whose option specified Currency(ies) is/are payable: [ ]
- (v) Rate of interest on Overdue Amounts: (Condition 4.7) [*Specify, if different from the Interest Rate*]

## PROVISIONS RELATING TO REDEMPTION

21. **Call Option** (Condition 5.4) [Applicable/Not Applicable]  
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Call Option Date(s)/Call Option Period: [ ]
- (ii) Early Redemption Amount (Call) and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/*specify other/see Annex*]
- (iii) If redeemable in part: [*Specify, otherwise redemption will only be permitted of entire Series*]
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]



- (iv) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
22. **Put Option** [Applicable/Not Applicable]  
 (Condition 5.7) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Put Date(s)/Put Period: [ ]
- (ii) Early Redemption Amount (Put) and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Annex]
- (iii) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
23. **Maturity Redemption Amount** [For Equity-Linked Notes:  
 (Condition 5.1) Unless previously redeemed or purchased and cancelled and subject to the other terms and conditions of the Notes, the Issuer shall redeem each Note either:
- (i) if the Issuer has exercised the Option in accordance with paragraph 39, by delivering to the Holder on the Settlement Date the Securities Transfer Amount [per Calculation Amount/ specify other/see Annex]; or
- (ii) in all other circumstances, by paying an amount equal to [par/an amount determined in accordance with the formula set out in the Annexe [1] hereto] [per Calculation Amount/specify other/see Annex] on the Maturity Date.]
- [For other Notes:  
 Par/[ ] per Calculation Amount/other - specify/See Annex [ ] attached hereto]
24. **Early Redemption for Taxation Reasons**  
 (Condition 5.2)
- (i) Early Redemption Amount (Tax): *[Specify, if not the principal amount or, in the case of any Notes which are non-interest bearing, the Amortised Face Amount] [per Calculation Amount/specify other/see Annex]*

- (ii) Date after which changes in law, etc. entitle Issuer to redeem: *[Specify, if not the Issue Date]*
25. **Early Redemption for reasons of Force Majeure** (Condition 5.3) *[Not Applicable/The provisions [in Condition 5.3] [annexed to this Pricing Supplement] apply]*
26. **Other Redemption Provisions** *[Not Applicable/give details]*
27. **Events of Default** (Condition 6.1(a))
- (i) Early Termination Amount: *[Specify, if not the principal amount or, in the case of any Notes which are non-interest bearing, the Amortised Face Amount] [per Calculation Amount/specify other/see Annex]*
- (ii) Any additional (or modifications to) Events of Default: *[Specify]*
28. **Winding-up of the Bank** (Condition 6.2)
- Early Termination Amount: *[Specify, if not the principal amount or, in the case of any Notes which are non-interest bearing, the Amortised Face Amount] [per Calculation Amount/specify other/see Annex]*

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

29. **Form of Notes:** (Condition 1.1)
- [Bearer Notes *[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [and/or Registered Notes] only in limited circumstances specified in the Conditions]*
- [Temporary Global Note exchangeable for Definitive Notes [and/or Registered Notes] on and after the Exchange Date]*
- [Permanent Global Note exchangeable for Definitive Notes [and/or Registered Notes] only in limited circumstances specified in the Conditions]*
- [Registered Notes: *[Regulation S Global Note (U.S.\$[ ] nominal amount)]*
- (Ensure that this is consistent with the wording in the “Form of the Notes” section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time options for Bearer Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “[U.S.\$] and integral multiples of [U.S.\$]] in excess thereof up to and including [U.S.\$].” Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

30. Type of Note: [Index-Linked/Equity-Linked/Combination/other (*specify*)]
31. Relevant Financial Centre Day(s) or other special provisions relating to Payments: (Condition 8.3) [Not Applicable/*give details*. *Note that this paragraph relates to the place of payment, and not to business days for interest accrual purposes, to which sub-paragraph [17(v)] relates*]
32. Unmatured Coupons missing upon Early Redemption: [*Specify whether paragraph (i) of Condition 8.1(f) or paragraph (ii) of Condition 8.1(f) applies. If nothing is specified paragraph (i) will apply to fixed rate or fixed coupon amount Notes and paragraph (ii) will apply to floating rate or variable coupon amount Notes*]
33. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
34. Details relating to partly paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
35. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 8.4] [annexed to this Pricing Supplement] apply]\*
36. Additional payment provisions:
- (i) Offshore RMB Centre [Hong Kong] [Taiwan] [Singapore] [*specify*]
- (ii) Payment of Alternative Payment Currency Equivalent (*Condition 8.5*): [Applicable] [Not Applicable]
- Settlement Currency: [ ]
- Settlement Currency Jurisdiction: [ ]
- Additional Relevant Jurisdiction: [ ]
- Alternative Payment Currency: [ ]
- Alternative Payment Currency Exchange Rate: [ ]
- Alternative Payment Currency Jurisdiction: [ ]
- (iii) Underlying Currency Pair provisions: [Applicable/Not Applicable/*give details*]
- Underlying Currency Pair Exchange Rate: [ ]
- (iv) FX Disruption Event (*Condition 8.6*): [Applicable] [Not applicable]
- Denomination Currency: [ ]

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\* For Notes denominated in Sterling, if the provisions in Condition 8.4 are stated to be applicable, consider whether to include additional disclosure outlining the resulting United Kingdom tax implications for United Kingdom resident non-corporate Holders of the Notes.

- Denomination Currency Jurisdiction: [ ]
  - Reference Currenc(y)(ies): [ ]
  - Reference Currency Jurisdiction: [ ]
37. Reference Asset Components: [ ] [Not Applicable]  
(for Notes linked to a basket of different types of asset. Details to be specified if applicable)
38. Other terms or special conditions: [Not Applicable/give details]

## PROVISIONS APPLICABLE TO INDEX-LINKED NOTES AND EQUITY-LINKED NOTES

*[Delete all paragraphs in this section which are not applicable]*

39. Option:  
(for Equity-Linked Notes only)
- In consideration of the Option premium comprised in the Issue Price (see paragraph 5), if the Calculation Agent determines that the Closing Price is less than or equal to the Put Strike Price, the Issuer shall have the option (the **Option**), exercisable on the Valuation Date and without notice to the Holder of its intention so to do, to redeem the Notes by delivering the Securities Transfer Amount to (or for the account of) the Holders in accordance with paragraph 23. Except in circumstances where the Issuer is entitled to and does exercise the Option, the Issuer shall redeem the Notes by paying a cash amount to the Holders in accordance with paragraph 23.
- The Issuer shall notify the Holders, the Paying Agents and Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system of any such exercise no later than [the day which is both a Relevant Banking Day and a local banking day/other - specify] following the Valuation Date.
40. **Provisions for Equity-Linked Notes**
- (i) Securities: [ ]  
[The Securities are Depositary Receipts]  
[Units in a Fund, where **Fund** means [ ]. **Unit** means a share or notional unit of the Fund (as defined in the Fund Documents), the price of which is denominated in [ ]. [The Units represent undivided ownership interests in the portfolio of investments held by the Fund][delete if not applicable]. Condition 9 shall apply to the Notes as if references therein to **Underlying Company** were references to the **Fund** and as if references therein to **Security** were references to **Unit**.]
  - (ii) Underlying Company(ies): [ ] [and with respect to the Underlying Securities [ ]]  
[The Fund]
  - (iii) Exchange(s): [ ]
  - (iv) Related Exchange(s): [ /All Exchanges]
  - (v) Cash Settlement Payment Date: [Maturity Date/other - specify]

(vi) Securities Transfer Amount: [     ]

(vii) Transfer Notice: *[Include if Option is applicable or the Notes are otherwise redeemable by delivery of Securities:*

Each Holder shall, on or before at least [     ] calendar days prior to 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 forthwith notify to the Paying Agents and the Holders) send to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system (copied to the Issuing and Paying Agent) an irrevocable notice (a **Transfer Notice**) in the form from time to time approved by the Issuer, which must:

- (i) specify the name and address of the Holder;
- (ii) specify the number of Notes in respect of which he is the Holder;
- (iii) specify the number of the Holder'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 Holder's account with such Notes on the Settlement Date if the Issuer has exercised the Option 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 Holder 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;
- (vii) contain an irrevocable undertaking to pay the Transfer Expenses (if any) (as defined in below) 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 Holder 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.

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 Holder 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.

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 Issuing and Paying Agent and shall be conclusive and binding on the Issuer and the Holder.

The Issuing and Paying Agent shall promptly on the local banking day following receipt of such notice send a copy of the Transfer Notice to the Issuer or such person as the Issuer may previously have specified.

Delivery of the Securities will be via the Clearance System. The delivery or transfer of Securities to each Holder is at the relevant Holder's risk and if delivery occurs later than the earliest possible date for delivery, no additional amounts will be payable by the Issuer or the Guarantor.]

- |  |   |
|--|---|
| (viii) Settlement Date:  | [Not Applicable/ <i>specify</i> ]                   |
| (ix) Settlement Disruption Event:<br>– Disruption Period (if other than as specified in Condition 9.3):                                      | Condition 9.3 [applies/does not apply]<br>[    ]    |
| (x) Delivery Disruption Event:   | Condition 9.4 [applies/does not apply]              |
| (xi) Potential Adjustment Event:<br>– additional Potential Adjustment Event (for the purposes of paragraph (viii) of the definition thereof) | Condition 9.5(a) [applies/does not apply]<br>[    ] |
| (xii) Merger Event or Tender Offer:  | Condition 9.5(b) [applies/does not apply]           |
| (xiii) Nationalisation, Insolvency, Insolvency Filing or Delisting:  | Condition 9.5(c) [applies/does not apply]           |



- (xiv) Extraordinary Fund Event: Condition 9.5(c) [applies/does not apply]
- (xv) Corrections to published prices affecting Government Bonds or debt securities: Condition 9.5(e) [applies/does not apply]
- Spot Price: [ ]
41. **Additional provisions for Equity-Linked Notes:** [Closing Price means the official price of each Security on the Valuation Date on the Exchange.]
- [Put Strike Price means, in respect of each Security, [price in currency].]
42. **Provisions for Index-Linked Notes**
- (i) Index(ices): [ ][, being a Multiple Exchange Index]
- (ii) Sponsor: [ ]
- (iii) Exchange(s): [ ]
- (iv) Related Exchange(s): [ ]/All Exchanges]
- (v) Cash Settlement Payment Date: [ ]
- (vi) Adjustment to Index: Condition 9.2 [applies/does not apply]
43. **Valuation Date(s):** [ ]
- (i) Common Scheduled Trading Days: [Applicable/Not Applicable]
- (ii) Disrupted Day: [Applicable/Not Applicable]
- (iii) Valuation Rollover Days: [Five/Eight/specify other] Scheduled Trading Days
- (iv) Deemed Valuation Date: The [Fifth/Eighth/specify other] Scheduled Trading Day immediately following the Scheduled Valuation Date
44. **Valuation Time:** [ ]
45. **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 Maturity 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)]
- (iv) Averaging Rollover Days: [Five/Eight/specify other] Scheduled Trading Days
- (v) Deemed Averaging Date: The [Fifth/Eighth/specify other] Scheduled Trading Day immediately following the Scheduled Averaging Date
46. **Fixing Date** [Yes/No. If yes, specify dates]
- (i) Common Scheduled Trading Days: [Applicable/Not Applicable]
- (ii) Disrupted Day: [Applicable/Not Applicable]
- (iii) Fixing Rollover Days: [Five/Eight/specify other] Scheduled Trading Days

- (iv) Deemed Fixing Date: The [Fifth/Eighth/*specify other*] Scheduled Trading Day immediately following the Scheduled Fixing Date
47. **Additional Disruption Event:** The following Additional Disruption Events apply: [Change in Law, Failure to Deliver, Hedging Disruption, Increased Cost of Hedging][other (*specify*)]/[Not Applicable]
48. **Other terms or special conditions relating to Index-Linked Notes or Equity-Linked Notes:** [ ]

#### DISTRIBUTION

49. If syndicated, names of Managers: [Not Applicable/*give names*]
50. If non-syndicated, name of Relevant Dealer: [Not Applicable/*give name*]
51. Selling Restrictions:
- United States of America: Category 2 [*Specify whether the Notes are subject to TEFRA C or TEFRA D Rules or TEFRA not applicable. In the absence of specification TEFRA D Rules will apply (Condition 1.2)*]
- [*Specify whether Notes are Rule 144A eligible*]
- [The Exchange Date is [*specify Exchange Date (Condition 1.2)*] [*a date not earlier than the date which is 40 days after the Issue Date*]]
- Other: [*Specify any modifications of or additions to selling restrictions contained in Dealership Agreement*]
52. Stabilising Institution: [ ]
- [Under currently applicable Hong Kong laws, no transactions may be effected which would stabilise or maintain the market price of Notes listed on the Hong Kong Stock Exchange at a level which might not otherwise prevail.]
53. Additional U.S. federal income tax considerations: [Not applicable/*give details*]

#### OPERATIONAL INFORMATION

54. ISIN Code: [ ]
55. Common Code: [ ]
56. Clearing System(s): [CMU Service/Euroclear/Clearstream, Luxembourg/Other]  
[*Specify*]
57. Common Depository/Lodging Agent: [*Specify*]
58. CMU Service Instrument Number: [ ]
59. Settlement Procedures: [*Specify whether customary medium term note/eurobond/CMU Service/other settlement and payment procedures apply*]
60. Delivery: Delivery [against/free of] payment
61. Additional Paying Agent(s) (if any): [ ]

62. Calculation Agent: [ ]

63. [Details of Issuer]: *[Only applicable when New Issuer accedes to the Programme, specify country of incorporation, date of incorporation, details of its registered office, business and directors]*

**[LISTING APPLICATION]**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$20,000,000,000 Medium Term Note Programme of [ ].

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

**[THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED]**  
**[NAME OF NEW ISSUER]**

By: .....  
Duly authorised

[Signed on behalf of the Guarantor:

**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED**

By: .....  
Duly authorised]

[ANNEX[1]

23. Maturity Redemption Amount

[(specify formula)]<sup>1</sup>

[ANNEX [2]]<sup>2</sup>

*[disclosure information in relation to underlying Index/Indices or Securities]*

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<sup>1</sup> *If required.*

<sup>2</sup> *This Annex (and the text on the front page of this Pricing Supplement) is only required for Index-Linked Notes and Equity-Linked Notes which are also to be listed on the Hong Kong Stock Exchange or any other stock exchange.*

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the relevant Issuer to the dealers appointed pursuant to the Dealership Agreement (as defined below) either generally in relation to the Programme or in relation to a particular Tranche of Notes (the **Dealers**). Notes may also be sold by the relevant Issuer direct to institutions who are not Dealers provided that the relevant Issuer observes the same selling restrictions as would be applicable to sales by Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the relevant Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated 12 March 2014 (as amended, supplemented or replaced from time to time) (the **Dealership Agreement**) made between the Bank and the Dealers. Any such agreement will, inter alia, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

The Arranger, the Dealers or certain of their respective affiliates may purchase the Notes or be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Arranger, the Dealers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuers or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separate from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, investors in the Notes may include entities affiliated with the HSBC Group.

**United States of America:** *Regulation S Category 2; TEFRA D, unless TEFRA C or TEFRA not applicable is specified as applicable in the relevant Pricing Supplement; Rule 144A Eligible if so specified in the relevant Pricing Supplement.*

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and the Notes may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except in certain transactions exempt from, or not subject to the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and Treasury regulations promulgated thereunder.

Each Dealer has agreed that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until forty days after the completion of the distribution of the Notes comprising the relevant Tranche, as determined or certified to the Issuing and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to Notes of such Tranche purchased by or through it, in which case the Issuing and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto (other than a sale 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Each issuance of Index-Linked Notes, or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer, the Guarantor and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented 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 which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplements in relation thereto 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 such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 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 (including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **United Kingdom**

In relation to each Tranche of Notes, each Dealer subscribing for or purchasing such Notes has represented to and agreed with, and each further Dealer appointed under the Programme will be required to represent to and agree with, the relevant Issuer, the Guarantor (if applicable) and each other such Dealer (if any) that:

- (a) in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and



(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

- (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
- (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the **FSMA**) by the Issuer;

- (b) 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 does not, or, in the case of the relevant Issuer (other than if the New Issuer is an authorised person) or the Guarantor (where the New Issuer is the Issuer) would not, if it was not an authorised person, apply to the relevant Issuer or the Guarantor (where the New Issuer is the Issuer); and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

## **Hong Kong**

In relation to each Tranche of Notes issued by the Bank or the New Issuer, 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 not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (i) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) 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.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Singapore**

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the **Securities and Futures Act**). Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may the Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act or any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law; or
- (4) pursuant to Section 276(7) of the Securities and Futures Act or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations.

## **People's Republic of China**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the People's Republic of China (excluding Hong Kong, Macau and Taiwan) as part of the initial distribution of the Notes.

## **General**

Other than with respect to the listing of the Notes on the relevant stock exchange (if applicable), no action has been or will be taken in any country or jurisdiction by the Bank, the New Issuer or the Dealers that is intended to 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 Offering Circular or any Pricing Supplement comes are required by the Bank, the New Issuer and the Dealers 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.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Bank, (where the New Issuer is the Issuer) the Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Bank, (where the New Issuer is the Issuer) the Guarantor and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

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

Selling restrictions may be supplemented or modified with the agreement of the relevant Issuer and (except in the case of Notes issued by the Bank) the Guarantor. Any such supplement or modification will be set out in the relevant Pricing Supplement (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 document.

## GENERAL INFORMATION

1. The issue price of the Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of Notes issued under the Programme on the Hong Kong Stock Exchange, commence on or about the date two clear business days after the date of publication of the formal notice in relation to the Notes.

However, Notes may be issued pursuant to the Programme which will not be listed on the Hong Kong Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the relevant Issuer and the relevant Dealer(s) may agree.

2. The establishment of the Programme was authorised by resolutions of the boards of directors of the Bank passed on 28 January 1997. The Bank has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Pricing Supplement relating thereto. The Notes are also expected to be accepted for clearance through the CMU Service. The CMU Service Instrument Number for each Series of Notes intended to be cleared through the CMU Service will be specified in the Pricing Supplement relating thereto. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.
4. Bearer Notes (other than Temporary Global Notes) with an original maturity of more than one year and any Coupon appertaining thereto will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Bearer Note or Coupon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
5. Settlement arrangements will be agreed between the relevant Issuer, the relevant Dealer and the Issuing and Paying Agent or, as the case may be, the Registrar in relation to each Tranche of Notes.
6. Save as otherwise disclosed in this Offering Circular, there are no litigation or arbitration proceedings against or affecting the Bank, its subsidiaries or any of its assets, nor is the Bank aware of any pending or threatened such proceedings, which are or might be material in the context of the Programme.
7. Since 31 December 2014, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Bank or any of its subsidiaries that is material in the context of the Programme.
8. For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the registered office of each Issuer and at the specified offices of the Paying Agents and Principal Registrar, namely:
  - (a) The Hongkong and Shanghai Banking Corporation Limited Ordinance of Hong Kong and the Memorandum and Articles of Association of the Bank (being the constitutional documents of the Bank) and the Memorandum and Articles of Association of the New Issuer;

- (b) this Offering Circular and any document incorporated by reference herein;
- (c) the Issuing and Paying Agency Agreement;
- (d) the Deed of Covenant;
- (e) the most recent publicly available audited financial statements of the Bank (beginning with financial statements for the years ended 31 December 2013 and 2014) and the most recent publicly available unaudited financial statements (if any) of the Bank;
- (f) any Pricing Supplement relating to Notes which are listed on any stock exchange. (In the case of any Notes which are not listed on any stock exchange, copies of the relevant Pricing Supplement will only be available for inspection by a Holder of or, as the case may be, a Relevant Account Holder (as defined in the Deed of Covenant) in respect of, such Notes);
- (g) a copy of each Deed of Adherence and each New Deed of Covenant executed by each Issuer and a copy of each Deed of Guarantee executed by the Bank in respect of the issue of Notes issued by each New Issuer; and
- (h) the most recent publicly available audited financial statements and publicly available unaudited financial statements of the New Issuer (if any).

**THE ISSUER**

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