

## BASE PROSPECTUS



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

as Issuer

### PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS

#### Interest Rate Linked and Inflation-Linked Notes

On 24 February 1999, HSBC Bank plc (the "**Issuer**") established a Programme for the Issuance of Notes and Warrants (the "**Programme**").

This document (which expression includes all documents incorporated by reference herein) has been prepared for the purpose of providing disclosure information with regard to certain types of notes ("**Notes**") issued under the Programme.

This document has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus (as supplemented from time to time, the "**Base Prospectus**"). In relation to any Notes, this Base Prospectus must be read as a whole and together also with the relevant final terms (the "**Final Terms**"). Any Notes issued on or after the date of this Base Prospectus and which are the subject of Final Terms which refer to this Base Prospectus are issued subject to the provisions described herein. This does not affect any Notes already in issue or any Notes issued under any other base prospectus published in connection with the Programme. This Base Prospectus will be valid until 12 months from the date hereof.

**This Base Prospectus has been prepared for the purpose of providing disclosure information with regard to Notes only (and not warrants), and only Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes may be issued under this Base Prospectus.**

Applications have been made to admit Notes to listing on the Official List of the FCA and to trading on the regulated market of the London Stock Exchange plc (the "**London Stock Exchange**"), which is a regulated market for the purposes of Directive 2004/39/EC. Application may be made for a listing of Notes on Borsa Italiana S.p.A. and admission to trading on the Electronic Bond Market, being the regulated market of the Borsa Italiana S.p.A. ("**MOT**").

**Information on how to use this Base Prospectus is set out on page ii and a table of contents is set out on page ix.**

The Issuer has been assigned the following long term credit ratings: AA- by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"); Aa2 by Moody's Investors Service Limited ("**Moody's**"); and AA- by Fitch Ratings Limited ("**Fitch**"). Each of Standard & Poor's, Moody's and Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, each of Standard & Poor's, Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

**Programme Arranger and Dealer**  
**HSBC Bank plc**

3 October 2016

## HOW TO USE THIS BASE PROSPECTUS

### INTRODUCTION – WHO IS THE ISSUER?

The Notes will be issued by HSBC Bank plc (the "**Issuer**"). The payment of amounts due under the Notes is subject to the Issuer's financial position and its ability to meet its obligations.

The registration document for the Issuer (the "**Registration Document**") which is incorporated by reference into this Base Prospectus, together with other information provided in this Base Prospectus, provides a description of the Issuer's business activities as well as certain financial information and material risks related to the Issuer.

### TYPES OF NOTES

This Base Prospectus provides information about the following Notes that may be issued under the Programme. The return on the Notes may be linked to the performance of an inflation index (the "**Underlying**").

#### *Types of Notes*

The following types of Notes are issued under the Programme:

- (i) Fixed Rate Notes;
- (ii) Floating Rate Notes;
- (iii) Reverse Floating Rate Notes;
- (iv) Digital Interest Rate Notes;
- (v) Steepener Notes;
- (vi) Inflation Linked Notes; and
- (vii) Zero Coupon Notes.

The following are the additional optional features that may apply to certain types of Notes (as specified in the brackets next to the additional optional features):

- (i) Interest Step-up or Interest Step-down (may be applicable to Fixed Rate Notes if so specified in the Final Terms);
- (ii) Spread Step-up or Spread Step-down (may be applicable to Floating Rate Notes if so specified in the Final Terms);
- (iii) Interest Switch (may be applicable to Fixed Rate Notes, Floating Rate Notes, Reverse Floating Rate Notes, Digital Interest Rate Notes, Steepener Notes or Inflation Linked Notes if so specified in the Final Terms); and
- (iv) Range Accrual (may be applicable to Fixed Rate Notes, Floating Rate Notes, Reverse Floating Rate Notes, Digital Interest Notes or Steepener Notes if so specified in the Final Terms).

The Notes are unsecured obligations of the Issuer.

### WHAT OTHER DOCUMENTS DO I NEED TO READ?

This Base Prospectus (including the Registration Document and the other information which is incorporated by reference) contains all information which is necessary to enable investors to make an informed decision regarding the financial position and prospects of the Issuer and the rights attaching to the Notes. Some of this information is incorporated by reference from other publicly available documents and some of this information is completed in an issue-specific document called the Final Terms. You should read the documents incorporated by reference, as well as the Final Terms in respect of such Notes, together with this Base Prospectus.

## WHAT INFORMATION IS INCLUDED IN THE FINAL TERMS?

While this Base Prospectus includes general information about all Notes, the Final Terms is the document that sets out the specific details of each particular issuance of Notes. For example, the Final Terms will contain:

- (i) a reference to the terms and conditions that are applicable to the particular issuance of Notes;
- (ii) the issue date;
- (iii) the scheduled redemption date; and
- (iv) any other information needed to complete the terms included in this Base Prospectus for the particular Notes (identified by the words 'as specified in the Final Terms' or other equivalent wording).

Wherever the Terms and Conditions of the Notes provide optional provisions, the Final Terms will specify which of those provisions apply to a specific issuance of Notes.

## ROADMAP FOR THE BASE PROSPECTUS

This Base Prospectus is split up into a number of sections, each of which is briefly described below.

**Summary** provides an overview of information included in this Base Prospectus.

**Risk Factors** provides details of the principal risks associated with the Issuer and the Notes.

**Documents Incorporated by Reference** provides details of the documents incorporated by reference which form part of this Base Prospectus and which are publicly available.

**Description of the Notes** provides details of how an investment in the Notes works and how payments under the Notes are calculated, including a number of worked examples.

**Terms and Conditions of the Notes** sets out the terms and conditions which govern the Notes.

**Form of Notes and Summary of Provisions Relating to the Notes While in Global Form** provides information regarding Notes issued in global form and issued into certain clearing systems.

**Form of Final Terms** sets out the template of the "Final Terms", a document which will be filled out for each issue of Notes and which will complete the terms and conditions in respect of such issue of Notes.

**Use of Proceeds** provides details of what the Issuer intends to do with the subscription monies it receives for the Notes it issues.

**Taxation** provides a summary of the withholding tax position in relation to the Notes in the United Kingdom and also provides information in relation to the proposed financial transactions tax.

**Subscription and Sale of the Notes** sets out details of the arrangements between the Issuer and the Dealers as to the offer and sale of Notes and summarises selling restrictions that apply to the offer and sale of Notes in various jurisdictions.

**General Information** provides additional, general disclosure in relation to the Programme.

**Index of Defined Terms** indicates where terms used in this Base Prospectus have been defined.

## FUNGIBLE ISSUANCES

It is possible for Notes to be issued which consolidate and form a single Series with an existing Series of Notes, the first tranche of which was issued prior to the date of this Base Prospectus. In such case, the terms and conditions applicable to those Notes, as the case may be, will not be the terms and conditions contained in the section of this Base Prospectus entitled "*Terms and Conditions of the Notes*". Instead, the terms and conditions applicable to such Notes will be the 2013 Note Conditions (as defined in the section

entitled "*Documents Incorporated by Reference*" below) and the relevant set of terms and conditions will be specified in the first paragraph of the relevant Final Terms.

## IMPORTANT NOTICES

### *Important information relating to financial intermediaries*

Financial intermediaries may only use this Base Prospectus if authorised by the Issuer to do so. Accordingly, investors are advised to check both the website of any financial intermediary using this Base Prospectus and the website of the Issuer ([www.hsbc.com](http://www.hsbc.com)) to ascertain whether or not such financial intermediary has the consent of the Issuer to use this Base Prospectus.

The Issuer consents to the use of this Base Prospectus in connection with a Public Offer of the relevant Notes during the "Offer Period" specified in the relevant Final Terms (the "**Offer Period**") by:

- (i) any financial intermediary named as an Initial Authorised Offeror in the relevant Final Terms; and
- (ii) any financial intermediary appointed after the date of the relevant Final Terms whose name is published on the Issuer's website, [www.hsbc.com](http://www.hsbc.com) (please follow the links to 'Investor relations', 'Fixed income securities', 'Issuance programmes'), and is identified therein as an Authorised Offeror in respect of the relevant Tranche of Notes.

The conditions to the Issuer's consent are that such consent (a) is only valid in respect of the relevant Tranche of Notes; (b) is only valid during the Offer Period specified in the applicable Final Terms; and (c) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Notes in the Public Offer Jurisdictions (as defined below) specified in the applicable Final Terms.

Please see below for more important legal information relating to financial intermediaries.

### *Responsibility for information in the Base Prospectus*

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

The Notes may be issued in any denominations.

The Issuer does not intend to provide post-issuance information.

None of the Programme Arranger nor any dealer for an issue of Notes (each such dealer, a "**Dealer**") has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility or liability is accepted by the Programme Arranger or any Dealer as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or the Notes or their distribution.

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

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

Unless redeemed early, the Notes will be automatically redeemed on the Maturity Date, at which time the investor will be entitled to receive the Final Redemption Amount.

Tranches of Notes with a denomination of less than EUR100,000 (or its equivalent in any other currency) may, subject as provided below, be offered in any Member State of the European Economic Area which has implemented the Prospectus Directive in connection with a public offer of Notes. Any such offer is referred to in this Prospectus as a "**Public Offer**".

***Issuer's consent to use of this Base Prospectus***

The Issuer accepts responsibility in the United Kingdom and Italy (each, a "**Public Offer Jurisdiction**") for the content of this Base Prospectus in relation to any person in a Public Offer Jurisdiction to whom an offer of any Notes is made by any financial intermediary to whom the Issuer has given its consent to use this Base Prospectus (an "**Authorised Offeror**"), where the offer is made during the period for which that consent is given and is in compliance with all other conditions attached to the giving of the consent, all as mentioned in this Base Prospectus. However, none of the Issuer, the Programme Arranger nor any Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

The Public Offer Jurisdictions referred to above in which a Public Offer of Notes may be made are the United Kingdom and Italy only.

If the Issuer has not consented to the use of this Base Prospectus by an offeror, the investor should check with such offeror whether anyone is responsible for this Base Prospectus for the purposes of section 90 of the United Kingdom Financial Services and Markets Act 2000 (as amended) (the "**FSMA**") in the context of the Public Offer, and if so, who that person is. If the investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

If so specified in the Final Terms in respect of any Tranche of Notes, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of the relevant Notes during the Offer Period specified in the relevant Final Terms (the "**Offer Period**") by:

- (a) any financial intermediary named as an Initial Authorised Offeror in the relevant Final Terms; and
- (b) any financial intermediary appointed after the date of the relevant Final Terms whose name is published on the Issuer's website, [www.hsbc.com](http://www.hsbc.com) (please follow the links to 'Investor relations', 'Fixed income securities', 'Issuance programmes'), and is identified therein as an Authorised Offeror in respect of the relevant Tranche of Notes,

in each case, subject to the relevant conditions specified in the relevant Final Terms, for so long as they are authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and any other applicable laws.

The consent referred to above relates to Public Offers occurring within 12 months from the date of this Base Prospectus.

A Public Offer may be made during the relevant Offer Period by any of the Issuer, the Programme Arranger, any Dealer or any relevant Authorised Offeror in any Public Offer Jurisdiction and subject to any relevant conditions, as specified in the relevant Final Terms.

None of the Issuer, the Programme Arranger nor any Dealer has authorised the making of any Public Offer of any Notes by any person in any circumstances other than those described above. Any such unauthorised offers are not made by nor on behalf of the Issuer, the Programme Arranger, any Dealer nor any Authorised Offeror and none of the Issuer, the Programme Arranger, any Dealer or any Authorised Offeror accepts any responsibility or liability for the actions of any person making such unauthorised offers.

**An investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such**

investor including as to price, allocation, settlement arrangements and any expenses or taxes to be charged to the investor (the "Terms and Conditions of the Public Offer"). The Issuer will not be a party to any such arrangements with investors (other than the Programme Arranger and the Dealers) in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and any Final Terms will not contain such information.

The Terms and Conditions of the Public Offer shall be provided to investors by that Authorised Offeror at the time the Public Offer is made. None of the Issuer, any Dealer or other Authorised Offeror has any responsibility or liability for such information.

***Risk warnings relating to the Base Prospectus***

An investment in the Notes entails certain risks, which vary depending on the specification and type or structure of the Notes.

It is advisable that investors considering acquiring any Notes understand the risks of transactions involving the Notes and it is advisable that they reach an investment decision after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of the Notes in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives and the impact the Notes will have on their overall investment portfolio) and the information contained in this Base Prospectus and the relevant Final Terms. Investors should consider carefully the risk factors set forth under "Risk Factors" in this Base Prospectus.

The Issuer disclaims any responsibility to advise investors of any matters arising under the law of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments on the Notes.

**Unlike a savings accounts or similar investment an investment in the Notes is not covered by the UK Financial Services Compensation Scheme.**

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

**For details of certain restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the Dubai International Financial Centre, the European Economic Area, France, Hong Kong, Italy, Japan, the Kingdom of Bahrain, The Netherlands, Norway, the People's Republic of China, Russia, Singapore, Spain, Switzerland, Taiwan, the United Arab Emirates (excluding the Dubai International Financial Centre), the United Kingdom and the United States of America, see the "*Subscription and Sale of the Notes*" section of this Base Prospectus.**

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**United States**

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and Notes in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or, in the case of Notes in bearer form, delivered within the United States or to U.S. persons.

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## United Kingdom

All applicable provisions of the United Kingdom Financial Services and Markets Act, 2000 (as amended) ("**FSMA**") must be complied with in respect of anything done in relation to any Notes in, from or otherwise involving the United Kingdom. Any document received in connection with an issue of Notes may only be distributed in circumstances in which the restriction in section 21(1) of the FSMA does not apply.

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## Hong Kong

The contents of this Base Prospectus have not been reviewed by any regulatory authority in Hong Kong. Investors are advised to exercise caution, and if necessary obtain independent professional advice, in relation to any purchase of Notes under the Programme.

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

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All references in this Base Prospectus to "**Sterling**", "**GBP**" and "**£**" refer to the lawful currency of the United Kingdom, all references to "**U.S. dollars**", "**U.S.\$**" and "**USD**" refer to the lawful currency of the United States of America, all references to "**Hong Kong dollars**", "**HK\$**" and "**HKD**" refer to the lawful currency of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), all references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the People's Republic of China (the "**PRC**"), which solely for the purpose of this Base Prospectus, excludes Hong Kong and the Macau Special Administrative Region of the People's Republic of China ("**Macau**") and Taiwan, all references to "**Offshore RMB**", where the context requires, are to Chinese Renminbi that is freely deliverable between accounts in the relevant Offshore RMB Centre as specified in the relevant Final Terms in accordance with the law and applicable regulations and guidelines issued by relevant authorities in the relevant Offshore RMB Centre as specified in the relevant Final Terms prevailing as of the trade date of the Notes, all references to "**Japanese Yen**", "**JPY**" and "**¥**" refer to the lawful currency of Japan and all references to "**Euro**", "**euro**", "**EUR**" and "**€**" refer to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended. Any other currency referred to in any Final Terms will have the meaning specified in the relevant Final Terms.

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In this Base Prospectus, "**Conditions**" means the terms and conditions of the Notes. Other than as expressly defined in any other section of this Base Prospectus, terms defined in the Conditions and the "*Form of Notes and Summary of Provisions Relating to the Notes While in Global Form*" section have the same meanings in all other sections of this Base Prospectus.



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## SUMMARY

Summaries are made up of disclosure requirements known as "**Elements**". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

<b>Section A – Introduction and Warnings</b>		
A.1	<b>Introduction and Warnings:</b>	<p>This summary must be read as an introduction to the prospectus and any decision to invest in the Notes should be based on a consideration of the prospectus as a whole by the investor, including any information incorporated by reference and read together with the relevant final terms.</p> <p>Where a claim relating to the information contained in the prospectus is brought before a court in a Member State of the European Economic Area, the claimant may, under the national legislation of the Member States, be required to bear the costs of translating the prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such Notes.</p>
A.2	<b>Consent:</b>	<p>[The Issuer expressly consents to the use of this prospectus in connection with an offer of Notes in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus (a "<b>Public Offer</b>") of the Notes by the Dealer[s] [and [ ]] ("<b>Authorised Offeror</b>") during the period from and including [ ] to but excluding [ ] the "<b>Offer Period</b>") and in [the United Kingdom] [Italy] only (the "<b>Public Offer Jurisdiction[s]</b>") [provided that the relevant Authorised Offeror is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and any other applicable laws [and the relevant Authorised Offeror must satisfy the following conditions: [ ]]. The Issuer also accepts responsibility for the content of this prospectus with respect to the subsequent resale or final placement of the Notes by the Authorised Offeror.]</p> <p>[The Issuer reserves its right to consent to the use of this prospectus after the date of filing of the relevant final terms (the "<b>Final Terms</b>") in connection with an offer of Notes in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus (a "<b>Public Offer</b>") of the Notes during the period from and including [ ] to but excluding [ ] (the "<b>Offer Period</b>") in [the United Kingdom] [Italy] only (the "<b>Public Offer Jurisdiction[s]</b>") by identifying financial intermediaries who will be acting as authorised offerors ("<b>Authorised Offeror</b>") in respect of the Notes on its website www.hsbc.com (following links to 'Investor relations', 'Fixed income securities', 'Issuance programmes), [subject to the condition that [ ] and] on the condition that the relevant Authorised Offeror is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and any other applicable laws.</p>
		<p>[The Authorised Offeror will provide information to investors on the terms and conditions of the Public Offer of the relevant Notes at the time such Public Offer is made by the Authorised Offeror to the investors.]</p> <p>[Not Applicable. The Issuer does not consent to the use of this prospectus in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus (a "<b>Public Offer</b>") as the Notes will not be publicly offered.]</p>
<b>Section B – Issuer</b>		
B.1	<b>Legal and commercial name of the issuer:</b>	The legal name of the issuer is HSBC Bank plc (the " <b>Issuer</b> ") and, for the purposes of advertising, the Issuer uses an abbreviated version of its name, HSBC.
B.2	<b>Domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation:</b>	<p>The Issuer is a public limited company registered in England and Wales under registration number 14259. The liability of its members is limited. The Issuer was constituted by Deed of Settlement on 15 August 1836 and in 1873, registered under the Companies Act 1862 as an unlimited company. It was re-registered as a company limited by shares under the Companies Acts 1862 to 1879 on 1 July 1880. On 1 February 1982 the Issuer re-registered under the Companies Acts 1948 to 1980 as a public limited company.</p> <p>The Issuer is subject to primary and secondary legislation relating to financial services and banking regulation in the United Kingdom, including, inter alia, the UK Financial Services and Markets Act 2000 as amended, for the purposes of which the Issuer is an authorised person carrying on the business of financial services provision. In addition, as a public limited company, the Issuer is subject to the UK Companies Act 2006.</p>
B.4b	<b>Known trends affecting the Issuer and the industries in which it operates:</b>	UK real Gross Domestic Product (" <b>GDP</b> ") growth accelerated to 0.6% quarter-on-quarter in the second quarter of 2016, from 0.4% quarter-on-quarter in the first quarter of the year. GDP was 2.2% higher than the same quarter a year earlier. The unemployment rate inched down to 4.9% in the three months to May. Employment as a percentage of the workforce stood at an all-time high of 74%. Wage growth has slowed from last year, but rose to 2.3% in the three months to April. The annual rate of growth of the Consumer Price Index (" <b>CPI</b> ") measure of inflation stood at 0.5% in June 2016. Activity in the housing market was strong in the first quarter, but slowed in the second quarter, following the imposition of higher stamp duty on buy-to-let purchases.

		<p>Following the UK's vote to leave the European Union ("EU"), the economic outlook has shifted markedly. UK real GDP is now expected to rise by 1.5% in 2016, and slow sharply in 2017, albeit narrowly avoiding a recession. Investment might be hardest hit by the uncertainty surrounding the UK's political and economic outlook. CPI inflation is expected to rise on the back of exchange rate depreciation, rising to an annual rate of 1.2% by the fourth quarter of 2016.</p> <p>In the eurozone, the domestic-led cyclical recovery continued. Real GDP in the region as a whole surprised on the upside in the first quarter of 2016, growing by 0.6% after growing by 0.4% in the last quarter of 2015. Spain continued to be the strongest performer among the four largest eurozone economies, with real GDP growth of 0.8% in the first quarter, but the recovery was more broad-based, with Germany growing by 0.7% and France by 0.6%. Italy was lagging behind, with growth of 0.3%. The renewed fall in energy prices is continuing to provide a significant boost to real wages, supporting consumption, while public consumption has also been supportive of growth thanks to the reduction in interest payments brought about by the European Central Bank's quantitative easing programme. The mild weather over the winter also boosted residential construction, particularly in countries such as Germany. Exports, however, are starting to slow, as the impact of the past euro depreciation starts to fade and global demand remains weak.</p> <p>The monetary policy stance from the European Central Bank is helping to support demand and is easing credit conditions in the eurozone. But as the impact of lower energy prices on consumer purchasing power fades, sustainable growth depends on the delivery of a broader package of investment measures to support demand and raise productivity, and a more coordinated fiscal effort. The outcome of the UK referendum on its membership of the EU is also likely to weigh on trade, and consumer and investor confidence in the eurozone. The Issuer expects real GDP growth in the eurozone of 1.4% in 2016, slightly lower than the 1.6% achieved in 2015, and 1.0% in 2017, with CPI inflation remaining subdued (0.9% in 2017) after the rebound at the turn of the year due to the base effect from energy prices.</p> <p>The Issuer expects global GDP growth to be 2.2% in 2016, down from 2.4% in 2015.</p>
B.5	<b>The group and the Issuer's position within the group:</b>	<p>The whole of the issued ordinary and preference share capital of the Issuer is beneficially owned by HSBC Holdings plc ("<b>HSBC Holdings</b>", together with its subsidiaries, the "<b>HSBC Group</b>"). The Issuer is the HSBC Group's principal operating subsidiary undertaking in Europe.</p> <p>The HSBC Group is one of the largest banking and financial services organisations in the world, with an international network of more than 4,400 branches in 71 countries and territories across five geographical regions: Europe, Asia, Middle East and North Africa, North America and Latin America. Its total assets as at 30 June 2016 were U.S.\$2,608,149 million.</p>
B.9	<b>Profit forecast or estimate:</b>	Not Applicable. There are no profit forecasts or estimates made in the prospectus.
B.10	<b>Nature of any qualifications in the audit reports on the historical financial information:</b>	Not Applicable. There are no qualifications in the audit reports on the audited, consolidated financial statements of the Issuer and its subsidiary undertakings for the financial years ended 31 December 2014 or 31 December 2015.
B.12	<b>Selected key financial information, no material adverse change and no significant change statement:</b>	The selected key financial information regarding the Issuer set out below has been extracted without material adjustment from the audited consolidated financial statements of the Issuer for the years ended 31 December 2014 and 31 December 2015 and the Unaudited Consolidated Interim Report of the Issuer for the six month period ended 30 June 2016.

	Half-year to		Year ended	
	30 June 2016	30 June 2015	31 December 2015	31 December 2014
<b>For the period (£m)</b>				
Profit before tax (reported basis) .....	1,991	2,136	2,971	1,953
Adjusted profit before taxation <sup>1</sup> .....	1,810	2,621	4,068	4,032
Net operating income before loan impairment charges and other credit risk provisions <sup>2</sup> .....	6,737	7,052	12,870	11,886
Profit attributable to shareholders of the parent company .....	1,410	1,529	1,942	1,354
<b>At period end (£m)</b>				
Total equity attributable to shareholders of the parent company .....	40,823	34,975	37,497	36,078
Total assets .....	887,661	749,853	727,941	797,289
Risk-weighted assets .....	243,648	234,513	229,382	243,652
Loans and advances to customers (net of impairment allowances) .....	266,614	248,042	258,506	257,252
Customer accounts .....	363,651	336,964	332,830	346,507
<b>Capital ratios<sup>3</sup> (%)</b>				
Common Equity tier 1 .....	9.6	9.3	9.6	8.7
Tier 1 ratio .....	11.6	10.9	11.8	10.3
Total capital ratio .....	15.3	14.3	15.5	13.8
<b>Performance, efficiency and other ratios (annualised %)</b>				
Annualised return on average shareholders' equity <sup>4</sup> .....	7.7	9.3	5.9	4.2
Pre-tax return on average risk-weighted assets (reported basis) .....	1.7	1.7	1.2	0.8
Pre-tax return on average risk-weighted assets (adjusted basis) .....	1.5	2.1	1.7	1.7
Cost efficiency ratio <sup>5</sup> .....	65.5	59.3	64.1	64.3
Jaws (adjusted basis) <sup>6</sup> .....	(9.3)	4.2	0.3	(6.8)
Ratio of customer advances to customer accounts .....	73.3	73.6	77.7	74.2

<sup>1</sup> Adjusted performance is computed by adjusting reported results for the effect of significant items as detailed on pages 21 and 22 of the Unaudited Consolidated Interim Report of the Issuer for the six month period ended 30 June 2016.

<sup>2</sup> Net operating income before loan impairment charges and other credit risk provisions is also referred to as revenue.

<sup>3</sup> Capital ratios are based on transitional CRD IV rules (refer to page 14 of the Unaudited Consolidated Interim Report of the Issuer for the six month period ended 30 June 2016).

<sup>4</sup> The return on average total shareholders' equity is defined as profit attributable to shareholders of the parent company divided by the average total shareholders' equity, adjusted for other equity instruments.

<sup>5</sup> Adjusted cost efficiency ratio is defined as total operating expenses (adjusted) divided by net operating income before loan impairment charges and other credit risk provisions (adjusted). Net operating income before loan impairment charges and other credit risk provisions (adjusted) is also referred to as revenue (adjusted).

<sup>6</sup> Adjusted jaws measures the difference between adjusted revenue and adjusted cost growth rates.

		There has been no material adverse change in the prospects of the Issuer since 31 December 2015. There has been no significant change in the financial or trading position of the Issuer and its subsidiary undertakings since 30 June 2016.
B.13	<b>Recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency:</b>	Not Applicable. There have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of its solvency.
B.14	<b>Dependence upon other entities within the group:</b>	The Issuer is a wholly owned subsidiary of HSBC Holdings. The Issuer and its subsidiaries form a UK-based group (the "Group"). The Issuer conducts part of its business through its subsidiaries and is accordingly dependent upon those members of the Group.
B.15	<b>The Issuer's principal activities:</b>	The Group provides a comprehensive range of banking and related financial services. The Group divides its activities into four business segments: Retail Banking and Wealth Management; Commercial Banking; Global Banking and Markets; and Global Private Banking.
B.16	<b>Controlling persons:</b>	The whole of the issued ordinary and preference share capital of the Issuer is owned directly by HSBC Holdings.

B.17	<b>Credit ratings:</b>	<p>The Issuer has been assigned the following long term credit ratings: AA- by Standard &amp; Poor's Credit Market Services Europe Limited ("<b>Standard &amp; Poor's</b>"); Aa2 by Moody's Investors Service Limited ("<b>Moody's</b>"); and AA- by Fitch Ratings Limited ("<b>Fitch</b>").</p> <p>[The Notes to be issued [have [not] been] [are expected on issue to be] rated[:]:</p> <p>[Standard &amp; Poor's: [ ]]</p> <p>[Moody's: [ ]]</p> <p>[Fitch: [ ]]</p>
<b>Section C – Notes</b>		
C.1	<b>Description of type and class of securities:</b>	<p>Notes described in this Summary may be debt securities or, where the repayment terms are linked to the performance of a specified inflation index, derivative securities.</p> <p>The Notes will bear interest as follows:</p> <p><b>Fixed Rate Interest:</b> Notes may bear interest at a fixed rate (such Notes, "<b>Fixed Rate Notes</b>").</p> <p><b>Floating Rate Interest:</b> Notes may bear interest at a rate equal to the product of a floating rate and a leverage multiplier, plus a fixed percentage (such Notes, "<b>Floating Rate Notes</b>").</p> <p><b>Reverse Floating Rate Interest:</b> Notes may bear interest at a rate equal to a fixed percentage minus the product of a floating rate and a leverage multiplier (such Notes, "<b>Reverse Floating Rate Notes</b>").</p> <p><b>Digital Interest:</b> Notes may bear interest at: (i) a rate equal to a specified fixed or floating rate ("<b>Specified Rate 1</b>") if a separate specified floating rate ("<b>Specified Rate 2</b>") is above a specified strike rate (the "<b>Strike</b>"); (ii) a rate equal to a specified fixed or floating rate ("<b>Specified Rate 3</b>") if Specified Rate 2 is below the Strike; or (iii) the difference between Specified Rate 1 and Specified Rate 3 if Specified Rate 2 is equal to the Strike (such Notes, "<b>Digital Notes</b>").</p> <p><b>Spread-Linked Interest:</b> Notes may bear interest at a rate equal to the product of the difference between two floating rates and a leverage multiplier, plus a fixed percentage (such Notes, "<b>Steepener Notes</b>").</p> <p><b>Inflation-Linked Interest:</b> Notes may bear interest at a rate equal to the product of a percentage determined by reference to movements in a specified inflation index and a leverage multiplier, plus a fixed percentage (such Notes, "<b>Inflation-Linked Notes</b>").</p> <p><b>Zero Coupon:</b> Notes may not bear any interest (such Notes, "<b>Zero Coupon Notes</b>").</p> <p>Notes may apply a combination of any of the follow types of interest: Fixed Rate Interest, Floating Rate Interest, Reverse Floating Rate Interest, Digital Interest, Spread-Linked Interest and Inflation-Linked Interest.</p> <p>The type of interest (if any) payable on the Notes may be the same for all interest payment dates or may be different for different interest payment dates. The rate of interest applicable to the Notes may also be subject to a maximum or minimum percentage.</p> <p>Notes that are not Zero Coupon Notes may include an option for the Issuer, at its discretion, to switch the type of interest payable on the Notes once during the term of the Notes or an automatic interest switch may be specified as applying to the Notes in which case, the type of interest payable on the Notes will switch immediately following a specified automatic switch date.</p> <p>The amount of interest payable in respect of Notes that are not Inflation-Linked Notes or Zero Coupon Notes on an interest payment date may be subject to a range accrual factor that will vary depending on the performance of a specified floating rate during the observation period relating to that interest payment date.</p> <p>Notes may include an option for the Notes to be redeemed prior to maturity at the election of the Issuer or the investor. If Notes are not redeemed early they will redeem on the Maturity Date and the amount paid will either be a fixed redemption amount, or an amount linked to the performance of a specified inflation index.</p> <p>Notes may be cleared through a clearing system or uncleared and held in bearer or registered form. Certain cleared Notes may be in dematerialised and uncertificated book-entry form. Title to cleared Notes will be determined by the books of the relevant clearing system.</p>
<p><b>Issuance in series:</b> Notes will be issued in series ("<b>Series</b>") which may comprise one or more tranches ("<b>Tranches</b>"). Each Tranche issued under a Series will have identical terms, except that different Tranches may comprise Notes in bearer form ("<b>Bearer Notes</b>"), registered form ("<b>Registered Notes</b>") or uncertificated registered form ("<b>Uncertificated Registered Notes</b>"). The issue dates, issue prices and amount of first interest payments under different Tranches may also vary.</p> <p>The Notes are transferable obligations of the Issuer that can be bought and sold by investors in accordance with the terms and conditions set out in the Base Prospectus (the "<b>Terms and Conditions</b>"), as completed by the final terms document (the "<b>Final Terms</b>") (the Terms and Conditions as so completed, the "<b>Conditions</b>").</p> <p><b>[Interest:</b> [The Notes will not pay any interest.] [The interest payable in respect of the Notes will be determined by reference to [a combination of any of the following types of interest:] [Fixed Rate Interest, Floating Rate Interest, Reverse Floating Rate Interest, Digital Interest, Spread-Linked Interest and Inflation-Linked Interest][, <b>provided that</b> the rate of interest may be switched automatically or at the option of the Issuer to [a combination of any of the following types of interest:] [Fixed Rate Interest, Floating Rate Interest, Reverse Floating Rate Interest, Digital Interest, Spread-Linked Interest and Inflation-Linked Interest.]. [The rate of interest applicable to the Notes may also be subject to a maximum or minimum percentage.]</p> <p>[The amount of interest payable in respect of a security for an interest calculation period will be determined by multiplying the interest calculation amount of such security by the applicable interest rate and day count fraction[, and then multiplying the resultant amount by the range accrual factor for that interest calculation period.]]</p> <p><b>[Call Option:</b> The Issuer may elect to redeem all or some only of the Notes before the Maturity Date by giving not less than five and not more than 30 days' (or such other notice period as may be specified in the relevant Final Terms) prior notice to the Noteholders. [Subject to a maximum or minimum redemption amount,] [T][t]he Notes will be redeemed by payment of an amount [per [•] equal to the amount specified below under the heading "Redemption Amount (Call Option)"] [equal to the fair market value [(less any related hedging costs)] of the Notes immediately prior to the date fixed for redemption] on the relevant date specified below under the heading "Optional Redemption</p>		



<p><b>limitations to those rights:</b></p>	<p>issuance. The issue price of the Notes is [•] per cent. The calculation amount in respect of each Note is [•] (the "<b>Calculation Amount</b>").</p> <p><b>Status of the Notes:</b> The Notes will be direct, unsecured and unsubordinated obligations of the Issuer and will rank equally and without preference among themselves and, at their date of issue, with all other unsecured and unsubordinated obligations of the Issuer (unless preferred by law).</p> <p><b>Limitations to rights:</b> The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and these provisions permit defined majorities to bind all Noteholders, including all Noteholders who voted in a manner contrary to the majority. Furthermore, in certain circumstances, the Issuer may amend the terms and conditions of the Notes, without the Noteholders' consent (as further described in <i>Modification and substitution</i> below). The terms and conditions of the Notes permit the Issuer and the Calculation Agent (as the case may be), on the occurrence of certain events and in certain circumstances, without the Noteholders' consent, to make adjustments to the terms and conditions of the Notes, to redeem the Notes prior to maturity, (where applicable) to postpone valuation of the underlying asset(s) or scheduled payments under the Notes, to change the currency in which the Notes are denominated, to substitute the Issuer with another permitted entity subject to certain conditions, and to take certain other actions with regard to the Notes and the underlying asset(s) (if any).</p> <p><b>Payments at maturity:</b> The maturity date of the Notes is [ ] (the "<b>Maturity Date</b>") [subject to adjustment to account for the applicable business day convention in the relevant business centre(s)]</p> <p>The Notes will have a final redemption amount which will be [determined by reference to the [•] Index] [[•] per cent. of the Calculation Amount] [[•] per Calculation Amount] (the "<b>Final Redemption Amount</b>").</p> <p><b>Early redemption for illegality:</b> If the Calculation Agent determines that the performance of the Issuer's obligations has become unlawful or impracticable in whole or in part for any reason, the Issuer will be entitled to redeem the Notes early and pay the relevant investor an amount per Note [equal to the fair market value [(less any related hedging costs)] of such Note] [equal to a percentage of the Calculation Amount as specified in the relevant Final Terms for such Note] [calculated by reference to the "Zero Coupon Accrual Yield and Reference Price" as specified in the Final Terms (described further below)] (the "<b>Early Redemption Amount For Illegality</b>").</p> <p><b>Early redemption for taxation reasons:</b> If the Issuer were required under the terms and conditions of the Notes (the "<b>Conditions</b>") to pay additional amounts in respect of tax, the Issuer may subject to prior notice to the Noteholders, redeem all, but not some only, of such Notes and pay the relevant investor an amount per Note [equal to the fair market value [(less any related hedging costs)] of such Note] [equal to a percentage of the Calculation Amount as specified in the relevant Final Terms for such Note] [calculated by reference to the "Zero Coupon Accrual Yield and Reference Price" as specified in the Final Terms (described further below)] (the "<b>Early Redemption Amount For Taxation Reasons</b>").</p> <p><b>Modification and substitution:</b> Modifications to the Conditions may be made without the consent of any Noteholders provided that: (i) the modification is not materially prejudicial to the interest of Noteholders; (ii) the modification is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of the law of the Issuer's jurisdiction of incorporation; or (iii) the modification corrects inconsistency between the Final Terms and the relevant termsheet relating to the Notes. The Notes permit the substitution of the Issuer with a subsidiary or holding company of the Issuer or any subsidiary of such holding company without the consent of any Noteholders where the Issuer provides an irrevocable guarantee of such substitute party's obligations.</p> <p><b>Events of default:</b> The following events constitute events of default (each, an "<b>Event of Default</b>") under the Notes and would entitle the Noteholder to accelerate the Notes: (i) a continuing default in the repayment of any principal or interest due on the Notes for more than 14 days, <b>provided that</b> the reason for non-payment is not compliance with any fiscal or other law or regulation or court order, or that there is doubt as to the validity of such law, regulation or order in accordance with independent legal advice from advisers which is acceptable to HSBC Bank plc, acting in its capacity as principal paying agent (the "<b>Principal Paying Agent</b>"); or (ii) the passing of a winding-up order in relation to the Issuer. On an Event of Default the Notes will be redeemed against payment of an amount per Note [equal to the fair market value [(less any related hedging costs)] of such Note] [equal to a percentage of the Calculation Amount as specified in the relevant Final Terms for such Note] [calculated by reference to the "Zero Coupon Accrual Yield and Reference Price" as specified in the Final Terms (described further below)].</p> <p><b>Meetings of Noteholders:</b> The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.</p> <p><b>No guarantee or security:</b> The Notes are the obligations of the Issuer only and are unsecured.</p> <p><b>Taxation:</b> All payments by the Issuer of principal and interest in respect of the Notes will be made without deduction of any United Kingdom taxes unless the Issuer is required by law to withhold or deduct any such taxes. Therefore, Noteholders will be liable for and/or subject to any taxes, including withholding tax, stamp duty, stamp duty reserve tax and/or similar transfer taxes, payable in respect of the Notes.</p> <p><b>Governing Law:</b> English law.</p>
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<p>C.9</p>	<p><b>The rights attaching to the securities, the nominal interest rate, the date from which interest becomes payable and due dates for interest, where the rate is not fixed a description of the underlying on which it is based, maturity date and arrangements for amortisation of the loan including repayment procedures, an indication of yield and the name of the representative of debt security holders:</b></p>	<p><b>Interest:</b></p> <p>In respect of each interest calculation period, Notes may or may not bear interest. For each interest calculation period in respect of which the Notes bear interest, interest will accrue at a rate determined in accordance with one or more of the following types of interest: Fixed Rate Interest, Floating Rate Interest, Reverse Floating Rate Interest, Digital Interest, Spread-Linked Interest and Inflation-Linked Interest.</p> <p>The rate of interest applicable to the Notes may be subject to a maximum or minimum percentage.</p> <p>Notes that are not Zero Coupon Notes may include an option for the Issuer, at its discretion, to switch the type of interest payable on the Notes once during the term of such Notes (the "<b>Switch Option</b>") or an automatic interest switch may be specified as applying to Notes that are not Zero Coupon Notes such that the type of interest payable on the Notes will switch immediately following a specified automatic switch date ("<b>Automatic Switch Date</b>").</p> <p>The amount of interest payable in respect of Notes that are not Inflation-Linked Notes or Zero Coupon Notes on an interest payment date may also be subject to a range accrual factor that will vary depending on the performance of a specified floating rate, as described in 'Range Accrual Factor' below (the "<b>Range Accrual Factor</b>").</p> <p><b>Redemption at Maturity:</b></p> <p>Unless previously redeemed or purchased or cancelled, each Note will be redeemed by the Issuer in the Settlement Currency on the Maturity Date at an amount equal to its par value, a percentage of its par value, or determined by reference to a specified inflation index.</p>								
		<p><i>Early redemption for an Event of Default:</i></p> <p>The following events constitute Events of Default under the Notes and would entitle the Noteholder to accelerate the Notes: (i) a continuing default in the repayment of any principal or interest due on the Notes for more than 14 days, provided that the reason for non-payment is neither due to compliance with any fiscal or other law or regulation or court order nor due to doubt as to the validity of such law, regulation or order in accordance with independent legal advice from advisers which is acceptable to the Principal Paying Agent; or (ii) the passing of a winding-up order in relation to the Issuer. On an Event of Default the Notes will be redeemed against payment of an amount per Note [equal to the fair market value [(less any related hedging costs)] of such Note] [equal to a percentage of the Calculation Amount as specified in the relevant Final Terms for such Note] [calculated by reference to the "Zero Coupon Accrual Yield and Reference Price" as specified in the Final Terms (described further below)].</p> <p><i>[Issuer's optional redemption (Call Option):</i></p> <p>The Issuer may elect to redeem all or some only of the Notes before the Maturity Date by giving not less than five and not more than 30 days' (or such other notice period as may be specified in the relevant Final Terms) prior notice to the Noteholders ("<b>Call Option</b>"). [Subject to a maximum or minimum redemption amount,] [T][t]he Notes will be redeemed by payment of an amount [per [•] equal to the amount specified below under the heading "Redemption Amount (Call Option)"] [equal to the fair market value [(less any related hedging costs)] of the Notes immediately prior to the date fixed for redemption] on the relevant date specified below under the heading "Optional Redemption Date (Call Option)" (the "<b>Optional Redemption Date</b>") together with interest accrued but unpaid thereon to the Optional Redemption Date.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"><b>Optional Redemption Date (Call Option)</b></td> <td style="width: 50%;"><b>Redemption Amount (Call Option):</b></td> </tr> <tr> <td>[•]</td> <td>[•]</td> </tr> </table> <p>If the option to redeem the Notes is not exercised by the Issuer then the Notes will be redeemed on the Maturity Date.]</p> <p><i>[Noteholder's optional redemption (Put Option):</i></p> <p>A Noteholder may elect to redeem a Note before the Maturity Date by giving not less than 15 and not more than 30 days' prior notice to the Issuer ("<b>Put Option</b>"). [Subject to a maximum or minimum redemption amount,] [[T][t]he Notes will be redeemed by payment of an amount [per [•] equal to the amount specified below under the heading "Redemption Amount (Put Option)"] [equal to the fair market value [(less any related hedging costs)] of the Notes immediately prior to the date fixed for redemption] on the relevant date specified below under the heading "Optional Redemption Date (Put Option)" (the "Optional Redemption Date") together with interest accrued but unpaid thereon to the Optional Redemption Date.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"><b>Optional Redemption Date (Put Option)</b></td> <td style="width: 50%;"><b>Redemption Amount (Put Option):</b></td> </tr> <tr> <td>[•]</td> <td>[•]</td> </tr> </table> <p>If the option to redeem a Note is not exercised by the Noteholder then the Note will be redeemed on the Maturity Date.]</p>	<b>Optional Redemption Date (Call Option)</b>	<b>Redemption Amount (Call Option):</b>	[•]	[•]	<b>Optional Redemption Date (Put Option)</b>	<b>Redemption Amount (Put Option):</b>	[•]	[•]
<b>Optional Redemption Date (Call Option)</b>	<b>Redemption Amount (Call Option):</b>									
[•]	[•]									
<b>Optional Redemption Date (Put Option)</b>	<b>Redemption Amount (Put Option):</b>									
[•]	[•]									



*Early redemption for illegality:*

If the Calculation Agent determines that the performance of the Issuer's obligations has become unlawful or impracticable in whole or in part for any reason, the Issuer will be entitled to redeem the Notes early and pay the relevant investor the applicable Early Redemption Amount For Illegality (as defined above).

*Early redemption for taxation reasons:*

If the Issuer were required under the Conditions to pay additional amounts in respect of tax, the Issuer may subject to prior notice to the Noteholders, redeem all, but not some only, of such Notes and pay the relevant investor the applicable Early Redemption Amount For Taxation Reasons (as defined above).

*[Early redemption of Zero Coupon Notes:*

If a Zero Coupon Note is redeemed prior to the Maturity Date and "**Zero Coupon Accrual Yield and Reference Price**" is specified as the "Early Redemption Amount" in the relevant Final Terms, the Early Redemption Amount in respect of such Note shall be the sum of (1) [ ] (the "**Zero Coupon Note Reference Price**") and (2) the product of a specified percentage (compounded annually) applied to the Zero Coupon Note Reference Price from (and including) the Issue Date to (but excluding) the date upon which the Notes become due and payable, subject to [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [Actual/Actual (ICMA)] [30E/360] [30E/360 (ISDA)] (the "**Day Count Fraction**").

**[Conversion:**

[Any relevant amount payable in respect of the Notes shall be converted into the Settlement Currency by using the relevant conversion rate as specified in the relevant Final Terms.]

**[Yield:**

The yield of the Notes will be calculated on the Issue Date with reference to the Issue Price. Each such calculation of the yield of the Notes will not be an indication of future yield.

The yield of the Notes is [ ].]

**Representative of the Noteholders:** Not Applicable. There is no representative appointed to act on behalf of the Noteholders.

**[INTEREST**

*[Fixed Rate Interest.* [Each] [If the Switch Option is exercised, each] [Immediately following an Automatic Switch Date, each] [During the life of the Notes until the Automatic Switch Date, each] [During the life of the Notes or, if the Switch Option is exercised, until the Switch Date following exercise of the Switch Option, each] [For the period from and including [the Issue Date/the interest payment date falling in [•]] to but excluding the interest payment date falling in [•], each] Note will bear interest [(subject to the application of the Range Accrual Factor as described below)] [from [•] [the interest calculation period beginning on the Automatic Switch Date] [the interest calculation period beginning on the interest payment date falling immediately after the date on which a Switch Option is exercised]] at [a rate of [•]%] [the rate specified below under the heading 'Fixed Rate(%)'] per annum [plus the Add on Interest Rate (as defined below)] payable at the end of each interest calculation period on [[•] in each year] [each date specified below under the heading 'Interest Payment Date(s)'] [falling after the [Automatic] Switch Date] (each, an "**Interest Payment Date**").

**[Interest Payment Date:]** \_\_\_\_\_ **[Fixed Rate(%):]** \_\_\_\_\_

[•] [[•] business days after each interest determination date]..... [•]

*[Floating Rate Interest.* [Each] [If the Switch Option is exercised, each] [Immediately following an Automatic Switch Date, each] [During the life of the Notes until the Automatic Switch Date, each] [During the life of the Notes or, if the Switch Option is exercised, until the Switch Date following exercise of the Switch Option, each] [For the period from and including [the Issue Date/the interest payment date falling in [•]] to but excluding the interest payment date falling in [•], each] Note will bear interest [from [•] [the interest calculation period beginning on the Automatic Switch Date] [the interest calculation period beginning on the interest payment date falling immediately after the date on which a Switch Option is exercised]] and will pay an amount of interest [(subject to the application of the Range Accrual Factor as described below)] linked to the Floating Rate (as defined below) [plus the Add on Interest Rate (as defined below)] at the end of each interest calculation period on [[•] in each year] [each date specified below under the heading 'Interest Payment Date(s)'] [falling after the [Automatic] Switch Date] (each, an "**Interest Payment Date**").

The applicable rate of interest ("**Rate of Interest**") will be [equal to the Floating Rate] [calculated by multiplying the Floating Rate by [the number set out under the heading 'Leverage' below] [•]] [and then adding [the relevant percentage specified below under the heading 'Spread(%)' below] [[•]%] [, **provided that** such rate shall not be [greater than [•]%] [or] [less than [[•]% [zero].]

**[Interest Payment Date(s):]** \_\_\_\_\_ **[Leverage:]** \_\_\_\_\_ **[Spread (%):]** \_\_\_\_\_

[•] ..... [•] [•]

*[Reverse Floating Rate Interest.* [Each] [If the Switch Option is exercised, each] [Immediately following an Automatic Switch Date, each] [During the life of the Notes until the Automatic Switch Date, each] [During the life of the Notes or, if the Switch Option is exercised, until the Switch Date following exercise of the Switch Option, each] [For the period from and including [the Issue Date/the interest payment date falling in [•]] to but excluding the interest payment date falling in [•], each] Note will bear interest [from [•] [the interest calculation period beginning on the Automatic Switch Date] [the interest calculation period beginning on the interest payment date falling immediately after the date on which a Switch Option is exercised]] and will pay an amount of interest [(subject to the application of the Range Accrual Factor as described below)] linked to the Floating Rate (as defined below) at the end of each interest calculation period on [[•] in each year] [each date specified below under the heading 'Interest Payment Date(s)'] [falling after the [Automatic] Switch Date] (each, an "**Interest Payment Date**").

The applicable rate of interest ("**Rate of Interest**") will be [calculated by multiplying the Floating Rate by [the number set out under the heading 'Leverage' below] [•] [and then deducting such rate from [the relevant percentage specified below under the heading 'Spread(%)' below] [[•]%, [ **provided that** such rate shall not be [greater than [•]%, [or] [less than [[•]%, [zero]].]

[Interest Payment Date(s):]	[Leverage:]	[Spread (%):]
[•] .....	[•]	[•]

["**Floating Rate**"] means [the CMS Reference Rate (as defined below)] [the RMS Reference Rate (as defined below)] [the quotation for [•] [month/year] [•] that appears on [Bloomberg Screen [•]] [Reuters Screen [•] Page] at [•] [a.m.] [p.m.] [•] time on the date for determining the floating rate]/[the arithmetic mean of the quotations for [•] [month/year] [•] that appears on [Bloomberg Screen [•]] [Reuters Page [•] at [•] [a.m.] [p.m.] [•] time on the date for determining the floating rate] [the "Floating Rate" rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions and under which (i) the "Floating Rate Option" is [•], (ii) the "Designated Maturity" is [•]; and the relevant "Reset Date" is [the first day of that Interest Period] [•]].

["**Add on Interest Rate**"] means [[•]%, per annum] [the sum of (i) the Add on Spread (being [•]), and (ii) the product of [insert Add On Leverage] and [[the CMS Reference Rate (as defined below)] [the RMS Reference Rate (as defined below)] [the quotation for [•] [month/year] [•] that appears on [Bloomberg Screen [•]] [Reuters Screen [•] Page] at [•] [a.m.] [p.m.] [•] time on the date for determining the floating rate]/[the arithmetic mean of the quotations for [•] [month/year] [•] that appears on [Bloomberg Screen [•]] [Reuters Page [•] at [•] [a.m.] [p.m.] [•] time on the date for determining the floating rate] [the "Floating Rate" rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions and under which (i) the "Floating Rate Option" is [•], (ii) the "Designated Maturity" is [•]; and the relevant "Reset Date" is [the first day of that Interest Period] [•] [ **provided that** such rate shall not be [greater than [•]%, [or] [less than [[•]%, [zero]].]

[Inflation-Linked Interest. [Each] [If the Switch Option is exercised, each] [Immediately following an Automatic Switch Date, each] [During the life of the Notes until the Automatic Switch Date, each] [During the life of the Notes or, if the Switch Option is exercised, until the Switch Date following exercise of the Switch Option, each] [For the period from and including [the Issue Date/the interest payment date falling in [•]] to but excluding the interest payment date falling in [•], each] Note will bear interest from [•] at the rate equal to the level of the [•] Index, [•], ([Bloomberg Screen] [Reuters Screen Page] "[•]") (the "**Inflation Index**") for the [[•] [nd/th/rd/st] month prior to the relevant interest payment date divided by the level of the Inflation Index for [•]] [the [•] [nd/th/rd/st] month prior to the relevant interest payment date][the initial reference month corresponding to the interest payment date as specified below], [subtracting 1] and expressing the resulting figure as a percentage,] [multiplied by [[•] [the number corresponding to the relevant interest payment date, as specified below under the heading 'Fixed Percentage' below]] [and then [adding [•]%, [the relevant percentage specified below under the heading 'Spread(%)' below]]], which interest shall be payable at the end of each interest calculation period on [•] in each year] [each date specified below under the heading 'Interest Payment Date(s)'] (each, an "**Interest Payment Date**")][falling after the [Automatic] Switch Date][, **provided that** such rate shall not be [greater than [[•]%, [or] [less than [[•]%, [zero]].]

[Interest Payment Date(s):]	[Initial Reference Month:]	[Fixed Percentage (%):]	[Spread (%):]
[•] .....	[•]	[•]	[•]

[**Digital Interest**. [Each] [If the Switch Option is exercised, each] [Immediately following an Automatic Switch Date, each] [During the life of the Notes until the Automatic Switch Date, each] [During the life of the Notes or, if the Switch Option is exercised, until the Switch Date following exercise of the Switch Option, each] [For the period from and including [the Issue Date/the interest payment date falling in [•]] to but excluding the interest payment date falling in [•], each] Note will bear interest [from [•] [the interest calculation period beginning on the Automatic Switch Date] [the interest calculation period beginning on the interest payment date falling immediately after the date on which a Switch Option is exercised]] payable on each date specified below under the heading 'Interest Payment Date(s)' [falling after the [Automatic] Switch Date] (each, an "**Interest Payment Date**") at (i) a rate equal to the sum of (X) [Digital Rate 1 Spread (being [•])[the percentage rate specified below under the heading 'Digital Rate 1 Spread']] and (Y) the product of [the rate specified below under the heading 'Digital Rate 1'] [the Digital Rate 1 (as defined below) determined for the relevant interest payment date] and ['Digital Leverage 1' ([being [•])[the number specified below under the heading 'Digital Leverage 1']]) (such sum, the "**Leveraged Rate 1**"), if the Digital Reference Rate on the relevant date of determination is less than the rate specified below under the heading 'Strike', or (ii) a rate equal to the sum of (X) [Digital Rate 2 Spread (being [•])[the percentage rate specified below under the heading 'Digital Rate 2 Spread']] and (Y) the product of [the rate specified below under the heading 'Digital Rate 2'] [the Digital Rate 2 (as defined below) determined for the relevant interest payment date] and ['Digital Leverage 2' ([being [•])[the number specified below under the heading 'Digital Leverage 2']]) (such sum, the "**Leveraged Rate 2**"), if the Digital Reference Rate on the relevant date of determination is greater than the rate specified below under the heading 'Strike', or (iii) the greater of Leveraged Rate 1 and Leveraged Rate 2, if the Digital Reference Rate on the relevant date of determination is equal to the rate specified below under the heading 'Strike', [(subject to the application of the Range Accrual Factor as described below)][, **provided that** such rate shall not be [greater than [[•]%, [or] [less than [[•]%, [zero]].]

[Interest Payment Date(s):]	[Digital Rate 1 (%):]	[Digital Rate 2 (%):]	[Strike (%):]	[Digital Leverage 1]	[Digital Leverage 2]	[Digital Rate 1 Spread]	[Digital Rate 2 Spread]
[•] .....	[•]	[•]	[•]	[•]	[•]	[•]	[•]

["**Digital Rate 1**"] means [the CMS Reference Rate (as defined below)] [the RMS Reference Rate (as defined below)] [the quotation for [•] [month/year] [•] that appears on [Bloomberg Screen] [Reuters Screen Page] [•] at [•] [a.m.] [p.m.] on the date for determining the floating rate]/[the arithmetic mean of the quotations for [•] [month/year] [•] that appears on [Bloomberg Screen] [Reuters Page] [•] at [•] [a.m.] [p.m.] on the date for determining the floating rate] [the "Floating Rate" rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions and under which (i) the "Floating Rate Option" is [•], (ii) the "Designated Maturity" is [•]; and the relevant "Reset Date" is [the first day of that Interest Period] [•]].

["**Digital Rate 2**" means the [CMS Reference Rate (as defined below)] [the RMS Reference Rate (as defined below)] [the quotation for [•] [month/year] [•] that appears on [Bloomberg Screen] [Reuters Screen Page] [•] at [•] [a.m.] [p.m.] on the date for determining the floating rate]/[the arithmetic mean of the quotations for [•] [month/year] [•] that appears on [Bloomberg Screen] [Reuters Page] [•] at [•] [a.m.] [p.m.] on the date for determining the floating rate] [the "Floating Rate" rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions and under which (i) the "Floating Rate Option" is [•], (ii) the "Designated Maturity" is [•]; and the relevant "Reset Date" is [the first day of that Interest Period] [•].]

["**Digital Reference Rate**" means [the CMS Reference Rate (as defined below)] [the RMS Reference Rate (as defined below)] [the quotation for [•] [month/year] [•] that appears on [Bloomberg Screen [•]] [Reuters Screen [•] Page] at [•] [a.m.] [p.m.] [•] time on the date for determining the floating rate]/[the arithmetic mean of the quotations for [•] [month/year] [•] that appears on [Bloomberg Screen [•]] [Reuters Page [•] at [•] [a.m.] [p.m.] [•] time on the date for determining the floating rate.]

[*Spread-Linked Interest.* [Each] [If the Switch Option is exercised, each] [Immediately following an Automatic Switch Date, each] [During the life of the Notes until the Automatic Switch Date, each] [During the life of the Notes or, if the Switch Option is exercised, until the Switch Date following exercise of the Switch Option, each] [For the period from and including [the Issue Date/the interest payment date falling in [•]] to but excluding the interest payment date falling in [•], each] Note will bear interest [from [•] [the interest calculation period beginning on the Automatic Switch Date] [the interest calculation period beginning on the interest payment date falling immediately after the date on which a Switch Option is exercised]] and will pay an amount of interest [(subject to the application of the Range Accrual Factor as described below)] based on the Rate of Interest (as defined below) at the end of each interest calculation period on [[•] in each year] [each date specified below under the heading 'Interest Payment Date(s)'] [falling after the [Automatic] Switch Date] (each, an "**Interest Payment Date**").

The applicable rate of interest ("**Rate of Interest**") will be [equal to Spread-Linked Rate 1 minus Spread-Linked Rate 2] [multiplied by the number set out under the heading 'Leverage' below] [and then adding the relevant percentage specified below under the heading 'Spread(%)' below / [•]%] [, **provided that** such rate shall not be [greater than [•]%] [or] [less than [[•]% [zero]]] [(subject to the application of the Range Accrual Factor as described below)].

"**Spread Linked Rate 1**" means [the CMS Reference Rate 1 (as defined below)] [the RMS Reference Rate (as defined below)] [the quotation for [•] [month/year] [•] that appears on [Bloomberg Screen] [Reuters Screen Page] [•] at [•] [a.m.] [p.m.] [•] time on the date for determining the floating rate]/[the arithmetic mean of the quotations for [•] [month/year] [•] that appears on [Bloomberg Screen] [Reuters Page] [•] at [•] [a.m.] [p.m.] [•] time on the date for determining the floating rate].

"**Spread Linked Rate 2**" means [the CMS Reference Rate 2 (as defined below)] [the RMS Reference Rate (as defined below)] [the quotation for [•] [month/year] [•] that appears on [Bloomberg Screen] [Reuters Screen Page] [•] at [•] [a.m.] [p.m.] [•] time on the date for determining the floating rate]/[the arithmetic mean of the quotations for [•] [month/year] [•] that appears on [Bloomberg Screen] [Reuters Page] [•] at [•] [a.m.] [p.m.] [•] time on the date for determining the floating rate].

<b>Interest Payment Date(s):</b>	<b>Leverage:</b>	<b>Spread (%):</b>
[•] .....	[•]	[•]

["**CMS Reference Rate**" means the [swap rate/annual swap rate/semi-annual swap rate/quarterly swap rate/quarterly-annual swap rate/quarterly-quarterly swap rate] for swap transactions in [•] (the Relevant Currency) with a maturity of [•] (the Designated Maturity) which appears on [•] (the Relevant Screen Page) as at [•] (the Relevant Time) on [•] (the Interest Determination Date).]

["**RMS Reference Rate**" means the [swap rate/annual swap rate/semi-annual swap rate/quarterly swap rate/quarterly-annual swap rate/quarterly-quarterly swap rate] for swap transactions in [•] (the Relevant Currency) with a maturity as specified below under the heading 'Residual Designated Maturity' (the Residual Designated Maturity) which appears on [•] (the Relevant Screen Page) as at [•] (the Relevant Time) on [•] (the Interest Determination Date).]

<b>Interest Payment Date:</b>	<b>Residual Designated Maturity:</b>
[•]	[•]

[*Range Accrual Factor.* The amount of interest payable in respect of [each interest calculation period [prior to/following the [Automatic] Switch Date]] [the following interest period[s]: [•]] will be determined in accordance with [Fixed Rate Interest] [Floating Rate Interest] [Reverse Floating Rate Interest] [Spread-Linked Interest][Digital Interest] above, and then multiplying the resultant amount by the Range Accrual Factor for that interest calculation period.

[The "**Range Accrual Factor**" with respect to any interest calculation period will be the fraction equal to the number of observation dates in the observation period on which the 'Accrual Condition' has been satisfied divided by the total number of observation dates in the observation period.

The 'Accrual Condition' will be satisfied on any observation date in the relevant observation period on which the Range Accrual Floating Rate on such observation date is [greater than or equal to [Lower Barrier]] [and] [less than or equal to [Upper Barrier]]]

The Range Accrual Floating Rate for each observation date during the observation period relating to the relevant interest payment date will be [the quotation for [•] [month/year] [•] that appears on [Bloomberg Screen] [Reuters Screen Page] [•] at [•] [a.m.] [p.m.] [•] time on the date for determining the floating rate]/[the arithmetic mean of the quotations for [•] [month/year] [•] that appears on [Bloomberg Screen] [Reuters Page] [•] at [•] [a.m.] [p.m.] [•] time on the date for determining the floating rate]. The Range Accrual Floating Rate from the [5th][•] Business Day prior to the end of the Observation Period (the "**Observation Period Cut-off Date**") will be deemed to be the Range Accrual Floating Rate on the Business Day prior to the Observation Period Cut-off Date.

		<p>["Switch Option"]["Automatic Switch"]. [The Issuer may at its option, elect to switch the type of interest payable in respect of the Notes by giving a minimum of [•] business days' notice to Noteholders (the "Switch Option"). [Upon exercise of the Switch Option] [From and including the interest calculation period beginning on the automatic switch date specified in the relevant Final Terms (the "Automatic Switch Date")][the type of interest payable in respect of the Notes shall switch] from [a combination of] [Fixed Rate Interest] [Floating Rate Interest] [Reverse Floating Rate Interest] [Digital Interest] [Inflation-Linked Interest] [Spread-Linked Interest] [subject to the Range Accrual Factor] to [a combination of] [Fixed Rate Interest] [Floating Rate Interest] [Reverse Floating Rate Interest] [Digital Interest] [Inflation-Linked Interest] [Spread-Linked Interest] [subject to the Range Accrual Factor].</p> <p>[If the Switch Option is not exercised by the Issuer, the Notes will continue to bear interest as described by [the first combination of] [Fixed Rate Interest] [Floating Rate Interest] [Reverse Floating Rate Interest] [Digital Interest] [Inflation-Linked Interest] [Spread-Linked Interest] [and the relevant Range Accrual Factor(s)] above.]]</p> <p><b>[Zero Coupon.</b> [Each Note will not bear any amount of interest] [unless any principal becomes overdue (in which case the rate of interest shall be equal to [•]).]]</p> <p>[The amount of interest payable in respect of a Note for each interest calculation period shall be an amount equal to the product of the applicable rate of interest specified above, the Calculation Amount and the relevant Day Count Fraction [multiplied by the Range Accrual Factor for that interest calculation period]].</p> <p>[All amounts of interest payable in respect of the Notes will be paid in [GBP] [EUR] [USD] [•], with such payments being converted from [GBP] [EUR] [USD] [•] into [GBP] [EUR] [USD] [•] at [•] as [determined][observed] by the Calculation Agent.]</p> <p><b>FINAL REDEMPTION</b></p> <p>The Notes are scheduled to be redeemed on [•] by payment by the Issuer of an amount in [GBP] [EUR] [USD] [•] equal to [[•] per Calculation Amount] [•] [multiplied by [[•]%][whichever is greater of (i) the level determined by dividing the level of the [Inflation Index]/[•] Index, [•], ([Bloomberg Screen [•] [Reuters Screen [•] Page] "[•]") (the "Inflation Index")) for [•] by the level of the Inflation Index for [•] and (ii) [•]%].</p> <p>[The amount payable on redemption of the Notes will be paid in [GBP] [EUR] [USD] [•], with such payment being converted from [GBP] [EUR] [USD] [•] into [GBP] [EUR] [USD] [•] at [•] as [determined][observed] by the Calculation Agent.]</p>								
C.10	<p><b>Derivative component in the interest payment:</b></p>	<p>[[Each] [If the Switch Option is exercised, each] [Immediately following an Automatic Switch Date, each] [During the life of the Notes until the Automatic Switch Date, each] [During the life of the Notes or, if the Switch Option is exercised, until the Switch Date following exercise of the Switch Option, each] [For the period from and including [the Issue Date/the interest payment date falling in [•]] to but excluding the interest payment date falling in [•], each] Note will bear interest from [•] at the rate equal to the level of the [•] Index, [•], ([Bloomberg Screen] [Reuters Screen Page] "[•]") (the "Inflation Index") for the [[•] [nd/th/rd/st] month prior to the relevant interest payment date divided by the level of the Inflation Index for [•]] [the [•][nd/th/rd/st] month prior to the relevant interest payment date][the [•]'Initial Reference Month' corresponding to the interest payment date, as specified below], [subtracting 1] and expressing the resulting figure as a percentage.] [multiplied by [[•] [the number corresponding to the relevant interest payment date, as specified below under the heading 'Fixed Percentage' below]] [and then adding [•]% [the relevant percentage specified below under the heading 'Spread(%)' below]], which interest shall be payable at the end of each interest calculation period on [[•] in each year] [each date specified below under the heading 'Interest Payment Date(s)'] [falling after the [Automatic] Switch Date] (each, an "Interest Payment Date").] [, provided that such rate shall not be [greater than [[•]%] [or] [less than [[•]%].</p> <table border="1" data-bbox="304 1232 1527 1332"> <thead> <tr> <th data-bbox="304 1232 638 1288">[Interest Payment Date(s):]</th> <th data-bbox="638 1232 861 1288">[Fixed Percentage (%)]:</th> <th data-bbox="861 1232 1085 1288">[Spread (%):]</th> <th data-bbox="1085 1232 1527 1288">[Initial Reference Month]</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 1288 638 1332">[•] .....</td> <td data-bbox="638 1288 861 1332">[•]</td> <td data-bbox="861 1288 1085 1332">[•]</td> <td data-bbox="1085 1288 1527 1332">[•]</td> </tr> </tbody> </table> <p>[A decrease in the level of the Inflation Index will reduce the amount of interest payable on the Notes.]</p> <p>[Not applicable[, there is no derivative component in the interest payment] [, the Notes do not pay interest].]</p>	[Interest Payment Date(s):]	[Fixed Percentage (%)]:	[Spread (%):]	[Initial Reference Month]	[•] .....	[•]	[•]	[•]
[Interest Payment Date(s):]	[Fixed Percentage (%)]:	[Spread (%):]	[Initial Reference Month]							
[•] .....	[•]	[•]	[•]							
C.11	<p><b>Listing and trading:</b></p>	<p>[Application [has been] [will be] made to admit the Notes to [the Official List of the United Kingdom Financial Conduct Authority and to trading on the regulated market of the London Stock Exchange plc.] [and] [the official list of Borsa Italiana S.p.A. and to trading on the Electronic Bond Market, being the regulated market of the Borsa Italiana S.p.A. ("MOT")]] [Not Applicable. The Notes will not be admitted to trading on any regulated market.]</p>								
C.15	<p><b>Description of how the value of the investment is affected by the value of the underlying instrument:</b></p>	<p>[The return on, and value of, Notes that are derivative securities will be linked to the performance of a specified inflation index. Any interest payments will be calculated by reference to any movements in the specified inflation index.</p> <p>A decrease in the level of the Inflation Index will reduce the amount of interest payable on the Notes. [The amount of interest for a given period is however subject to a [maximum rate of [•]] [and a] [minimum rate of [•]].]</p> <p>[Payments of principal are subject to adjustment by reference to movements in the Inflation Index. A decrease in the level of the Inflation Index will reduce the redemption amount payable on the Notes.]</p> <p>[Not applicable: the Notes are not derivative securities]</p>								
C.18	<p><b>Description of how the return on derivative securities takes place:</b></p>	<p>The value of the underlying asset to which Notes that are derivative securities are linked will affect the interest paid and/or the amount paid on the Maturity Date. Interest and any redemption amount payable will be paid in cash.</p> <p>[Not applicable: the Notes are not derivative securities.]</p> <p>[[Each] [If the Switch Option is exercised, each] [Immediately following an Automatic Switch Date, each] [During the life of the Notes until the Automatic Switch Date, each] [During the life of the Notes or, if the Switch Option is exercised, until the Switch Date following exercise of the Switch Option, each] [For the period from and including [the Issue Date/the interest payment date falling in [•]] to but excluding the interest payment date falling in [•], each] Note will bear interest from [•] at the rate equal to the level of the [•] Index, [•], ([Bloomberg Screen] [Reuters Screen Page] "[•]") (the "Inflation Index") for the [[•] [nd/th/rd/st] month prior to the relevant interest payment date divided by the level of the Inflation Index for [•]] [the [•][nd/th/rd/st] month prior to the relevant interest payment date][the</p>								

		<p>[•][Initial Reference Month' corresponding to the interest payment date, as specified below], [subtracting 1] and expressing the resulting figure as a percentage,] [multiplied by [[•] [the number corresponding to the relevant interest payment date, as specified below under the heading 'Fixed Percentage' below]] [and then adding [•]%] [the relevant percentage specified below under the heading 'Spread(%)' below]], which interest shall be payable at the end of each interest calculation period on [[•] in each year] [each date specified below under the heading 'Interest Payment Date(s)'] [falling after the [Automatic] Switch Date] (each, an "Interest Payment Date").] [, provided that such rate shall not be [greater than [[•]%] [or] [less than [[•]%].</p> <table border="1"> <thead> <tr> <th>[Interest Payment Date(s):]</th> <th>[Fixed Percentage (%)]:</th> <th>[Spread (%):]</th> <th>Initial Reference Month</th> </tr> </thead> <tbody> <tr> <td>[•] .....</td> <td>[•]</td> <td>[•]</td> <td></td> </tr> </tbody> </table> <p>[A decrease in the level of the Inflation Index will reduce the amount of interest payable on the Notes.]</p> <p>[Payments of principal are subject to adjustment by reference to movements in the Inflation Index. Subject to any early redemption of the Notes, the Notes will be redeemed on the Maturity Date by payment by the Issuer of an amount in [GBP] [EUR] [USD] [•] equal to [•] multiplied by [[•]%]/[whichever is greater of (i) the level determined by dividing the level of the [Inflation Index]/[•] Index, [•], ([Bloomberg Screen [•]] [Reuters Screen [•] Page] "[•]") [(the "Inflation Index") for [•] by the level of the Inflation Index for [•] and (ii) [•]%].]</p>	[Interest Payment Date(s):]	[Fixed Percentage (%)]:	[Spread (%):]	Initial Reference Month	[•] .....	[•]	[•]	
[Interest Payment Date(s):]	[Fixed Percentage (%)]:	[Spread (%):]	Initial Reference Month							
[•] .....	[•]	[•]								
C.19	<b>Exercise price or final reference price of the underlying:</b>	<p>[The final level of any specified inflation index to which Notes that are derivative securities are linked will be the level for a given month that is published on [a designated page on Reuters Monitor Money Rates Service (at www.reuters.com) or Bloomberg© (at www.Bloomberg.com) by the sponsor of the Inflation Index][•]. Details of the reference month and designated page will be provided in the Final Terms.]</p> <p>[The amount payable in respect of the Notes will be calculated by looking at the level of the Inflation Index at [•] on [Bloomberg Screen [•]] [Reuters Screen [•] Page] as determined by the Calculation Agent.] [Not applicable: the Notes are not derivative securities.]</p>								
C.20	<b>Type of the underlying:</b>	<p>[The return on, and value of, Notes will be linked to the performance of a specified index.]</p> <p><b>[The underlying asset is the Inflation Index. Information on the Inflation Index, including the level for a particular month, can be found on [Bloomberg Screen [•]] [Reuters Screen [•] Page] [•] [and at www.[•].]]</b></p> <p>[Not applicable: the Notes are not derivative securities.]</p>								
C.21	<b>Indication of the market where the securities will be traded and for which the prospectus has been published:</b>	<p>[Application [has been] [will be] made for the Notes to be admitted to trading on [the regulated market of the London Stock Exchange plc.][and][the Electronic Bond Market, being the regulated market of the Borsa Italiana S.p.A.]] [Not Applicable. The Notes will not be admitted to trading on any regulated market.]</p>								
<b>Section D – Risks</b>										
D.2	<b>Key risks specific to the issuer:</b>	<p><i>A description of the key factors relating to the Issuer that may affect the ability of the Issuer to fulfil its obligations to investors in relation to any of its debt or derivative securities is set out below.</i></p> <p><b><i>Current economic and market conditions could materially adversely affect the Issuer:</i></b> The Issuer's earnings are affected by global and local economic and market conditions. Economic growth in emerging markets remained weak in 2015, with a number of headwinds adversely affecting both developed and emerging markets. Oil and gas prices continued to fall sharply in 2015 and in early 2016 Global trade has been subdued, particularly for lower value transactions throughout 2015, which combined with increased capital and regulatory pressures, has caused many institutions to have a greater focus on core activities, which may exclude trade finance particularly in those countries with limited access to international markets. The slowdown of the mainland Chinese economy dampened global trade and caused volatility in currency and global stock markets. Uncertainties remain concerning the outlook and future economic environment and there can be no assurance that the global economy as a whole will improve significantly or at all.</p> <p><b><i>The Issuer may suffer adverse effects as a result of the interaction between market perceptions surrounding mainland China's slowdown, the course of global monetary policies, economic conditions in the eurozone and damage from plummeting oil prices, all of which may result in further capital outflows from emerging markets:</i></b> Economic conditions in the eurozone continue to be uncertain. Any default on the sovereign debt of Greece or any eurozone nation and the resulting impact on other eurozone countries could have a material adverse effect on the Issuer. Any significant changes in UK government policies or political structure could have an impact on the Issuer's business. The outcome of the UK referendum on its membership of the EU is also likely to weigh on trade, and consumer and investor confidence in the eurozone. Market confidence in mainland Chinese growth and the adequacy of policymaking is waning, causing heightened volatility. A scenario where the government includes a sharp devaluation in a package of measures to stimulate the economy could prompt large capital outflows and have a negative knock-on impact on the world economy. With regard to the US Federal Reserve Board ("FRB")'s monetary policy, the prevailing market view is that a course of gradually tightening monetary policy will be pursued against the backdrop of subdued inflation. Should the FRB instead tighten monetary policy more quickly, it would likely accelerate capital outflows from emerging markets. Alternatively, if the FRB is forced into a policy reversal, this would increase market volatility. Oil prices have fallen precipitously since mid-2014 as a result of increasing uncertainty surrounding the mainland Chinese economy as well as the backdrop of an oversupplied oil market. This may complicate policymakers' tasks of raising inflation, and potentially threaten the stability of some oil-exporting countries.</p> <p><b><i>The Issuer's parent company is subject to regulatory commitments and consent orders:</i></b> HSBC Holdings has entered into agreements with US and UK government agencies to comply with certain forward-looking obligations with respect to anti-money laundering and sanctions requirements. Failure to comply with the terms of such agreements may have a material adverse effect on the Group.</p>								

		<p><b>UK banking structural reform legislation and proposals could materially adversely affect the Issuer:</b> Material changes to the corporate structure and business activities of the Issuer, including the establishment of a separate ring-fenced bank for retail banking activities, are expected pursuant to UK banking structural reform legislation and proposals. The Issuer expects (subject to regulatory approval) that the restructuring will involve the transfer of qualifying components of the Issuer's UK Retail Banking and Wealth Management, Commercial Banking and Global Private Banking businesses from the Issuer to a separate ring-fenced retail bank to be headquartered in Birmingham. Considerable uncertainty remains over the likely cost of implementing these plans at this time, although the Issuer expects it to be material. In addition to the restructuring costs, the Issuer will have a reduced balance sheet, including a reduction in risk-weighted assets, and a reduced and potentially more volatile revenue stream. Although not currently anticipated, these structural changes could result in changes to the Issuer's credit rating and increases in its cost of funding.</p> <p><b>The Issuer is subject to a number of legal and regulatory actions and investigations:</b> The Issuer is subject to a number of legal and regulatory actions and investigations, the outcomes of which are inherently difficult to predict. An unfavourable result in one or more of these could result in the Issuer incurring significant expense, substantial monetary damages, loss of significant assets, other penalties and injunctive relief, potential regulatory restrictions on the Issuer's business and/or a negative effect on the Issuer's reputation.</p> <p><b>Unfavourable legislative or regulatory developments, or changes in the policy of regulators or governments could materially adversely affect the Issuer:</b> The Issuer's businesses are subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, guidance, voluntary codes of practice and their interpretations in the UK, the EU and the other markets in which the Issuer operates. This is particularly so in the current environment, where the Issuer expects government and regulatory intervention in the banking sector to remain high for the foreseeable future. The HSBC Group has been classified by the Financial Stability Board ("<b>FSB</b>") as a global systemically important bank ("<b>G-SIB</b>"). Therefore, it is subject to a 'multi-pronged and integrated set of policies'. These include proposals that would place additional capital and Total Loss Absorbing Capacity ("<b>TLAC</b>") requirements on the HSBC Group and require enhanced reporting. Additionally, the PRA has confirmed that the HSBC Group is a designated global systemically important institution, the EU equivalent of a G-SIB. Separately, the Bank Recovery and Resolution Directive ("<b>BRRD</b>") introduces requirements for banks to maintain at all times a sufficient aggregate amount of own funds and 'eligible liabilities' (that is, liabilities that may be bailed in using the bail-in tool) known as the minimum requirement for own funds and eligible liabilities ("<b>MREL</b>"). As a member of the HSBC Group, the Issuer may be subject to a minimum TLAC requirement as well as an MREL requirement under BRRD.</p> <p><b>The Issuer is subject to the substance and interpretation of tax laws in the jurisdictions in which it and members the Group operate:</b> The Issuer is subject to the substance and interpretation of tax laws in all countries in which it and members of the Group operate, the risk associated with changes in tax law or in the interpretation of tax law, the risk of changes in tax rates and the risk of consequences arising from failure to comply with procedures required by tax authorities.</p> <p><b>The Issuer's operations are highly dependent on its information technology systems:</b> The reliability and security of the Issuer's information and technology infrastructure and the Issuer's customer databases are crucial to maintaining the service availability of banking applications and processes and to protecting the HSBC brand. Critical systems failure, prolonged loss of service, cyber attacks or internet crime or a material breach of security could lead to financial loss and cause damage to the Issuer's business and brand.</p> <p><b>The Issuer's operations have inherent reputational risk:</b> Reputational risk may arise from negative public opinion about the actual or perceived manner in which the Issuer conducts its business activities, its financial performance, as well as actual or perceived practices in banking and the financial services industry generally. Negative public opinion may adversely affect the Issuer's ability to keep and attract customers and, in particular, corporate and retail depositors, and retain and motivate staff which in turn could have a material adverse effect on the Issuer.</p> <p><b>The Issuer has significant exposure to counterparty risk:</b> The Issuer's ability to engage in routine transactions to fund its operations and manage its risks could be materially adversely affected by the actions and commercial soundness of other financial services institutions. Financial services institutions are necessarily interdependent because of trading, clearing, counterparty or other relationships, which could affect a financial services institution's funding and its ability to manage the risks of its business.</p> <p><b>The Issuer is subject to risks associated with market fluctuations:</b> The Issuer's businesses are exposed to changes in, and increased volatility of, interest rates, inflation rates, credit spreads, foreign exchange rates, commodity, equity, bond and property prices and the risk that the Issuer's customers act in a manner inconsistent with its business, pricing and hedging assumptions. It is difficult to predict with any accuracy changes in market conditions, and such changes could have a material adverse effect on the Issuer.</p> <p><b>Liquidity, or ready access to funds, is essential to the Issuer's business:</b> If the Issuer is unable to raise funds, its liquidity position could be adversely affected and the Issuer might be unable to meet deposit withdrawals or obligations under committed financing facilities and insurance contracts, to fund new loans, investments and businesses or to repay borrowings as they mature.</p> <p><b>Any reduction in the credit rating of the Issuer or any of its debt securities could affect the availability of the Issuer's funding and affect its liquidity position and interest margins:</b> Credit ratings affect the cost and other terms upon which the Issuer is able to obtain market funding. Rating agencies regularly evaluate the Issuer, as well as its respective debt securities. There can be no assurance that the rating agencies will maintain the Issuer's current ratings or outlook. Any reductions in these ratings and outlook could increase the cost of the Issuer's funding, limit access to capital markets and require additional collateral to be placed.</p>
D.6	Key risks specific to the securities and risk warning to investors:	<p><b>Credit risk:</b> 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.</p>
		<p><b>The Notes are unsecured obligations:</b> The Notes are not secured. If the Issuer becomes unable to pay amounts owed to investors under the Notes, such investors would not have recourse to any security or collateral, and may not receive any payments under the Notes.</p> <p><b>The Notes are not ordinary debt securities:</b> The Notes may not pay interest and, upon redemption, may return less than the amount invested or nothing.</p>

***There may be no active trading market or secondary market for liquidity for Notes:*** Any Series of Notes may not be widely distributed and there may not be an active trading market, nor is there assurance as to the development of an active trading market. If there is no liquid market, investors may not be able to realise their investment in the Notes until maturity of such Notes or may not realise a return that equals or exceeds the purchase price of their Notes.

***Illegality or changes in tax law may cause the Issuer's obligations under the Notes to be redeemed early:*** If the Calculation Agent determines the performance of the Issuer's obligations under any Notes shall have become unlawful or impracticable (an "**Illegality**"), or if the Issuer determines that it has become liable for, or payments under the Notes have become subject to, any taxes (a "**Tax Event**"), the Issuer may redeem the Notes and in the event of a redemption due to Illegality [pay a sum representing the fair market value [(less any related hedging costs)] of the Notes] [pay par value for the Notes] [pay [●] per cent. of the par value of the Notes] [pay the sum of the Zero Coupon Note Reference Price and the product of an annually compounded percentage rate specified in the relevant Final Terms as the Accrual Yield], and in the event of a redemption due to a Tax Event [pay a sum representing the fair market value [(less any related hedging costs)] of the Notes] [pay par value for the Notes] [pay [●] per cent. of the par value of the Notes] [pay the sum of the Zero Coupon Note Reference Price and the product of an annually compounded percentage rate specified in the relevant Final Terms as the Accrual Yield]. [As a result, Noteholders may suffer a loss of some or all of their investments.] [[Furthermore,] [As a result,] Noteholders will forgo further interest payments and will forego any future performance changes in the Inflation Index (if any).]

***[Exchange rate risks and exchange control risk:*** The Issuer will pay amounts in respect of the Notes in the Settlement Currency. Where the Settlement Currency is not the same as the investor's preferred currency, the realisable value of the investment in the investor's preferred currency may be at risk from fluctuations in the exchange rate. Government and monetary authorities may impose or modify exchange controls that could adversely affect an applicable exchange rate or transfer of funds in and out of the country. As a result of such restrictions and controls the Issuer may postpone determination of any currency exchange rate and the due date for any payments in respect of the Notes. If the Issuer is unable to settle payments in the Settlement Currency, the Issuer may, in certain circumstances, settle any payments due under the Notes in USD or such other currency specified as the Alternative Payment Currency in the relevant Final Terms.)]

***Applicable Bank Resolution Powers:*** The Issuer is subject to the Banking Act 2009 which implements the BRRD in the UK and gives wide powers in respect of UK banks and their parent and other group companies to HM Treasury, the Bank of England, the Prudential Regulation Authority and the United Kingdom Financial Conduct Authority (each, a "**relevant UKRA**") in circumstances where a UK bank has encountered or is likely to encounter financial difficulties.

These powers include a "bail-in" power, which gives the relevant UKRA the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Notes) of a failing financial institution, to convert certain debt claims (which could be amounts payable under the Notes) into another security (including common shares), or alter the terms of such liabilities, including their maturity or expiry or the date on which interest becomes payable, including by suspending payments for a temporary period. The exercise by the relevant UKRA of any of its powers under the Banking Act 2009 (including especially the bail-in power) could lead to the holders of the Notes losing some or all of their investment or may adversely affect the rights of holders of the Notes, the market value thereof or the Issuer's ability to satisfy its obligations thereunder.

***Taxation:*** All payments under the Notes will be made without deduction of United Kingdom taxes unless otherwise required. Investors should therefore be aware that they may be subject to taxes in respect of transactions involving Notes depending, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes.

***Capital risks relating to Notes:*** Unless the relevant Series of Notes is fully principal protected, the repayment of any amount invested in Notes and any return on investment is not guaranteed. As a result the investors' capital can fall below the amount initially invested.

Unlike a savings account or similar investment, an investment in the Notes is not covered by the UK Financial Services Compensation Scheme.

***[Certain factors affecting the value and trading price of Notes:*** Amounts payable under the Notes may be affected by fluctuation in value of the Inflation Index, which may be subject to fluctuations that may not correlate with changes in interest rates, currencies or other indices and may not correlate with the rate of inflation experienced in the jurisdiction of the Noteholders.]

***Calculation Agent's discretion and valuations:*** Calculation of amounts payable in respect of redemption of the Notes and any interest payments, if applicable, may be made by reference to specified screen rates and, in the absence of such display, at an amount determined by the Calculation Agent acting in good faith and a commercially reasonable manner. The Calculation Agent may be permitted to use its proprietary models to set the terms of adjustments which may be made under the Notes which may be difficult to verify without expertise in valuation models.

***[FX Disruption:*** If (i) it becomes impossible for the Issuer to convert any amounts due in respect of the Notes in the foreign exchange market in [*insert Settlement Currency Jurisdiction*] (the "**Settlement Currency Jurisdiction**"), or (ii) it becomes impossible for the Issuer to transfer Settlement Currency between accounts inside the Settlement Currency Jurisdiction or from or to an account inside the Settlement Currency Jurisdiction, or (iii) the Issuer determines in good faith and in a commercially reasonable manner that the foreign exchange market in the Settlement Currency Jurisdiction has become 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, or (iv) any other event in respect of any relevant currency in respect of the Notes which would make it unlawful or impractical for the Issuer to pay or receive amounts in such currency under or in respect of any hedging arrangement relating to or connected with such currency (each, an "**FX Disruption Event**") then the Issuer may elect to redeem the Notes against payment of an amount equal to the fair market value [(less any related hedging costs)] of the Notes (such amount may be less than any amount received at maturity or expiry or exercise and may result in a loss to the investors) or instruct the Calculation Agent to make such adjustments to the Conditions of the Notes as it determines to be necessary or desirable to reflect any market practice which develops in respect of the FX Disruption Event. Upon the occurrence of a FX Disruption Event the Issuer may postpone the determination of any conversion rate to convert any amounts due in respect of the Notes to the first succeeding business day on which the FX Disruption Event ceases to exist (such postponement to be for a maximum period of fourteen days), and if the FX Disruption Event continues for a period of fourteen days such conversion rate will be determined on the fourteenth day. Upon such postponement any related payment dates in respect of the Notes shall also be postponed and no further payment on account of interest or otherwise shall be due in respect of such postponed payment. If, by reason of an FX Disruption Event, the Issuer is unable to settle payments in respect of the Notes when due in the Settlement Currency the Issuer may settle payments by payment of the Alternative Payment Currency Equivalent (which will be an amount in USD or such other currency specified as the Alternative Payment Currency in the relevant Final Terms) on the date falling the Alternative Payment Settlement Days (as specified in the relevant Final Terms) after the

due date of any such amount due and no further payment on account of interest or otherwise shall be due in respect of such postponed payment.

**[Emerging markets currency risks:** Notes issued may settle in an emerging markets currency. Investors in such Notes should be aware that these markets are subject to greater risks than well developed markets. Currencies of emerging markets countries may be volatile and subject to exchange controls. If the Settlement Currency is an emerging markets currency, the Notes may provide that the Issuer is entitled to make payments in an alternative payment currency if it is not possible or it is impracticable for the Issuer to make payments in the Settlement Currency due to such emerging markets currency risks.]

**Conflicts of Interest may arise between the interests of the Issuer or its affiliates and those of the Noteholders:** The Issuer may assume roles as hedging party and calculation agent under the Notes. In respect of any of these roles the Issuer may have interests that conflict with the interests of Noteholders.

**Commission and cost of hedging:** The Issue Price of the Notes may include the distribution commission or fee charged by Issuer or its affiliates and the cost or expected costs of hedging the Issuer's obligations under the Notes (if any). Accordingly, there is a risk that, upon issue the price of Notes in the secondary market would be lower than the original Issue Price of the Notes.

**[RMB risks:** There are restrictions on the conversion of RMB into other currencies. The amount of Offshore RMB deliverable outside PRC may be limited, which may affect the liquidity of Notes settling in Offshore RMB. The market for Offshore RMB is a different market to that of RMB deliverable in PRC. The Offshore RMB exchange rate may be influenced by the onshore RMB exchange rate. The Offshore RMB market may become illiquid or Offshore RMB may become inconvertible or non-transferable. In such circumstances the Issuer may settle payments under the Notes in [U.S. dollars] [ ]. In addition, interest rates are government-controlled in PRC and changes therein may affect the Offshore RMB interest rate which may cause the value of the Notes to fluctuate.]

**[Specific risks relating to [Floating Rate Notes] [Reverse Floating Rate Notes]:** The rate of interest is not fixed and is tied to the performance of an underlying benchmark [subject to a [Maximum Interest Rate] [and] [Minimum Interest Rate]]. The rate of interest can periodically go down and therefore return on the Notes is not guaranteed and may in a worst case scenario become zero. [Investors should be aware that in respect of Floating Rate Notes which are subject to a Maximum Interest Rate return on the Notes is limited to such Maximum Interest Rate and therefore investors will not benefit from any further [increases][decreases] of the underlying benchmark above such Maximum Interest Rate.]]

**[Specific risk relating to Fixed Rate Notes:** The rate of interest is fixed during the term of the Notes. Therefore, investors in Fixed Rate Notes will not benefit from any increases in market interest rates.]

**[Specific risk relating to Digital Interest Rate Notes:** The higher of Leveraged Rate 1 and Leveraged Rate 2 is only paid if the level, price or other applicable value of Digital Reference Rate on the relevant interest determination date(s) meets the performance criteria; otherwise the lower of Leveraged Rate 1 and Leveraged Rate 2 (which may be zero) will be paid. It may be possible that you will not receive any interest at all for the lifetime of the Notes.]

**[Specific risk relating to Steepener Notes:** Interest is payable with respect to the difference between Spread Linked Rate 1 and Spread Linked Rate 2. If on any valuation date(s) Spread Linked Rate 2 is greater than Spread Linked Rate 1 then the difference between Spread Linked Rate 1 and Spread Linked Rate 2 (which will be negative, multiplied by any leverage applicable to such Steepener Notes, which may be a negative number) will be added to the fixed spread applicable to such Notes (as specified in the relevant Final Terms) (the "Spread"). This may result in a lower rate of interest being payable in respect of the Notes than the Spread, subject to the Minimum Interest Rate specified (if any) in the relevant Final Terms. If no Minimum Interest Rate is specified in the relevant Final Terms, Spread Linked Rate 2 is equal to or greater than Spread Linked Rate 1, the leverage is positive and Spread is zero, then no interest will be payable under the Notes. It may be possible that you will not receive any interest at all for the lifetime of the Notes.]

**[Specific risk relating to Inflation-Linked Notes:** Where Notes reference an inflation index, the Notes will be exposed to the performance of such inflation index which may be subject to fluctuations that may not correlate with changes in interest rates, currencies or other indices and may not correlate with the rate of inflation experienced in the jurisdiction of the Noteholders. Any payments made under the Notes may be based on a calculation made by reference to an inflation index for a month which is several months prior to the date of payment and therefore could be substantially different from the level of inflation at the time of payment on the Notes.

Broadly speaking, in an inflationary environment amounts payable shall be adjusted up and in a deflationary environment amounts payable shall be adjusted down. In a deflationary environment, the amount of interest payable might be lower than the fixed rate that would have been applicable before such adjustment and the redemption amount may be reduced.

Upon the occurrence of certain events in relation to an inflation index (for example the level of the inflation index has not been published or the inflation index is discontinued or is rebased or materially modified) the Issuer or Calculation Agent may determine the level of the inflation index, determine a successor to the inflation index, make changes to the level of the rebased index, or make adjustments to the inflation index and/or the terms of the Notes. If the inflation index is rebased or materially modified, and no action is taken in respect of the related bond or fallback bond, the Calculation Agent may make adjustments to the inflation index and/or the terms of the Notes. If, on any day on which a valuation is to be made, the level of the inflation index has not been published, and no action to determine a substitute level of the inflation index has been taken in respect of a related bond or fallback bond, the Calculation Agent will determine the level of the inflation index by reference to the latest published level of the inflation index. Such latest published level of the inflation index may differ from the index level (if any) published or announced after the relevant valuation date. If an inflation index has been discontinued the Calculation Agent may determine an appropriate alternative index in respect of the Notes. If the Calculation Agent determines that an inflation index has been discontinued and there is no appropriate alternative successor index, the Calculation Agent may redeem the Notes prior to their scheduled redemption date in accordance with the terms and conditions of the Notes. Any of the above events or determinations may have an adverse effect of the valuation of the Notes and on the interest and/or redemption amounts payable.]

**[Effect of economic conditions:** The value of Notes are influenced by economic and market conditions, interest rates, currency exchange rates and inflation rates as such conditions may cause market volatility and this could have an adverse affect on the value, price or income on the Notes.]

**Investors may lose the value of their entire investment or part of it, as the case may be.**



Section E – Offer		
E.2b	<b>Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks:</b>	<p>The net proceeds from each issue will be applied by the Issuer for profit making or risk hedging unless otherwise specified below.</p> <p>[The net proceeds from the issue of Notes will be used by the Issuer for [profit making or risk hedging] [ ] purposes.]</p> <p>[Not Applicable. The Notes have a denomination of more than EUR100,000 (or its equivalent in any other currency) per Note.]</p>
E.3	<b>Description of the terms and conditions of the offer:</b>	<p>[An investor intending to acquire or acquiring Notes from an offeror authorised by the Issuer, will do so, and the offer and sale of Notes to an investor by such Authorised Offeror will be made, in accordance with arrangements agreed between such Authorised Offeror and such investor including as to price, allocations and settlement arrangements.</p> <p>Offer Price: [Issue Price] [ ]</p> <p>Total amount of the issue/offer; if the amount is not fixed, description of the arrangements and time for announcing to the public the definitive amount of the offer: [ ] [Not Applicable]</p> <p>The time period, including any possible amendments, during which the offer will be open: [ ] [Not Applicable]</p> <p>Conditions to which the offer is subject: [ ] [Not Applicable]</p> <p>Description of the application process: [ ] [Not Applicable]</p> <p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [ ] [Not Applicable]</p> <p>Details of the minimum and/or maximum amount of application: [ ] [Not Applicable]</p> <p>Details of the method and time limits for paying up the securities and delivering of the securities: [ ] [Not Applicable]</p> <p>Manner in and date on which results of the offer are to be made public: [ ] [Not Applicable]</p> <p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [ ] [Not Applicable]</p> <p>Whether tranche(s) have been reserved for certain countries: [ ] [Not Applicable]</p> <p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [ ] [Not Applicable]</p> <p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [ ] [Not Applicable]</p> <p>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [ ] [Not Applicable]</p> <p>Name and address of any paying agents and depositary agents in each country: [ ] [Not Applicable]</p> <p>Name and address if the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment: [ ] [Not Applicable]</p> <p>[Not Applicable. The Notes will not be publicly offered.]</p> <p>[Not Applicable. The Notes have a denomination of more than EUR100,000 (or its equivalent in any other currency) per Note.]</p>
E.4	<b>Description of any interests material to the issue/offer, including conflicting interests:</b>	<p>The Issuer or its affiliates may engage in hedging or other transactions involving the relevant underlying interest rate which may have a positive or negative effect on the level of such interest rate and therefore on the value of any Notes to which they relate. Certain affiliates of the Issuer or the Issuer itself may also be the counterparty to the hedge of the Issuer's obligations under an issue of the Notes and the Calculation Agent (who is responsible for making determinations and calculations in connection with the Notes acting in good faith and a commercially reasonable manner). In addition, the Issuer or its affiliates may publish research reports which express opinions or provide recommendations inconsistent with purchasing or holding Notes referencing the Underlying or the relevant underlying interest rate.</p> <p>[The above statements relating to conflicts of interests [are][are not] applicable to the Notes.]</p> <p>[Fees [are] [may be] payable by the Issuer to the [Dealer[s]] [Manager[s]] acting as underwriter(s) of issues of the Notes.][The Notes may be on-sold by the Dealers to the Initial Authorised Offerors at a discount to the Issue Price of [up to] [●%]. Such discount will be retained by the Initial Authorised Offerors.]</p> <p>[[Save as disclosed above, so far as the Issuer is aware, no] [So far as the Issuer is aware, no] person involved in the [issue/offer] of the Notes has an interest material to the [issue/offer].] [The following additional interest(s) are material to issues of the Notes: [ ]].]</p>
E.7	<b>Estimated expenses charged to the investor by the issuer or the offeror:</b>	<p>Expenses to investors in connection with any issue of Notes may or may not be charged.</p> <p>[Not Applicable. [Expenses in respect of the Notes are not charged directly by the Issuer to the investor.] [No commission in respect of the offer of the Notes will be payable by the investor.]]</p> <p>[The expenses charged to the investor by the [Issuer] [Authorised Offeror] will consist of [ ] per cent. commission in respect of the [issue/offer] of the Notes, which will be [included in the Issue Price of the Notes] [payable by the investor].]</p> <p>[No commission in respect of the [issue/offer] of the Notes will be payable by the investor.]</p>

## RISK FACTORS

### **Guidance on this Risk Factors section**

*This section provides details of the principal risks associated with the Issuer and the Notes.*

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industry in which it operates together with all other information contained in this Base Prospectus, including, in particular the risk factors described below and the risk factors contained in pages 3 to 14 of the registration document of the Issuer dated 14 April 2016 (the "**Registration Document**"), incorporated by reference. The Issuer considers such risk factors to be the principal risk factors that may affect the Issuer's ability to fulfil its obligations under the Notes and/or risk factors that are material for the purposes of assessing the market risk associated with the Notes. Words and expressions defined in the Conditions or elsewhere in this Base Prospectus have the same meanings in this section.*

*This section is divided into a number of sub-sections, details of which are set out in the table below:*

<b>Name of sub-section</b>	<b>Page</b>	<b>Applicable to</b>	<b>Explanation</b>
(1) Risks relating to the Bank	18	All Notes.	This sub-section will be relevant for all issues of Notes, as it details the risk factors which the Issuer deems to be material in respect of itself as issuer of Notes and its ability to perform the obligations owed to holders of the Notes.
(2) Risks relating to all issues of Notes	18	All Notes.	This sub-section will be relevant for all issues of Notes, as it details the risk factors which the Issuer deems to be material in respect of all Notes. <i>In addition, risk factors from the following sub-sections may be relevant to an issue of Notes.</i>
(3) Risks relating to taxation of the Notes	27	All Notes.	This sub-section sets out certain withholding tax risks which may apply to issues of Notes.
(4) Risks relating to particular types of Notes	28	Fixed Rate Notes, Floating Rate Notes, Reverse Floating Rate Notes, Digital Interest Rate Notes, Steepener Notes, Inflation Linked Notes and Notes subject to optional redemption by the Issuer.	This sub-section details risks specific to Fixed Rate Notes, Floating Rate Notes, Reverse Floating Rate Notes, Digital Interest Rate Notes, Steepener Notes, Inflation Linked Notes and Notes subject to optional redemption by the Issuer.
(5) Risks relating to Notes denominated and/or settling in emerging markets currencies	32	All Notes which are denominated and/or settled in emerging market currencies.	This sub-section will be relevant for Notes in respect of which payments will be made in an emerging markets currency, and also sets out risks associated with settlement in Offshore RMB outside the PRC.

*Investors should note that the risks relating to the Issuer, the industry in which it operates and the Notes summarised in the section of this Base Prospectus headed "Summary" are the risks that the Issuer believes to be those key to an assessment by an investor of whether to consider an investment in the Notes. However, as the risks which the Notes are subject to and which the Issuer faces relate to events and depend on circumstances that may or may not occur in the future, investors should consider not only the information on the key risks summarised in the section of this Base Prospectus headed "Summary" (and set out in more detail below) but also, among other things, the other risks and uncertainties described below.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer or the Notes that are not currently known to the Issuer, or that the Issuer currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer or the Notes themselves, and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.*

### **(1) Risks relating to the Bank**

A description of the risk factors relating to the Issuer that may affect the ability of the Issuer to fulfil its obligations under the Notes are set out in the section entitled "Risk Factors" on pages 1 to 19 of the Registration Document (as defined in the section headed "Documents Incorporated by Reference" below).

Investors should also note that the following risk relating to the Issuer:

#### ***UK Referendum on European Union Membership***

Following the UK electorate's vote to leave the EU in a national referendum, there has been a period of volatility against a backdrop of uncertainty, which is likely to continue for some time.

Negotiation of the UK's exit agreement, its future relationship with the EU and its trading relationship with the rest of the world might take a considerable number of years to resolve. During this time, uncertainty as to the precise terms of these arrangements and the future legal and regulatory landscape may lead to uncertain economic conditions and market volatility. This may lead to reduced economic growth which may affect both the Issuer and its clients. Among other issues, the UK's future relationship with the EU may have implications for the future business model for the Group's London-based European cross-border banking operations, which relies on unrestricted access to the European financial services market.

Until the terms and timing of the UK's exit from the EU are confirmed, including the terms on which UK financial institutions will conduct cross border business post-exit, it is not possible to fully determine the impact on the Issuer.

### **(2) Risks relating to all issues of Notes**

Set out below is a description of the principal risks that should be taken into consideration by investors in the Notes.

#### ***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 any asset or any other security/collateral and, in a worst case scenario, may not receive any payments under the Notes.

***The Notes are not ordinary debt securities***

An investment in the Notes is not an equivalent to an investment in a time deposit. The terms of the Notes may differ from those of ordinary debt securities because the Notes may not pay interest and on redemption may return less than the amount invested or nothing.

The repayment of any amount invested in Notes and any return on investment is variable and not guaranteed. Unlike a savings account or similar investment with a lower return and little or no capital risk, the Notes 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.

***Capital risks relating to Notes***

Unless the relevant Series of Notes is fully principal protected, the repayment of any amount invested in Notes and any return on investment is not fully guaranteed. Notes will not be fully principal protected where the relevant Final Terms either specify (i) a percentage amount of the Calculation Amount or a Fair Market Value or, in respect of Zero Coupon Notes, "Zero Coupon Accrual Yield and Reference Price" as payable on early redemption as the Early Redemption Amount or (ii) "Inflation Linked Redemption" as applicable on final redemption. As a result, the investors' capital can fall below the amount initially invested in such Notes. Unlike a savings accounts or similar investment an investment in the Notes is not covered by the UK Financial Services Compensation Scheme.

***There is no active trading market for the Notes***

Any Series of Notes 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 securities, 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 it may have to bear the economic risk of an investment in the Notes until the maturity date of the Notes.

***Illegality***

Investors in the Notes are subject to the risk that the Issuer may terminate its obligations under the Notes if the Calculation Agent determines acting in good faith and a commercially reasonable manner that the performance of the Issuer's obligations under any Notes shall have become unlawful or impracticable in whole or in part. Following such a determination of illegality, the Issuer may redeem the Notes against payment of an amount determined by the Calculation Agent which may be, if so specified in the relevant Final Terms, the Fair Market Value of such Note immediately prior to such redemption. Where such a situation warrants an early redemption, Noteholders may suffer a loss of some or all of their investment.

As a result of early redemption, investors in the Notes forgo any future interest payments applicable to the Notes (if any).

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

In the event that Condition 6B (*Taxation - Gross-up*) is applicable in respect of a Series of Notes and the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of United Kingdom taxes, the Issuer may redeem all outstanding Notes in accordance with the Conditions. If specified in the relevant Final Terms, 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.

***Potential conflicts of interests***

Various potential and actual conflicts may arise between the interests of the Noteholders and the Issuer, as a result of the commercial and investment banking businesses and activities of the Issuer and its affiliates. The Issuer may recommend or effect a transaction in which it or any affiliate, or one of its other clients, may have an interest, relationship or arrangement that is material. In particular, the Issuer or any affiliate may deal as principal for its own account, to hedge liabilities under the Note or for other purposes, and may match a transaction or order with that of another client. Neither the Issuer nor any affiliate is under any duty to account for any profits, commission, remuneration, rebates or other benefits made or received as a result of such transaction or service.

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 and may engage in hedging or other transactions involving the relevant underlying interest rates which may have a positive or negative effect on the level of such rates (and therefore the value of the Notes); (ii) be the Calculation Agent responsible for making determinations and calculations in connection with the Notes acting in good faith and a commercially reasonable manner; or (iii) publish research reports which express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes referencing the Underlying or the relevant underlying interest rate(s). 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.

Further, either the Issuer or its affiliates, including HSBC France, may be the Calculation Agent with regard to the Notes. The Calculation Agent is solely responsible for calculation of the redemption amount and other determinations and calculations in connection with the Notes. Because the Calculation Agent is the Issuer or its affiliate, and the Issuer is obligated to redeem and pay interest on the Notes, the Calculation Agent may have economic interests adverse to those of the holders of the Notes, including with respect to certain determinations and judgements that the Calculation Agent must make as referred to above, any of which may affect payments in respect of the Notes. The Calculation Agent does not act as fiduciary for or an adviser to any of the Noteholders in respect of any such determination or judgment or otherwise.

***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 may 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 redemption 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 Europe and other countries and areas. 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 or that economic and market conditions will not have any other adverse effect.

***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.

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

The Issuer will generally pay amounts in respect of the Notes in the Settlement Currency (as referred to in the relevant Final Terms). As a result there are various potential exchange rate risks that investors in the Notes need to consider.

***Investor converting amounts paid in the Settlement Currency into the Investor's Currency***

If an investor anticipates that it will need to convert payments made under the Notes from the Settlement 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 Settlement 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 Settlement Currency at any time would decrease (i) the value of any redemption amount 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 (including changes due to appreciation of the Investor's Currency relative to the Settlement Currency). 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.

***Amounts converted from another currency into the Settlement Currency***

The Final Terms in relation to some Notes may specify that Conversion provisions apply in relation to specified payments under the Notes, in which case the amounts of such payments will be converted into the Settlement Currency in accordance with provisions set out in the relevant Final Terms. In any such case, the exchange rate and exchange control risks set out above in relation to the Settlement Currency and the Investor's Currency may apply to the Settlement Currency, any Cross Currency and/or the Denomination Currency.

In addition, if Price Source Disruption is specified in the relevant Final Terms as being applicable to any Notes, then if for any reason a relevant rate of exchange is not available the Calculation Agent may (i) use alternative sources to determine an exchange rate (such source as may be determined by the Calculation Agent), (ii) postpone the determination of the rate of exchange (subject to a postponement cut-off of 30 calendar days (or such other number of calendar days as may be specified in the Final Terms) after which the Calculation Agent, acting in a commercially reasonable manner, shall determine its good faith estimate of the rate and use exchange rates prevailing at later times or (iii) determine the rate of exchange as the arithmetic mean of exchange rates provided by leading dealers in the relevant foreign exchange market. The exchange rate so determined may differ from the rate which would have prevailed but for the occurrence of the Price Source Disruption and this may lead to a decrease in the amount payable to the investors. In addition, if the Calculation Agent postpones the determination of the rate of exchange the due dates for any payments in respect of the Notes (including, without limitation, the maturity date may also be postponed.

If a specified fixing date for the determination of a relevant exchange rate is an Unscheduled Holiday, the fixing date will be postponed to the next relevant currency business day which is not an Unscheduled Holiday, (subject to a postponement cut-off of 30 calendar days (or such other number of calendar days as may be specified in the Final Terms) after which the Calculation Agent, acting in a commercially reasonable manner, shall determine its good faith estimate of the relevant rate).

If the Issuer is unable to settle payments in the Settlement Currency, the Issuer may, in certain circumstances, settle any payments due under the Notes by payment of the Alternative Payment Currency Equivalent (which will be an amount in USD or such other currency specified as the Alternative Payment Currency in the relevant Final Terms) (see "*Payment of Alternative Payment Currency Equivalent*" below).

#### ***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 Settlement Currency 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 Settlement Currency and will 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 Settlement Currency.

#### ***Risk of payment in Alternative Payment Currency instead of Settlement Currency***

Notes may provide that, if by reason of an FX Disruption Event (as defined in the Conditions) or the relevant clearing system ceasing to accept payments in the Settlement Currency (each, a "**Settlement Currency Disruption Event**"), the Issuer is not able to satisfy its obligations to pay any amounts due under the Notes (as applicable) in the Settlement Currency, then the Issuer is entitled to make the payments in an alternative payment currency (the "**Alternative Payment Currency**").

The Calculation Agent shall convert the amounts due and payable in the Settlement Currency to the Alternative Payment Currency on the date such payment falls due (the "**Alternative Payment Currency Fixing Date**"). Due to the occurrence of a Settlement Currency Disruption Event the conversion rate between the Settlement Currency and the Alternative Payment Currency may be volatile and the investor is subject to the risk that such conversion rate to exchange the Settlement Currency to the Alternative Payment Currency on the Alternative Payment Currency Fixing Date becomes less attractive and therefore decreases the realisable value of its investment.

#### ***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 rate(s), level(s) or value(s) published on an exchange or other quotation system, or if any such rate(s), level(s) or value(s) is not displayed at the relevant time, rate(s), level(s) or value(s) (as applicable) determined by the Calculation Agent acting in good faith and a commercially reasonable manner, or otherwise, an exercise of its discretion in accordance with and pursuant to the terms and conditions of the applicable Notes. The Calculation Agent may also have other discretionary powers (including without limitation, powers to (i) adjust terms and conditions of Notes; (ii) postpone payment; (iii) redeem the Notes prior to their scheduled maturity; or (iv) apply any combination of the foregoing). Investors should be aware that, in circumstances where the Issuer has entered into hedging arrangements (or otherwise), the exercise of its discretionary powers as Calculation Agent under the conditions of the Notes, or as calculation agent under its related hedge, may have an adverse impact on the performance of the Notes, which may result in a lower return, or no return at all. The Notes may be redeemable prior to their scheduled maturity 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 payments 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 Conditions.

***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 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 relevant Final Terms together with accrued but unpaid interest, if any, or the Fair Market Value of such Notes together with accrued but unpaid interest, if any, or, in respect of Zero Coupon Notes only, if so specified in the relevant Final Terms, the sum of a reference amount specified in the relevant Final Terms known as the "Zero Coupon Note Reference Price" and the product of an annually compounded percentage rate specified in the relevant Final Terms known as the Accrual Yield applied to the Zero Coupon Note Reference Price over a period from the issue date to the date of early redemption.

***FX Disruption Event***

Investors in the Notes should be aware that, following the occurrence of a FX Disruption Event (as defined in the Conditions) the Issuer may elect to redeem the Notes against payment of an amount determined by the Calculation Agent to be the Fair Market Value of the Notes (such amount may be less than any amount received at maturity and may result in a loss to the investors) or instruct the Calculation Agent to make such adjustments to the Conditions of the Notes as it determines to be necessary or desirable to reflect any market practice which develops in respect of the FX Disruption Event.

Upon the occurrence of a FX Disruption Event the Issuer may postpone the determination of any conversion rate to convert any amounts due in respect of the Notes to the first succeeding business day on which the FX Disruption Event ceases to exist (such postponement to be for a maximum period of fourteen days), and if the FX Disruption Event continues for a period of fourteen days such conversion rate will be determined on the fourteenth day. Upon such postponement any related payment dates in respect of the Notes shall also be postponed and no further payment on account of interest or otherwise shall be due in respect of such postponed payment.

If, by reason of an FX Disruption Event, the Issuer is unable to settle payments in respect of the Notes when due in the Settlement Currency the Issuer may settle payments by payment of the Alternative Payment Currency Equivalent (which will be an amount in USD or such other currency specified as the Alternative Payment Currency in the relevant Final Terms) on the date falling the Alternative Payment Settlement Days (as specified in the relevant Final Terms) after the due date of any such amount due and no further payment on account of interest or otherwise shall be due in respect of such postponed payment.

***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. An investor in such Notes is subject to the risk that this will adversely affect the value of the 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 with multiple denominations***

Where the Notes are specified as having a denomination consisting of a minimum denomination plus a higher integral multiple of another smaller amount, it is possible that such Notes may be traded in the clearing systems in amounts in excess of such minimum denomination that are not integral multiples of the minimum denomination. In such a case, should Definitive Notes be required to be issued,



Noteholders who, as result of trading such amounts, hold a principal amount that is less than the minimum denomination may not receive a Definitive Note in respect of such holdings and would need to purchase a principal amount of Notes such that their holding amounts to, or is an integral multiple of, the minimum denomination.

#### *Change of law*

The Conditions are based on English law and United Kingdom tax law in effect as at the date of this Base Prospectus. There is a risk that the interpretation and/or effects of the Conditions may be subject to change in such a manner as to adversely affect the contractual rights of Noteholders.

#### *Meetings of Noteholders*

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

#### *Modification, waiver and substitution*

Investors in the Notes are subject to the risk that the Conditions may be modified without the consent of any Noteholders where the Issuer determines that:

- the modification is not materially prejudicial to the interests of the Noteholders as a whole;
- where the modification of the Notes is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the Issuer's jurisdiction of incorporation; or
- the modification is to correct an inconsistency between the termsheet relating to the relevant Notes and the Conditions.

There is a commercial risk that the obligations of the Noteholder will be owed by a principal debtor other than the Issuer. The Notes permit the substitution of an affiliate of the Issuer as principal debtor in respect of the Notes, provided that the Issuer provides a guarantee.

#### *Clearing systems*

Notes may be held by or on behalf of Euroclear and Clearstream, Luxembourg. While the Notes are represented by a global Note held by or on behalf of Clearstream, Luxembourg, investors will be able to trade their interests only through Euroclear and/or Clearstream, Luxembourg.

In addition, Notes may be issued as Uncertificated Registered Notes, in which case CREST will maintain records of the interests in such Notes and investors will be able to trade their interests only through CREST. Investors in the Notes will have to rely on procedures of such clearing systems for transfer, payment and communication with the Issuer to receive payments under the Notes. Investors are therefore subject to the risk of those settlement procedures failing such that payments due under the Notes may be delayed and that book entries or entries in the register are entered incorrectly which may lead to difficulties with an investor asserting ownership of its 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 Euroclear and/or Clearstream, Luxembourg or CREST to appoint appropriate proxies.

#### *Applicable Bank Resolution Powers*

The EU Bank Recovery and Resolution Directive (Directive 2014/59/EU) (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") provides an EU-wide framework for the recovery and resolution of credit institutions and their parent companies and other group companies. The BRRD is designed to

provide relevant authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. In the United Kingdom the Banking Act 2009 (the "**Banking Act**") implements the provisions of the BRRD.

#### ***Statutory Intervention Powers***

The Issuer is subject to the Banking Act which gives wide powers in respect of UK banks and their parent and other group companies to HM Treasury, the Bank of England, the Prudential Regulation Authority and the United Kingdom Financial Conduct Authority (each a "**relevant UKRA**") in circumstances where a UK bank has encountered or is likely to encounter financial difficulties.

These powers include powers to: (a) transfer all or some of the securities issued by a UK bank or its parent, or all or some of the property, rights and liabilities of a UK bank or its parent (which would include the Notes issued by the Issuer under the Programme), to a commercial purchaser or, in the case of securities, to HM Treasury or an HM Treasury nominee, or, in the case of property, rights or liabilities, to an entity owned by the Bank of England); (b) override any default provisions, contracts or other agreements, including provisions that would otherwise allow a party to terminate a contract or accelerate the payment of an obligation; (c) commence certain insolvency procedures in relation to a UK bank; and (d) override, vary or impose contractual obligations, for reasonable consideration, between a UK bank or its parent and its group undertakings (including undertakings which have ceased to be members of the group), in order to enable any transferee or successor bank of the UK bank to operate effectively.

The Banking Act also gives power to HM Treasury to make further amendments to the law for the purpose of enabling it to use the special resolution regime powers effectively, potentially with retrospective effect.

#### ***Power to reduce Noteholders' claims***

The powers granted to the relevant UKRA also include powers to vary or extinguish the claims of certain creditors. These powers include a "bail-in" power.

The bail-in power gives the relevant UKRA the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Notes) of a failing financial institution or its holding company, to convert certain debt claims (which could be amounts payable under the Notes) into another security, including ordinary shares of the surviving entity, if any and/or to amend or alter the terms of such claims, including the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period. The Banking Act requires the relevant UKRA to apply the bail-in power in accordance with a specified preference order which differs from the ordinary insolvency order. In particular, the relevant UKRA must write-down or convert debts in the following order: (i) additional tier 1, (ii) tier 2, (iii) other subordinated claims and (iv) eligible senior claims. The claims of some creditors whose claims would rank equally with those of the Noteholders may be excluded from bail-in. The impact of bail-in on the Noteholders will be greater the more of such creditors there are.

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

#### ***Powers to direct restructuring of the Issuer and its subsidiaries***

As well as a bail-in power, the powers of the relevant UKRA under the Banking Act include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge institution" (an entity created for such purpose that is wholly or partially in public control) and

(iii) separate assets by transferring impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only). In addition, the Banking Act gives the relevant UKRA power to amend the maturity date or expiry date and/or any interest payment date of debt instruments, securities or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments and/or discontinuing the listing and admission to trading of debt instruments or securities.

The exercise by the relevant UKRA of any of the above powers under the Banking Act (including especially the bail-in power) could lead to the holders of the Notes losing some or all of their investment.

Moreover, trading behaviour in relation to the securities of the Issuer (including the Notes), including market prices and volatility, may be affected by the use of, or any suggestion of the use of, these powers and accordingly, in such circumstances, the Notes are not necessarily expected to follow the trading behaviour associated with other types of securities. There can be no assurance that the taking of any actions under the Banking Act by the relevant UKRA or the manner in which its powers under the Banking Act are exercised will not materially adversely affect the rights of holders of the Notes, the market value of the Notes and/or the Issuer's ability to satisfy its obligations under the Notes.

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

***Reform of LIBOR and EURIBOR and other interest rate index and equity, commodity and foreign exchange rate index "benchmarks"***

The London Inter-Bank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to a "benchmark".

Key international proposals for reform of "benchmarks" include IOSCO's Principles for Financial Market Benchmarks (July 2013) (the "**IOSCO Benchmark Principles**") and the European Commission's proposed regulation on indices used as "benchmarks" in certain financial instruments and financial contracts (the "**Proposed Benchmark Regulation**").

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability as well as the quality and transparency of benchmark design and methodologies. A review published by IOSCO in February 2015 of the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, and widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

On 28 April 2016 the EU Parliament approved the final compromise text of the Proposed Benchmark Regulation, and on 17 May the European Council adopted the final text. The text will be translated into the 24 official languages and published in the Official Journal mid-2016, and will enter into force on the day following publication. The Proposed Benchmark Regulation will apply from the date 18 months after entry into force, currently expected to be late 2017 or early 2018.

The Proposed Benchmark Regulation will apply to "contributors", "administrators" and "users" of "benchmarks" in the EU, and will, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to have satisfied certain "equivalence" conditions in its local jurisdiction, to be "recognised" by the authorities of a Member State pending an equivalence decision or to be "endorsed" for such purpose by an EU competent authority) and to comply with extensive requirements in relation to the administration of "benchmarks" and (ii) ban the use by "supervised entities" of

"benchmarks" of unauthorised administrators. The scope of the Proposed Benchmark Regulation is wide and, in addition to so-called "critical benchmark" indices such as LIBOR and EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in certain financial instruments (including securities or OTC derivatives traded on an EU regulated market, EU multilateral trading facility (MTF), EU organised trading facility (OTF) or "systematic internaliser"), certain financial contracts and investment funds. Different types of "benchmark" are subject to more or less stringent requirements, and in particular a lighter touch regime may apply where a "benchmark" is not based on interest rates or commodities and the value of financial instruments, financial contracts or investment funds referring to a benchmark is less than €50bn, subject to further conditions.

The Proposed Benchmark Regulation could have a material impact on any listed Notes linked to a "benchmark" index, including in any of the following circumstances:

- a rate or index which is a "benchmark" could not be used as such if its administrator does not obtain authorisation or is not able to rely on one of the regimes available to non-EU administrators. In such event, depending on the particular "benchmark" and the applicable terms of the Notes, the Notes could be de-listed, adjusted, redeemed or otherwise impacted; and
- the methodology or other terms of the "benchmark" could be changed in order to comply with the terms of the Proposed Benchmark Regulation, and such changes could have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level and, depending on the particular "benchmark" and the applicable terms of the Notes, could lead to adjustments to the terms of the Notes, including Calculation Agent determination of the rate or level in its discretion.

Any of the international, national or other proposals for reform or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks". The disappearance of a "benchmark" or changes in the manner of administration of a "benchmark" could result in adjustment to the terms and conditions, early redemption, discretionary valuation by the Calculation Agent, delisting or other consequence in relation to Notes linked to such "benchmark". Any such consequence could have a material adverse effect on the value of and return on any such Notes.

### **(3) Risks relating to taxation of the Notes**

#### ***UK stamp duty and stamp duty reserve tax in relation to Notes***

Transactions involving Notes may be subject to United Kingdom stamp duty or stamp duty reserve tax, and are subject to the risk that instruments effecting or evidencing transfers of Notes and executed in the United Kingdom may not be admissible in evidence in civil proceedings unless duly stamped. An instrument of transfer executed outside the United Kingdom is also subject to the risk that it may be inadmissible in United Kingdom civil proceedings unless duly stamped after it has been first received in the United Kingdom.

#### ***No gross-up***

Unless Condition 6B (*Taxation - Gross-up*) is specified in the relevant Final Terms as applying to a Series of Notes, the Issuer will not be required to gross-up or pay any additional amounts in respect of the Notes in respect of which any withholding or deduction has been required to be made in respect of any tax. Accordingly, investors may receive a lower return than would be received on an investment where no withholding tax is payable or where the relevant issuer has an obligation to gross-up for such withholdings or deductions.

#### ***U.S. – FATCA Withholding***

*In certain circumstances payments made on or with respect to the Notes after 31 December 2018 may be subject to U.S. withholding tax under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") (commonly referred to as "FATCA").*

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. or Clearstream Banking, *société anonyme* (together, the "ICSDs"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. 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 paid the common depositary or common safekeeper for the ICSDs (as registered holder of the Notes through its nominee) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

#### **(4) Risks relating to particular types of Notes**

##### ***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 and Reverse Floating Rate Notes***

Floating Rate Notes and Reverse 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 Final Terms, 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 and Reverse 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 or decreases of the underlying benchmark above such maximum return.

##### ***Specific risks relating to Digital Interest Rate Notes***

In respect of Digital Interest Rate Notes, the rate of interest for any interest payment date will be 'Digital Rate 1' (as specified in the relevant Final Terms) multiplied by 'Digital Leverage 1' (as specified in the relevant Final Terms, or if not so specified, the Digital Leverage 1 shall be deemed to be 1) and adding to such product the Digital Rate 1 Spread (as specified in the relevant Final Terms) (the "**Leveraged Rate 1**") if on the relevant observation date the reference rate is less than the applicable strike rate, or will be 'Digital Rate 2' (as specified in the relevant Final Terms) multiplied by 'Digital Leverage 2' (as specified in the relevant Final Terms, or if not so specified, the Digital Leverage 2 shall be deemed to be 1) and adding to such product the Digital Rate 2 Spread (as specified in the relevant Final Terms) (the "**Leveraged Rate 2**") if on the relevant observation date the reference rate is greater than the applicable strike rate.

Therefore, the higher rate between Leveraged Rate 1 and Leveraged Rate 2 may only be applicable to the Notes if the level, price or other applicable value of the reference rate on the relevant interest determination date(s) meets the performance criteria; otherwise the lower of Leveraged Rate 1 and

Leveraged Rate 2 (which may be zero) may apply to the Notes. It may be possible that you will not receive any interest at all for the lifetime of the Notes.

***Specific risks relating to Steepener Notes***

In relation to Steepener Notes interest is payable with respect to the difference by which a designated swap rate (the "**Spread Linked Rate 1**") exceeds another designated swap rate (the "**Spread Linked Rate 2**").

Swap rates in the context of Steepener Notes are rates fixed on interest rate swaps. A commonly used benchmark for such swap rates is the service known as ICE Swap Rate. ICE Swap Rate represents the mid-price for interest rate swaps (the fixed leg), at particular times of the day, in three major currencies (EUR, GBP and USD) and in tenors ranging from 1 year to 30 years.

If on any valuation date(s) Spread Linked Rate 2 is greater than Spread Linked Rate 1 then the difference between Spread Linked Rate 1 and Spread Linked Rate 2 (which will be negative, multiplied by any leverage applicable to such Steepener Notes, which may be a negative number) will be added to the fixed spread applicable to such Notes (as specified in the relevant Final Terms) (the "**Spread**"). This may result in a lower rate of interest being payable in respect of the Notes than the Spread, subject to the Minimum Interest Rate specified (if any) in the relevant Final Terms. If no Minimum Interest Rate is specified in the relevant Final Terms, Spread Linked Rate 2 is equal to or greater than Spread Linked Rate 1, the leverage is positive and Spread is zero, then no interest will be payable under the Notes. It may be possible that you will not receive any interest at all for the lifetime of the Notes.

***Specific risks relating to Inflation Linked Notes***

Where Notes reference an inflation index, the Notes will be exposed to the performance of such inflation index which may be subject to fluctuations that may not correlate with changes in interest rates, currencies or other indices and may not correlate with the rate of inflation experienced in the jurisdiction of the Noteholders. Any payments made under the Notes may be based on a calculation made by reference to an inflation index for a month which is several months prior to the date of payment and therefore could be substantially different from the level of inflation at the time of payment on the Notes.

Broadly speaking, in an inflationary environment amounts payable shall be adjusted up and in a deflationary environment amounts payable shall be adjusted down. In a deflationary environment, the amount of interest payable might be lower than the fixed rate that would have been applicable before such adjustment and the redemption amount may be reduced.

*Alternative valuation following disruption events in respect of indices*

Upon the occurrence of certain events in relation to an inflation index, for example the level of the inflation index has not been published or the inflation index is discontinued or is rebased or materially modified – then, depending on the particular event, the Issuer or Calculation Agent may:

- determine the level of the inflation index;
- determine a successor to the original inflation index;
- make changes to the level of the rebased index; or
- make adjustments to the inflation index and/or the terms of the Notes by reference to equivalent adjustments made in respect of the Related Bond specified in the terms and conditions of the Notes or the Fallback Bond selected by the Calculation Agent.

Any such event or determination may have an adverse effect on the value of the Notes.

If the inflation index is rebased or materially modified, and no action is taken in respect of the Related Bond or Fallback Bond, the Calculation Agent may make changes to the level of the rebased index or

make adjustments to the inflation index and/or the terms of the Notes. Such consequential action by the Calculation Agent may have a negative effect on the value of the Notes.

If, on any day on which a valuation is to be made, the level of the inflation index has not been published, and no action to determine a substitute level of the inflation index has been taken in respect of the Related Bond or Fallback Bond, the Calculation Agent shall determine a substitute level of the inflation index calculated by reference to the latest published level of the inflation index, and such level may differ from the index level (if any) published or announced after the relevant valuation date. Such event may have an effect on the valuation of the Notes and on the interest and/or redemption amounts payable. If an inflation index has been discontinued and no successor index has been determined in respect of the Related Bond or Fallback Bond, but the sponsor of the inflation index has specified a replacement inflation index, the Calculation Agent may specify such replacement inflation index to be the Successor Inflation Index in respect of the Notes. Failing that, the Calculation Agent will determine an appropriate alternative index, and such index will be deemed a "Successor Inflation Index". Such events may have an effect on the valuation of the Notes and on the interest and/or redemption amounts payable.

*Early redemption of the Notes and reinvestment risk following such early redemption*

If the Calculation Agent determines that an inflation index has been discontinued and there is no appropriate alternative successor index, the Calculation Agent may redeem the Notes prior to their scheduled redemption date in accordance with the terms and conditions of the Notes.

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

An optional 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 Final Terms, investors may receive less than their invested amount.

**(5) Risks associated with certain features in relation to the calculation of the interest or principal amount under the Notes**

***Interest***

The Notes may bear interest at a rate that is contingent upon the performance of one or more floating rates of interest and/or an inflation index ("**Underlying Rate**") and may vary from one interest payment date to the next. The interest rate reflected by any given interest payment may be less than the rate that the Issuer (or any other bank or deposit-taking institution) may pay in respect of deposits for an equivalent period and may be zero.

If interest payments are contingent upon the performance of one or more Underlying Rate, there is a risk that interest may not be payable under the Notes if the Underlying Rate(s) do not perform as anticipated. The performance of floating interest rates is dependent upon a number of factors, including supply and demand on the international money markets, which are influenced by measures taken by governments and central banks, as well as speculations and other macroeconomic factors. This means that the interest amount payable over the term of the Notes may vary and any of these factors could affect the performance of the floating interest rate and therefore could adversely affect the value and return on the Notes.

Any information about the past performance of Underlying Rate(s) should not be regarded as indicative of any future performance of such Underlying Rate, or as an indication of the range of, or trends or fluctuations in, the price or value of such Underlying Rate(s) that may occur in the future. It is not

possible to predict the future value of the Notes based on such past performance. Actual results will be different, and such differences may be material.

Investors will have no claim against any index sponsor or any other third party in relation to an Underlying Rate; such parties have no obligation to act in the interests of investors.

Investors intending to purchase Notes as a hedge instrument should recognise the complexities of utilising Notes in this manner. Due to fluctuating supply and demand for the Notes and various other factors, there is a risk that the value of the Notes may not correlate with movements of the Underlying Rate(s), and the Notes may not be a perfect hedge for the Underlying Rate(s) or a portfolio containing the Underlying Rate(s). In addition, it may not be possible to liquidate the Notes at a level reflective of the prevailing price, level or value of the Underlying Rate(s).

***There are risks where Notes have 'leverage'***

'Leverage' refers to the use of financial techniques to gain additional exposure to the Underlying Rate(s). A leverage feature will magnify the impact of the performance of the Underlying Rate(s) to cause a greater or lower return on the Notes than would otherwise be the case in the absence of leverage. As such, a leverage feature can magnify losses in adverse market conditions. The Notes will have 'leverage' where Leverage is specified in the relevant Final Terms to more than 100 per cent (or 1.00). The inclusion of such a leverage feature in the Notes means that the Notes will be more speculative and riskier than in the absence of such feature, since smaller changes in the performance of the Underlying Rate(s) can reduce (or increase) the return on the Notes by more than if the Notes did not contain a leverage feature. A small movement in the value of the Underlying Rate(s) can have a significant effect on the value of the Notes.

***There are risks where Notes have a 'range accrual' feature***

If the Notes include a 'range accrual' feature, then interest will only be paid if the level, price or other applicable value of the Underlying Rate(s) is at or above a specific lower barrier during the observation dates in the relevant interest period and, if applicable, also at or below a specific upper barrier during the observation dates in the relevant interest period. It is possible that such level, price or other applicable value of the Underlying Rate(s) during the observation dates in the relevant interest period will not be at or above the lower barrier and/or, if applicable, not be below the upper barrier, and/or may not be within the range during the relevant interest period, and, therefore, no interest will be payable on the relevant interest payment date. This means that the amount of interest payable over the term of the Notes may vary and may be zero.

***There are risks where the Notes include an automatic switch or an option for the Issuer to switch the method for the calculation of interest***

If "Switch Option" is specified as applicable in the relevant Final Terms in respect of any Notes that are not Zero Coupon Notes, at any time the Issuer may exercise its right to change the interest rate applicable to the Notes for all subsequent interest periods up to but excluding the maturity date. The interest rate applicable both prior to and following the exercise of such switch option, as well as all other conditions relating to the interest rate, will be specified in the Final Terms. Once such switch option has been exercised it cannot be exercised again.

If "Automatic Interest Switch" is specified as being applicable in the relevant Final Terms in respect of any Notes, the interest rate applicable to the Notes will automatically change from a pre-determined interest payment date specified in the relevant Final Terms (the "**Automatic Switch Date**") for all remaining interest calculation periods up to but excluding the maturity date. The interest rate applicable both prior to and following the Automatic Switch Date, as well as all other conditions relating to the interest rate, will be determined in advance of the issue date and specified in the Final Terms.

Once the Switch Option has been exercised it cannot be exercised again. An Automatic Switch Date will only occur once during the term of the Notes.

In case of the exercise by the Issuer of a switch option, Noteholders will receive an interest amount calculated on the basis of the pre-switch option exercise interest rate up to and including the interest



payment date in respect of the interest period in which the Issuer exercises the switch option. For each remaining interest period following exercise by the Issuer of the switch option, the interest amount will be calculated on the basis of the post-switch option exercise interest rate.

In case of an occurrence of an Automatic Switch Date, Noteholders will receive an interest amount calculated on the basis of the pre-Automatic Switch Date interest rate up to and including the interest payment date corresponding to the Automatic Switch Date. For each remaining interest period following the occurrence of the Automatic Switch Date, the interest amount will be calculated on the basis of the post-Automatic Switch Date interest rate.

The investor will have no control over whether or not the Issuer switch option is exercised. If the Issuer elects to exercise the switch option, this may affect the secondary market and the market value of the Notes, as the Issuer may have converted the rate of interest because the alternative rate is lower.

**(6) Risks relating to Notes denominated and/or settling in emerging markets currencies**

Notes issued may settle 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 Euros or U.S. dollars.

***Emerging market risk***

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

***Inconvertibility, Non-transferability or Illiquidity***

Notes which are payable in an emerging market currency may provide that, if the Settlement Currency is not available at or about the time when a payment is due to be made under the Notes or it is impracticable for the Issuer to satisfy its obligations to pay any amounts due under the Notes because of circumstances beyond the control of the Issuer, then the Issuer is entitled to make the payments in an Alternative Payment Currency. These circumstances could include the imposition of exchange controls or a disruption in the currency market which prevents the Issuer from obtaining the Settlement Currency.

***Exchange controls and repatriation of profits***

Certain emerging market countries may operate exchange controls affecting the transfer of money in and out of the country and the convertibility of the local currency. Moreover the value of investments denominated and/or settling in an emerging markets currency can fluctuate significantly due to volatile exchange rates and high inflation. 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". All such factors may have an adverse affect on the value of the Notes.

### ***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 Settlement Currency is linked to an emerging market country. Currency exchange risks are described in detail above in the section entitled "*Risks applicable to Notes – Exchange rate risks and exchange control risks*".

### ***Risks relating to Notes settled in Offshore RMB outside the PRC***

Notes settled in Offshore RMB outside the PRC may be issued. Set out below is a description of some of the risks that should be taken into consideration by investors in such Notes.

(a) ***RMB is not freely convertible; Restrictions on RMB conversion through relevant Offshore RMB Centres (as specified in the relevant Final Terms) may adversely affect the liquidity of the 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. However, there has been significant reduction in control by the PRC Government in recent years, particularly 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.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is 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.

Although starting from 1 October 2016, the Renminbi will be added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future, that the pilot schemes for Renminbi cross-border utilisation will not be discontinued 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 out of the PRC. In the event that funds cannot be repatriated out of 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 perform its obligations under Notes denominated in Renminbi. In addition, if Renminbi outside the PRC is unavailable, this will impact on the ability of the Issuer to source Renminbi to perform its obligations under Notes denominated in Renminbi.

(b) ***RMB interest rate risk***

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

Renminbi-denominated Notes may carry a fixed interest rate ("**Fixed Rate Notes**") or have a resettable interest rate ("**Resettable Notes**"). Consequently, the trading price of Renminbi-denominated Notes which are Fixed Rate Notes or Resettable Notes will vary with the fluctuations in the Renminbi interest rates. If holders of such Renminbi-denominated Notes propose to sell their Renminbi-denominated Notes before their maturity, they may receive an offer lower than the amount they have invested.

(c) ***RMB exchange rate risk***

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 fluctuate as a result, the value of the Notes may fluctuate as well. If the value of Offshore RMB depreciates against the U.S. dollar, Hong Kong dollar or other foreign currencies, the value of a Noteholder's investment in U.S. dollar, Hong Kong dollar or other applicable foreign currency terms will decline.

(d) ***RMB payment risk***

If the Settlement Currency for the Notes is Offshore RMB and "Payment of Alternative Payment Currency Equivalent" is specified as applicable in the relevant Final Terms, an investor is subject to the risk that payments in respect of such Notes will be made in the Alternative Payment Currency specified in the relevant Final Terms instead of Offshore RMB. To the extent the Issuer is not able, or it is impracticable for it, to satisfy its obligation to pay any amounts as a result of Inconvertibility, Non-transferability or Illiquidity, the Issuer will be entitled to settle any such payment in the Alternative Payment Currency specified in the relevant Final Terms on the due date at the Alternative Payment Currency Equivalent (as defined in the Conditions) of any such Final Redemption Amount and/or Cash Settlement Amount (as applicable) and/or any other amounts due. In this case, the risk factors in the section entitled "*(1) Risks relating to all issues of Notes – Exchange rate risks and exchange control risks*" would apply as if the relevant Alternative Payment Currency were the Settlement Currency.

(e) ***Payments with respect to the Notes may be made only in the manner through Renminbi bank accounts maintained at banks in the relevant Offshore RMB Centre.***

Investors in the Notes should be aware that all Offshore RMB payments under the Notes will be made solely by credit to Renminbi bank accounts maintained at banks in the relevant Offshore RMB Centre as specified in the relevant Final Terms in accordance with the law and applicable regulations and guidelines issued by the relevant authorities in the relevant Offshore RMB Centre as specified in the relevant Final Terms.

## DOCUMENTS INCORPORATED BY REFERENCE

*This section provides details of the documents incorporated by reference which form part of this Base Prospectus and which are publicly available.*

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

- (a) the 2016 Unaudited Consolidated Interim Report of the Issuer and its subsidiary undertakings for the six month period ended 30 June 2016 submitted to and filed with the UKLA (the "**2016 Interim Report and Accounts**");
- (b) the 2015 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2015 submitted to and filed with the UK Listing Authority (the "**2015 Annual Report and Accounts**") and the additional financial information document in relation to the year ended 31 December 2015 submitted to and filed with the UK Listing Authority (the "**2015 Additional Information**"). The 2015 Additional Information is additional financial information, which is intended to be read in conjunction with the 2015 Annual Report and Accounts, but which is not required to be included in the 2015 Annual Report and Accounts by either the UK Companies Act 2006 (the "**Companies Act**") or by International Financial Reporting Standards. It includes commentary on the results of the Issuer and its subsidiaries (the "**Group**") in 2014 versus 2013 and certain statistics and other information. The Additional Information was published by the Issuer together with the 2015 Annual Report and Accounts;
- (c) the 2014 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2014 submitted to and filed with the UK Listing Authority (the "**2014 Annual Report and Accounts**") and the additional financial information document in relation to the year ended 31 December 2014 submitted to and filed with the UK Listing Authority (the "**2014 Additional Information**"). The 2014 Additional Information is additional financial information, which is intended to be read in conjunction with the 2014 Annual Report and Accounts, but which is not required to be included in the 2014 Annual Report and Accounts by either the Companies Act or by International Financial Reporting Standards. It includes commentary on the results of the Group in 2013 versus 2012 and certain statistics and other information. The 2014 Additional Information was published by the Issuer together with the 2014 Annual Report and Accounts;
- (d) the registration document of the Issuer dated 14 April 2016 submitted to and filed with the UK Listing Authority pursuant to Article 11 of the Prospectus Directive (the "**Registration Document**"); and
- (e) the Terms and Conditions of the Notes as set out on pages 34 – 65 of the base prospectus relating to the Programme dated 24 June 2013 (the "**2013 Note Conditions**").

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference and in respect of which a supplement to this Base Prospectus is prepared modifies or supersedes such statement.

Any documents incorporated by reference in the Registration Document or the Financial Information do not form part of this Base Prospectus. In respect of any document that is incorporated by reference in part only, the non-incorporated parts of such document are either not relevant for the investor or are covered elsewhere in this Base Prospectus.

The Issuer will at its registered office and at the offices of the Principal Paying Agent make available for inspection during normal business hours, upon reasonable notice, and free of charge, upon oral or written request, a copy of this Base Prospectus (or any document incorporated by reference in this Base Prospectus). Written or oral requests for inspection of such documents should be directed to the specified office of the Principal Paying Agent. Additionally, this Base Prospectus and all the documents incorporated by reference herein will be available for viewing at [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes'). For the avoidance of doubt, any

websites referred to in this Base Prospectus or any information appearing on such websites and pages do not form part of this Base Prospectus.

## DESCRIPTION OF THE NOTES

*This section provides details of how an investment in the Notes works and how payments under the Notes are calculated, including a number of worked examples.*

The Issuer may from time to time issue Notes which are debt obligations of the Issuer. The Issuer may issue various types of Notes and various additional optional features may apply to each type of Note. The types of Notes and the various additional optional features that may apply to each type of Note are set out below. A document known as "**Final Terms**" will be prepared in respect of each issue of Notes. The Final Terms will give further details of the amounts payable under the Notes.

### TYPES OF NOTES

Notes issued pursuant to the Programme may include Fixed Rate Notes, Floating Rate Notes, Reverse Floating Rate Notes, Digital Interest Rate Notes, Steepener Notes, Zero Coupon Notes and Inflation Linked Notes, as specified in the relevant Final Terms. Set out below is a more detailed description of the various types of Notes, together with worked examples of how interest and redemption amounts are calculated in relation to certain Notes. Such amounts will ordinarily be paid in the currency specified in the Final Terms as the "**Settlement Currency**".

#### **A. FINAL REDEMPTION AMOUNTS**

The relevant Final Terms will indicate whether the redemption provisions applicable to the Notes are:

- Fixed Redemption; or
- Inflation Linked Redemption,

(each, a "**Final Redemption Type**").

If the Final Redemption Type is 'Fixed Redemption' then an investor may be entitled to the following cash amounts in respect of each Note, depending on what is specified in the relevant Final Terms:

- unless 'Instalment Notes' is specified as applicable in the relevant Final Terms, a single payment of principal on the maturity date, such payment being the 'Final Redemption Amount' specified in the relevant Final Terms; or
- if 'Instalment Notes' is specified as applicable in the relevant Final Terms, on each date which is specified as an 'Instalment Date' in the relevant Final Terms, payment of the instalment of principal specified in the relevant Final Terms as the corresponding 'Instalment Amount' for such Instalment Date.

If the Final Redemption Type is 'Inflation Linked Redemption' then an investor may be entitled to a single payment of principal in respect of each Note, such payment being the 'Final Redemption Amount'. The Final Redemption Amount shall be equal to the product of a specified principal amount of Notes (the "**Calculation Amount**") and the 'Final Inflation Factor'. The Final Inflation Factor will be determined by dividing the level of the relevant Inflation Index (as specified in the Final Terms) for the calendar month specified in the Final Terms as corresponding to the maturity date by the level of the relevant Inflation Index on the Initial Valuation Date (being the date specified as such in the Final Terms).

A worked example of how the Final Redemption Amount in respect of Inflation Linked Redemption will be calculated in practice is set out below.

#### **Inflation Linked Redemption worked example:**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the Final Redemption Type as 'Inflation Linked Redemption' and the following in relation to Inflation Linked Redemption:

- The Maturity Date of the Notes is 20 August 2020.

- The Final Valuation Date will be 5 Business Days prior to the Maturity Date (being 13 August 2020);
- The Final Redemption Reference Month is June 2020
- The Initial Valuation Date is 20 August 2017;
- The Initial Redemption Reference Month is June 2017;
- The Settlement Currency is GBP.
- The Calculation Amount is GBP 1,000.
- The Inflation Index is the unrevised UK Retail Price Index All Items NSA as calculated and published by the Office for National Statistics (ONS) (Bloomberg ticker: UKRPI).

***What is the Final Redemption Amount payable on each Note on the Maturity Date?***

In order to calculate the Final Redemption Amount payable on each Note on the Maturity Date:

- (i) The Calculation Agent determines the level of the Inflation Index published or announced for the Initial Redemption Reference Month (June 2017) (**Inflation Index<sub>(i)</sub>**).

Let us assume that the Calculation Agent determines such level to be 120.

- (ii) The Calculation Agent determines the level of the Inflation Index for the Final Redemption Reference Month (being June 2020) (**Inflation Index<sub>(f)</sub>**).

Let us assume that the Calculation Agent determines such level to be 140.

- (iii) The Calculation Agent determines the Final Inflation Factor in accordance with the following formula:

$$\frac{\text{Inflation Index}_{(f)}}{\text{Inflation Index}_{(i)}}$$

Therefore, the Final Inflation Factor for these purposes = 1.166667

- (iv) The Calculation Agent multiplies the Final Inflation Factor (determined in accordance with paragraph (iii) above) with the Calculation Amount as follows:

Final Redemption Amount = [Final Inflation Factor (1.166667) x Calculation Amount (1000)]

= GBP 1,166.67 (rounded to two decimal places, with 0.005 rounded upwards).

Therefore, the Final Redemption Amount payable in respect of each Note on the Maturity Date shall be GBP 1,166.67.

For a worked example of how a Rate of Interest is determined in respect of the Notes, please see section C (*Interest Amounts Due Under the Notes*) below.

**B. EARLY REDEMPTION AMOUNTS**

**Callable Notes:** If "Issuer's optional redemption (Call Option)" is specified as applicable in the relevant Final Terms and exercised by the Issuer, payment of an early redemption amount will be made to the Noteholders on a date specified as an "Optional Redemption Date (Call Option)", such amount being the "Redemption Amount (Call Option)".

**Callable Notes worked example:**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to each Note:

- The Calculation Amount is EUR 1,000.
- The Issue Price is 100% of the Calculation Amount.
- The Settlement Currency is EUR.
- "Redemption at the option of the Issuer (Call Option)" is specified as applicable in the relevant Final Terms, in respect of which:
  - the Optional Redemption Date (Call Option) is 15 June 2018; and
  - the Redemption Amount (Call Option) is 100.25%.

***What is the redemption amount payable on each Note on the Optional Redemption Date (Call Option)?***

If the Issuer exercises its call option, then the Notes will be redeemed by it on 15 June 2018, being the Optional Redemption Date (Call Option).

The Calculation Agent will determine the redemption amount payable in respect of each Calculation Amount as follows:

EUR 1,000 (Calculation Amount) x 100.25% (Redemption Amount (Call Option))

= EUR 1,002.50.

In addition, any interest payable on 15 June 2018 will be payable. However, no further interest will be payable in respect of subsequent Interest Payment Dates.

***Puttable Notes:*** If "Noteholder's optional redemption (Put Option)" is specified as applicable in the relevant Final Terms and exercised by a Noteholder, payment of an early redemption amount will be made to the Noteholders on a date specified as an "Optional Redemption Date (Put Option)", such amount being the "Redemption Amount (Put Option)".

**Puttable Notes worked example:**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to each Note:

- The Calculation Amount is EUR 1,000.
- The Issue Price is 100% of the Calculation Amount.
- The Settlement Currency is EUR.
- "Noteholder's optional redemption (Put Option)" is specified as applicable in the relevant Final Terms, in respect of which:
  - the Optional Redemption Date (Put Option) is 15 June 2018; and
  - the Redemption Amount (Put Option) is 100.25%.



***What is the redemption amount payable in respect of a Note on the Optional Redemption Date (Put Option)?***

If the Noteholder exercises its put option, then the Notes of such Noteholder will be redeemed on 15 June 2018, being the Optional Redemption Date (Put Option).

The Calculation Agent will determine the redemption amount payable in respect of each Calculation Amount as follows:

EUR 1,000 (Calculation Amount) x 100.25% (Redemption Amount (Put Option))

= EUR 1,002.50.

In addition, any interest payable on 15 June 2018 will be payable. However, no further interest will be payable in respect of subsequent Interest Payment Dates.

**C. INTEREST AMOUNTS DUE UNDER THE NOTES****1. Fixed Rate Notes**

If "Fixed Rate Note provisions" are specified as applicable in the relevant Final Terms, the Notes will bear interest at a fixed percentage rate. This is referred to in the Final Terms as the "**Rate of Interest**" and will either be expressed as a percentage rate per annum or a percentage rate for another fixed period.

The interest on such Notes will be paid on the dates specified in the relevant Final Terms as being the "**Interest Payment Dates**". The amount of interest or "**Interest Amount**" payable on each such Interest Payment Date will be calculated by applying the Rate of Interest to the outstanding principal amount of the Notes for the period from the last Interest Payment Date until the Interest Payment Date in question (or, in the case of the first Interest Payment Date, from the date which is specified in the relevant Final Terms as being the "**Interest Commencement Date**" until such first Interest Payment Date), and each such period is referred to as an "**Interest Period**". Such amounts may be specified in the relevant Final Terms as the "Fixed Coupon Amounts".

If Fixed Coupon Amounts for the Interest Payment Dates are not so specified, or if interest needs to be calculated for a period other than an Interest Period (such as where there is an unscheduled redemption of the Notes), interest will be calculated in relation to a specified principal amount of Notes (the "**Calculation Amount**") by applying the Rate of Interest to such Calculation Amount and multiplying the product by a fraction reflecting the number of days for which interest has accrued (the "**Day Count Fraction**").

The Day Count Fraction reflects the number of days in the period for which interest is being calculated.

A worked example of how a Day Count Fraction is applied in practice is set out below.

**Fixed Rate Note worked example:**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Fixed Rate Notes:

- The Notes are issued on 15 June 2017.
- The Settlement Currency is EUR.
- The Calculation Amount is EUR 1,000.
- The Notes are issued in the denominations of EUR 5,000 plus integral multiples of EUR 1,000 thereafter.

- The Interest Payment Dates are specified as being 15 January and 15 June in each year.
- The Rate of Interest is specified as 0.9% per annum.
- The Fixed Coupon Amount is specified as Not Applicable.
- The Day Count Fraction is Actual/Actual (ICMA).

***What is the interest amount payable on each Note on each Interest Payment Date?***

The Calculation Agent will calculate the interest amount ("**Interest Amount**") payable in relation to each Interest Payment Date. Since no Fixed Coupon Amount is specified, the Calculation Agent will do so using the Day Count Fraction, as follows:

- (i) The Calculation Agent will apply the Rate of Interest (0.9% per annum) to the Calculation Amount of EUR 1,000. This results in a figure equal to EUR 9.00.
- (ii) This figure (EUR 9.00) is then multiplied by the Day Count Fraction. Interest on the Notes is to be paid on regularly occurring semi-annual Interest Payment Dates (i.e. 15 January and 15 June in each year). The Day Count Fraction is specified as Actual/Actual (ICMA) and, accordingly, the Day Count Fraction is  $\frac{1}{2}$  (being 1 divided by the number of regular interest periods in a year).
- (iii) Accordingly, this results in a figure of EUR 4.50 (i.e.  $\frac{1}{2} \times \text{EUR } 9.00$ ).
- (iv) If the denomination of the Notes is equal to the Calculation Amount of EUR 1,000, then this figure will be the Interest Amount payable on each Interest Payment Date:
- (v) If the Note has a denomination larger than the Calculation Amount, the Interest Amount payable in respect of the Note will be calculated by dividing the denomination of the Note by the Calculation Amount and multiplying the result by the amount determined at (iii) above, as follows:

$$(a) \quad \frac{\text{EUR } 5,000 \text{ (Denomination of Note)}}{\text{EUR } 1,000 \text{ (Calculation Amount)}}$$

$$= 5$$

then:

$$(b) \quad 5 \times \text{EUR } 4.50$$

$$= \text{EUR } 22.50$$

Accordingly, where the denomination of a Note is EUR 5,000, the Interest Amount payable in respect of such Note on each Interest Payment Date will be EUR 22.50.

The Interest Amount is paid twice per annum and, consequently, during the term of the Notes a total Interest Amount of EUR 45.00 will be payable (i.e. in respect of Notes with a denomination of EUR 1,000) or EUR 225.00 (i.e. in respect of Notes with a denomination of EUR 5,000).

2. **Floating Rate Notes**

If "Floating Rate Note provisions" are specified as applicable in the relevant Final Terms, the Notes will bear interest at a Rate of Interest which is a variable percentage rate per annum or such other period as specified in the relevant Final Terms.

The Rate of Interest for Floating Rate Notes for a given interest period (the "**Relevant Interest Period**") will be calculated by the Calculation Agent by reference either to:

- (a) where "Screen Rate Determination" is specified as applicable in the relevant Final Terms, quotations provided electronically by banks in the "Relevant Financial Centre" specified in the relevant Final Terms;
- (b) where "ISDA Determination" is specified as applicable in the relevant Final Terms, a notional interest rate on a swap transaction in the Settlement Currency;
- (c) where "CMS Rate Determination" is specified as applicable in the relevant Final Terms, the swap rate (which may be (i) the swap rate, (ii) the annual swap rate, (iii) the semi-annual swap rate, (iv) the quarterly swap rate, (v) the quarterly-annual swap rate, or (vi) the quarterly-quarterly swap rate, as specified in the Final Terms) for a swap transaction in the currency specified as 'Relevant Currency' in the relevant Final Terms with a maturity as specified in the relevant Final Terms as 'Designated Maturity'; or
- (d) where "RMS Rate Determination" is specified as applicable in the relevant Final Terms, the swap rate (which may be (i) the swap rate, (ii) the annual swap rate, (iii) the semi-annual swap rate, (iv) the quarterly swap rate, (v) the quarterly-annual swap rate, or (vi) the quarterly-quarterly swap rate, as specified in the relevant Final Terms) for a swap transaction in the currency specified as 'Relevant Currency' in the relevant Final Terms with a maturity as specified in the relevant Final Terms as 'Residual Designated Maturity' in respect of the Relevant Interest Period.

(a "**Reference Rate**"), and in each case, where specified in the relevant Final Terms, by multiplying such Reference Rate with the number specified as the 'Leverage' in the Final Terms for such Interest Payment Date (**provided that**, if no such amount is specified, the Leverage shall be deemed to be 1) (the "**Leverage**") and the addition of an additional percentage rate per annum specified in the Final Terms (known as the "**Spread**").

The Leverage reflects a number which determines the level of exposure to the Reference Rate, where 1 will give proportionate exposure, a number greater than 1 will multiply the effects of gains and losses and a number less than 1 will reduce the effects of gains and losses.

In respect of each Note and on each interest payment date the amount of interest payable will be calculated by applying the Rate of Interest for that interest payment date to the nominal amount, and then multiplying such amount by a fraction reflecting the number of days for which interest has accrued (the "**Day Count Fraction**").

The Day Count Fraction reflects the number of days in the period for which interest is being calculated.

Where "Minimum Interest Rate" is specified in the relevant Final Terms, the Rate of Interest will be restricted from falling below a fixed percentage level per annum (i.e. a so-called "floor").

Where a "Maximum Interest Rate" is specified in the relevant Final Terms, the Rate of Interest will not exceed a fixed percentage level per annum (i.e. a so-called "cap").

A worked example of how a Day Count Fraction, Leverage, Minimum Interest Rate and Maximum Interest Rate are applied in practice is set out below.

***Floating Rate Notes worked example:***

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Floating Rate Notes:

- The Notes are issued on 20 August 2017.
- The Settlement Currency is GBP.
- The Calculation Amount is GBP 1,000.
- The Maximum Interest Rate is 5% per annum.

- The Minimum Interest Rate is 1.13% per annum.
- Spread is specified as Not Applicable.
- Leverage is specified as 1.5.
- Screen Rate Determination is Applicable and the following information is specified:
  - the Reference Rate is 3-month LIBOR;
  - the Interest Determination Date is on the first day of the Relevant Interest Period;
  - the Relevant Screen Page is Reuters Page LIBOR01;
  - the Relevant Financial Centre is London;
  - the Relevant Time is 11 a.m.; and
  - the Relevant Currency is GBP.
- The Interest Commencement Date is 20 August 2017.
- The Interest Payment Dates are 20 August in each year.
- The Day Count Fraction is Actual/365 (Fixed).

(1) ***What is the interest amount payable on each Note on a particular Interest Payment Date?***

First, the Calculation Agent calculates the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date (say, 20 August 2018).

As Screen Rate Determination is applicable to the Notes, the Calculation Agent does this by determining what rate is specified as 3-month LIBOR (the Reference Rate) for GBP (the Relevant Currency) which appears on Reuters Page LIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 20 August 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)).

Let us assume that the Calculation Agent determines that such rate is 2% per annum.

The Calculation Agent calculates the Rate of Interest by:

- (i) multiplying the Reference Rate with the Leverage ( $2\% \times 1.5 = 3\%$ ); and
- (ii) adding to the rate determined in accordance with paragraph (i) above the Spread. As Spread is specified as being Not Applicable to the Notes, the Rate of Interest for this Relevant Interest Period will therefore be 3% per annum. (Conversely, if Spread was applicable, then the Rate of Interest would be the sum of 3% and the percentage rate specified as the Spread.)

Secondly, the Calculation Agent calculates the Interest Amount payable in respect of such Relevant Interest Period as follows:

- (i) The Calculation Agent determines the Day Count Fraction applicable to the Relevant Interest Period. As the specified Day Count Fraction is Actual/365 (Fixed), this will be equal to the result of dividing the actual number of days in the Relevant Interest Period by 365, as follows:

$$\frac{365}{365} \text{ (Number of days in the Relevant Interest Period)}$$

$$365 \text{ (Day Count Fraction)}$$

$$= 1$$

(ii) The Calculation Agent then applies the Rate of Interest to the Calculation Amount:

$$3\% \times \text{GBP } 1,000$$

$$= \text{GBP } 30.00$$

and multiplies the result by the Day Count Fraction:

$$\text{GBP } 30.00 \times 1 = \text{GBP } 30.00$$

Accordingly, the Interest Amount payable in respect of a Note (with a denomination equal to the Calculation Amount) for this Relevant Interest Period will be GBP 30.00.

(2) ***What if the rate determined by the Calculation Agent is less than the Minimum Interest Rate or more than the Maximum Interest Rate?***

If the rate determined by the Calculation Agent after the application of Leverage and adding any applicable Spread (which in this example does not apply) is less than the Minimum Interest Rate specified or more than the Maximum Interest Rate specified, then the Rate of Interest will be the Minimum Interest Rate or, as the case may be, the Maximum Interest Rate as specified in the relevant Final Terms.

Accordingly, if, for example, the Rate of Interest so calculated would have been 0.5%, then, as the Minimum Interest Rate is specified as 1.13%, then the Rate of Interest will actually be 1.13%. As applied to the above example, if 3% were replaced by 1.13%, the Interest Amount payable would be GBP 11.30 per Note.

3. **Reverse Floating Rate Notes**

If "Reverse Floating Rate Note provisions" are specified as applicable in the relevant Final Terms, the Notes will bear interest at a Rate of Interest which is determined by deducting a variable percentage rate (a reference rate) from a fixed percentage (fixed spread), each as specified in the relevant Final Terms.

*Note that the Interest Rate applicable to Reverse Floating Rate Notes is determined by subtracting the reference rate from a fixed spread, whereas the Interest Rate applicable to Floating Rate Notes is determined by adding or subtracting a fixed spread to or from a reference rate.*

The Rate of Interest for Reverse Floating Rate Notes for a given interest period (the "**Relevant Interest Period**") will be calculated by the Calculation Agent by reference either to:

- (a) where "Screen Rate Determination" is specified as applicable in the relevant Final Terms, quotations provided electronically by banks in "Relevant Financial Centre" specified in the relevant Final Terms;
- (b) where "ISDA Determination" is specified as applicable in the relevant Final Terms, a notional interest rate on a swap transaction in the Settlement Currency;
- (c) where "CMS Rate Determination" is specified as applicable in the relevant Final Terms, the swap rate (which may be (i) the swap rate, (ii) the annual swap rate, (iii) the semi-annual swap rate, (iv) the quarterly swap rate, (v) the quarterly-annual swap rate, or (vi) the quarterly-quarterly swap rate, as specified in the Final Terms) for a swap transaction in the currency specified as 'Relevant Currency' in the Final Terms with a maturity as specified in the Final Terms as 'Designated Maturity'; or
- (d) where "RMS Rate Determination" is specified as applicable in the relevant Final Terms, the swap rate (which may be (i) the swap rate, (ii) the annual swap rate, (iii) the semi-annual swap rate, (iv)

the quarterly swap rate, (v) the quarterly-annual swap rate, or (vi) the quarterly-quarterly swap rate, as specified in the relevant Final Terms) for a swap transaction in the currency specified as 'Relevant Currency' in the relevant Final Terms with a maturity as specified in the relevant Final Terms as 'Residual Designated Maturity' in respect of the Relevant Interest Period.

(a "**Reference Rate**"), and in each case, where specified in the relevant Final Terms, by

- (i) multiplying such Reference Rate with the number specified as the 'Leverage' in the Final Terms for such Interest Payment Date (**provided that**, if no such amount is specified, the Leverage shall be deemed to be 1) (the "**Leverage**"); and
- (ii) deducting from the rate determined in accordance with paragraph (i) above a percentage rate per annum specified in the relevant Final Terms (known as the "**Spread**").

The Leverage reflects a number which determines the level of exposure to the Reference Rate, where 1 will give proportionate exposure, a number greater than 1 will multiply the effects of gains and losses and a number less than 1 will reduce the effects of gains and losses.

In respect of each Note and on each interest payment date the amount of interest payable will be calculated by applying the Rate of Interest for that interest payment date to the nominal amount, and then multiplying such amount by a fraction reflecting the number of days for which interest has accrued (the "**Day Count Fraction**").

The Day Count Fraction reflects the number of days in the period for which interest is being calculated.

Where "Minimum Interest Rate" is specified in the relevant Final Terms, the Rate of Interest will be restricted from falling below a fixed percentage level per annum (i.e. a so-called "floor").

Where a "Maximum Interest Rate" is specified in the relevant Final Terms, the Rate of Interest will not exceed a fixed percentage level per annum (i.e. a so-called "cap").

A worked example of how a Day Count Fraction, Leverage, Minimum Interest Rate and Maximum Interest Rate are applied in practice is set out below.

***Reverse Floating Rate Notes worked example:***

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Reverse Floating Rate Notes:

- The Notes are issued on 20 August 2017.
- The Settlement Currency is GBP.
- The Calculation Amount is GBP 1,000.
- The Maximum Interest Rate is 5% per annum.
- The Minimum Interest Rate is 1.13% per annum.
- Spread is specified as 7%.
- Leverage is specified as 1.5.
- ISDA Determination is Applicable and the following information is specified:
  - the Floating Rate Option is GBP-LIBOR-BBA;
  - the Interest Determination Date is on the first day of the Relevant Interest Period;

<ul style="list-style-type: none"> <li>• the Designated Maturity is 3 months;</li> <li>• the Reset Date is the first day of each Interest Period;</li> <li>• The Interest Commencement Date is 20 August 2017.</li> <li>• The Interest Payment Dates are 20 August in each year.</li> <li>• The Day Count Fraction is Actual/365 (Fixed).</li> </ul> <p>(1) <b><i>What is the interest amount payable on each Note on a particular Interest Payment Date?</i></b></p> <p>First, the Calculation Agent calculates the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date (say, 20 August 2018).</p> <p>As ISDA Determination is applicable to the Notes, the Calculation Agent does this by determining the rate for deposits in Sterling for a period of the Designated Maturity (being 3 months) which appears on Reuters Page LIBOR01 as at 11 a.m. London time on 20 August 2017 (being the Reset Date) pursuant to the ISDA Definitions.</p> <p>Let us assume that the Calculation Agent determines that such rate is 2% per annum.</p> <p>The Calculation Agent calculates the Rate of Interest by:</p> <ul style="list-style-type: none"> <li>(i) multiplying the Reference Rate with the Leverage (2% x 1.5 = 3%); and</li> <li>(ii) deducting the rate determined in accordance with paragraph (i) above from the Spread.</li> </ul> <p>As Spread is specified as being 7%, the Rate of Interest for this Relevant Interest Period will therefore be:</p> <p>7% - 3% = 4% per annum.</p> <p>Secondly, the Calculation Agent calculates the Interest Amount payable in respect of such Relevant Interest Period as follows:</p> <ul style="list-style-type: none"> <li>(i) The Calculation Agent determines the Day Count Fraction applicable to the Relevant Interest Period. As the specified Day Count Fraction is Actual/365 (Fixed), this will be equal to the result of dividing the actual number of days in the Relevant Interest Period by 365, as follows: <ul style="list-style-type: none"> <li><math>\frac{365 \text{ (Number of days in the Relevant Interest Period)}}{365 \text{ (Day Count Fraction)}}</math></li> <li>= 1</li> </ul> </li> <li>(ii) The Calculation Agent then applies the Rate of Interest to the Calculation Amount: <ul style="list-style-type: none"> <li>4% x GBP 1,000</li> <li>= GBP 40.00</li> </ul> <p>and multiplies the result by the Day Count Fraction:</p> <ul style="list-style-type: none"> <li>GBP 40.00 x 1 = GBP 40.00</li> </ul> </li> </ul> <p>Accordingly, the Interest Amount payable in respect of a Note (with a denomination equal to the Calculation Amount) for this Relevant Interest Period will be GBP 40.00.</p> <p>(2) <b><i>What if the rate determined by the Calculation Agent is less than the Minimum Interest Rate or more than the Maximum Interest Rate?</i></b></p> <p>If the rate determined by the Calculation Agent after deducting the Reference Rate from the</p>
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Spread is less than the Minimum Interest Rate specified or more than the Maximum Interest Rate specified, then the Rate of Interest will be the Minimum Interest Rate or, as the case may be, the Maximum Interest Rate as specified in the relevant Final Terms.

Accordingly, if, for example, the Rate of Interest so calculated would have been 0.5%, then, as the Minimum Interest Rate is specified as 1.13%, then the Rate of Interest will actually be 1.13%. As applied to the above example, if 4% were replaced by 1.13%, the Interest Amount payable would be GBP 11.30 per Note.

#### 4. **Digital Interest Rate Notes**

If "Digital Interest Rate Note provisions" are specified as applicable in the relevant Final Terms, the Notes will bear interest at a Rate of Interest equal to:

- (a) "Digital Rate 1" (which can either be a predetermined fixed rate of interest or a rate of interest linked to floating rate, depending on which one is applicable in the Final Terms) multiplied by Digital Leverage 1 (as specified in the Final Terms, or if not so specified, Digital Leverage 1 shall be deemed to be 1) and adding to such product the Digital Rate 1 Spread (as specified in the Final Terms) (the "**Leveraged Rate 1**"), if the Digital Reference Rate (as specified in the Final Terms) is less than the Digital Strike (as specified in the Final Terms),
- (b) "Digital Rate 2" (which can either be a predetermined fixed rate of interest or a rate of interest linked to a floating rate, depending on which one is applicable in the Final Terms) multiplied by Digital Leverage 2 (as specified in the Final Terms, or if not so specified, Digital Leverage 2 shall be deemed to be 1) and adding to such product the Digital Rate 2 Spread (as specified in the Final Terms) (the "**Leveraged Rate 2**"), if the Digital Reference Rate is greater than the Digital Strike, or
- (c) the greater of Leveraged Rate 1 and Leveraged Rate 2, if the Digital Reference Rate is equal to the Digital Strike.

In relation to each Digital Interest Rate Note in respect of an interest period ending on an interest payment date (the "**Relevant Interest Period**") the amount of interest payable on such interest payment date will be calculated by applying the relevant digital interest rate to the nominal amount, and then multiplying such amount by a fraction reflecting the number of days for which interest has accrued (the "**Day Count Fraction**").

Any of Digital Rate 1, Digital Rate 2 or Digital Reference Rate which is a floating rate will be calculated by the Calculation Agent by reference either to:

- (a) where "Screen Rate Determination" is specified as applicable in the relevant Final Terms, quotations provided electronically by banks in "Relevant Financial Centre" specified in the relevant Final Terms;
- (b) where "ISDA Determination" is specified as applicable in the relevant Final Terms, a notional interest rate on a swap transaction in the Settlement Currency;
- (c) where "CMS Rate Determination" is specified as applicable in the relevant Final Terms, the swap rate (which may be (i) the swap rate, (ii) the annual swap rate, (iii) the semi-annual swap rate, (iv) the quarterly swap rate, (v) the quarterly-annual swap rate, or (vi) the quarterly-quarterly swap rate, as specified in the Final Terms) for a swap transaction in the currency specified as 'Relevant Currency' in the Final Terms with a maturity as specified in the Final Terms as 'Designated Maturity'; or
- (d) where "RMS Rate Determination" is specified as applicable in the relevant Final Terms, the swap rate (which may be (i) the swap rate, (ii) the annual swap rate, (iii) the semi-annual swap rate, (iv) the quarterly swap rate, (v) the quarterly-annual swap rate, or (vi) the quarterly-quarterly swap rate, as specified in the relevant Final Terms) for a swap transaction in the currency specified as 'Relevant Currency' in the relevant Final Terms with a maturity as specified in the relevant Final Terms as 'Residual Designated Maturity' in respect of the Relevant Interest Period.



***Digital Interest Rate Note worked example, where 'Digital Rate 1' and 'Digital Rate 2' are fixed rates:****The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Digital Interest Rate Notes:

- The Notes are issued on 1 January 2017.
- The Settlement Currency is GBP.
- The Calculation Amount is GBP 1,000.
- Digital Rate 1 is a fixed rate equal to 8% per annum.
- Digital Leverage 1 is not specified in the Final Terms, therefore, this will be deemed to be 1.
- Digital Rate 1 Spread is specified as zero.
- Digital Rate 2 is a fixed rate equal to 6% per annum.
- Digital Leverage 2 is not specified in the Final Terms, therefore, this will be deemed to be 1.
- Digital Rate 2 Spread is specified as zero.
- In respect of the Digital Reference Rate, Screen Rate Determination is Applicable and the following information is specified:
  - the Reference Rate is 3-month LIBOR;
  - the Interest Determination Date is on the first day of the Relevant Interest Period;
  - the Relevant Screen Page is Reuters Page LIBOR01;
  - the Relevant Financial Centre is London;
  - the Relevant Time is 11 a.m.; and
  - the Relevant Currency is GBP.
- The Digital Strike is specified as 3%.
- The Interest Commencement Date is 1 January 2017.
- The Interest Payment Dates are 1 April, 1 July, 1 October and 1 January in each year.
- The Day Count Fraction is Actual/360.

**(1) *What is the interest amount payable on each Note on a particular Interest Payment Date?***

In order to calculate the Rate of Interest that applies to the Relevant Interest Period ending on an Interest Payment Date (say, 1 April 2017), the Calculation Agent first determines the Digital Reference Rate.

As Screen Rate Determination is applicable to the Digital Reference Rate, the Calculation Agent does this by determining what rate is specified as 3-month LIBOR (the Reference Rate) for GBP (the Relevant Currency) which appears on Reuters Page LIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 1 January 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)).

Let us assume that the Calculation Agent determines that such rate is 5% per annum.

Therefore, the Rate of Interest applicable to the Notes for the Relevant Interest Period shall be 6% per annum (which is equal to Digital Rate 2) as the Digital Reference Rate is greater than the Digital Strike. (Conversely, had the Digital Reference Rate been less than the Digital Strike, the Rate of Interest applicable to the Notes for the Relevant Interest Period would have been Digital Rate 1.)

Thereafter, the Calculation Agent calculates the Interest Amount payable in respect of such Relevant Interest Period as follows:

- (i) The Calculation Agent determines the Day Count Fraction applicable to the Relevant Interest Period. As the specified Day Count Fraction is Actual/360, this will be equal to the result of dividing the actual number of days in the Relevant Interest Period by 360, as follows:

$$\frac{90 \text{ (Number of days in the Relevant Interest Period)}}{360 \text{ (Day Count Fraction)}}$$

$$= 0.25$$

- (ii) The Calculation Agent then applies the Rate of Interest to the Calculation Amount:

$$6\% \times \text{GBP } 1,000$$

$$= \text{GBP } 60.00$$

and multiplies the result by the Day Count Fraction:

$$\text{GBP } 60.00 \times 0.25 = \text{GBP } 15.00$$

Accordingly, the Interest Amount payable in respect of a Note (with a denomination equal to the Calculation Amount) for this Relevant Interest Period will be GBP 15.00.

- (2) ***What if the Digital Reference Rate determined by the Calculation Agent is equal to the Digital Strike?***

If the Digital Reference Rate determined by the Calculation Agent is equal to the Digital Strike for any Relevant Interest period then the Rate of Interest payable in respect of such Relevant Interest Period shall be the greater of Digital Rate 1 and Digital Rate 2.

If, for example, the Digital Reference Rate so calculated would have been 3%, then as Digital Rate 1 is greater than Digital Rate 2, then the Rate of Interest will actually be 8% (being equal to Digital Rate 1). As applied to the above example, if 6% were replaced by 8%, the Interest Amount payable would be GBP 20.00 per Note.

**Digital Interest Rate Note worked example, where 'Digital Rate 1' is a floating rate and 'Digital Rate 2' is a fixed rate:**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Digital Interest Rate Notes:

- The Notes are issued on 1 January 2017.
- The Settlement Currency is GBP.
- The Calculation Amount is GBP 1,000.
- The Maximum Interest Rate is 10% per annum.
- The Minimum Interest Rate is 3% per annum.
- In respect of the Digital Reference Rate, Screen Rate Determination is Applicable and the following information is specified:
  - the Reference Rate is 3-month LIBOR;
  - the Interest Determination Date is on the first day of the Relevant Interest Period;
  - the Relevant Screen Page is Reuters Page LIBOR01;
  - the Relevant Financial Centre is London;
  - the Relevant Time is 11 a.m.; and
  - the Relevant Currency is GBP.
- In respect of the Digital Rate 1, Screen Rate Determination is Applicable and the following information is specified:
  - the Reference Rate is 3-month EURIBOR;
  - the Interest Determination Date is on the first day of the Relevant Interest Period;
  - the Relevant Screen Page is Reuters Page EURIBOR01;
  - the Relevant Financial Centre is London;
  - the Relevant Time is 11 a.m.;
  - the Relevant Currency is EUR; and
  - the Digital Leverage 1 is specified as 2.
  - the Digital Rate 1 Spread is specified as 1%.
- Digital Rate 2 is a fixed rate equal to 10% per annum.
- Digital Leverage 2 is not specified in the Final Terms, therefore, this will be deemed to be 1.
- Digital Rate 2 Spread is specified as zero.
- The Digital Strike is specified as 3%.

- The Interest Commencement Date is 1 January 2017.
- The Interest Payment Dates are 1 April, 1 July, 1 October and 1 January in each year.
- The Day Count Fraction is Actual/360.

(1) ***What is the interest amount payable on each Note on a particular Interest Payment Date?***

In order to calculate the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date (say, 1 April 2017), the Calculation Agent first determines the Digital Reference Rate.

As Screen Rate Determination is applicable to the Digital Reference Rate, the Calculation Agent does this by determining what rate is specified as 3-month LIBOR (the Reference Rate) for GBP (the Relevant Currency) which appears on Reuters Page LIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 1 January 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)).

Let us assume that the Calculation Agent determines that such rate is 2% per annum.

Thereafter, the Calculation Agent determines Digital Rate 1. As Screen Rate Determination is applicable to Digital Rate 1, the Calculation Agent does this by determining what rate is specified as 3-month EURIBOR (the Reference Rate) for EUR (the Relevant Currency) which appears on Reuters Page EURIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 1 January 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)).

Let us assume that the Calculation Agent determines that such rate is 3.5% per annum.

Therefore, as the Digital Reference Rate is less than the Digital Strike, the Rate of Interest applicable to the Notes for the Relevant Interest Period shall be 3.5% per annum (which is equal to Digital Rate 1) multiplied by 2 (being the Digital Leverage 1) and adding to this product 1% (being the Digital Rate 1 Spread). (Conversely, had the Digital Reference Rate been greater than the Digital Strike, the Rate of Interest applicable to the Notes for the Relevant Interest Period would have been calculated with reference to Digital Rate 2.)

Accordingly, the Rate of Interest = 3.5% (Digital Rate 1) x 2 (Digital Leverage 1) + 1% (Digital Rate 1 Spread) = 8%

Finally, the Calculation Agent calculates the Interest Amount payable in respect of such Relevant Interest Period as follows:

- (i) The Calculation Agent determines the Day Count Fraction applicable to the Relevant Interest Period. As the specified Day Count Fraction is Actual/360, this will be equal to the result of dividing the actual number of days in the Relevant Interest Period by 360, as follows:

$$\frac{90 \text{ (Number of days in the Relevant Interest Period)}}{360 \text{ (Day Count Fraction)}}$$

$$= 0.25$$

- (ii) The Calculation Agent then applies the Rate of Interest to the Calculation Amount:

$$8\% \times \text{GBP } 1,000$$

$$= \text{GBP } 80.00$$

and multiplies the result by the Day Count Fraction:

$$\text{GBP } 80.00 \times 0.25 = \text{GBP } 20.00$$

Accordingly, the Interest Amount payable in respect of a Note (with a denomination equal to the Calculation Amount) for this Relevant Interest Period will be GBP 20.00.

(2) ***What if the Digital Reference Rate determined by the Calculation Agent is equal to the Digital Strike?***

If the Digital Reference Rate determined by the Calculation Agent is equal to the Digital Strike for any Relevant Interest period then the Rate of Interest payable in respect of such Relevant Interest Period shall be the greater of Leveraged Rate 1 (being Digital Rate 1 multiplied by Digital Leverage 1 and adding to such product the Digital Rate 1 Spread) and Leveraged Rate 2 (being Digital Rate 2 multiplied by Digital Leverage 2 and adding to such product the Digital Rate 2 Spread).

If, for example, the Digital Reference Rate so calculated would have been 3%, then as Leveraged Rate 2 is greater than Leveraged Rate 1, the Rate of Interest will actually be 10% (being equal to Leveraged Rate 2). As applied to the above example, if 8% were replaced by 10%, the Interest Amount payable would be GBP 25.00 per Note.

(3) ***What if the rate determined by the Calculation Agent is less than the Minimum Interest Rate or more than the Maximum Interest Rate?***

If the Rate of Interest determined by the Calculation Agent in accordance with paragraph 1 above is less than the Minimum Interest Rate specified or more than the Maximum Interest Rate specified, then the Rate of Interest will be the Minimum Interest Rate or, as the case may be, the Maximum Interest Rate as specified in the relevant Final Terms.

Accordingly, if, for example, the Rate of Interest so calculated would have been 2%, then, as the Minimum Interest Rate is specified as 3%, then the Rate of Interest will actually be 3%. As applied to the above example, if 8% were replaced by 3%, the Interest Amount payable would be GBP 7.50 per Note.

5. **Steepener Notes**

If "Steepener Note provisions" are specified as applicable in the relevant Final Terms, the Notes will bear interest at a Rate of Interest determined by taking the amount (if any) by which a designated swap rate (the "**Spread Linked Rate 1**") exceeds another designated swap rate (the "**Spread Linked Rate 2**"), multiplying that amount by the number specified as the 'Leverage' in the Final Terms for such Interest Payment Date (**provided that**, if no such amount is specified, the Leverage shall be deemed to be 1) (the "**Leverage**") and the addition of an additional percentage rate per annum specified in the Final Terms (known as the "**Spread**").

Swap rates in the context of Steepener Notes are rates fixed on interest rate swaps. A commonly used benchmark for such swap rates is the service known as ICE Swap Rate. ICE Swap Rate represents the mid-price for interest rate swaps (the fixed leg), at particular times of the day, in three major currencies (EUR, GBP and USD) and in tenors ranging from 1 year to 30 years.

Steepener Notes may be linked to the difference (spread) between any two ICE Swap Rates relating to the "Relevant Currency" as specified in the applicable Final Terms (for example Steepener Notes may be linked to the difference between 10 year ICE Swap Rate in the Relevant Currency and the 2 year ICE Swap Rate in the Relevant Currency).

Each of Spread Linked Rate 1 and Spread Linked Rate 2 will be calculated by the Calculation Agent by reference to the swap rate (which may be (i) the swap rate, (ii) the annual swap rate, (iii) the semi-annual swap rate, (iv) the quarterly swap rate, (v) the quarterly-annual swap rate, or (vi) the quarterly-quarterly swap rate, as specified in the Final Terms) for a swap transaction in the currency specified as 'Relevant Currency' in the Final Terms with a maturity as specified in the Final Terms as 'Designated Maturity'.

In relation to each Steepener Note in respect of an interest period ending on an interest payment date (the "**Relevant Interest Period**") the amount of interest payable on such interest payment date will be calculated by applying the Rate of Interest for that interest payment date to the nominal amount, and then

multiplying such amount by a fraction reflecting the number of days for which interest has accrued (the "**Day Count Fraction**").

Where "Minimum Interest Rate" is specified in the relevant Final Terms, the Rate of Interest will be restricted from falling below a fixed percentage level per annum (i.e. a so-called "floor").

Where a "Maximum Interest Rate" is specified in the relevant Final Terms, the Rate of Interest will not exceed a fixed percentage level per annum (i.e. a so-called "cap").

In the event that the Spread Linked Rate 1 does not exceed the Spread Linked Rate 2 on a date which is relevant to the calculation of interest for a Relevant Interest Period (i.e. the Interest Determination Date), the Rate of Interest on the Notes for that period will equal zero or, if any Minimum Interest Rate has been specified in the relevant Final Terms and applies, will equal that Minimum Interest Rate.

A worked example of how a Day Count Fraction, Leverage, Minimum Interest Rate and Maximum Interest Rate are applied in practice is set out below.

**Steepener Note worked example:**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Steepener Notes:

- The Notes are issued on 20 August 2017.
- The Settlement Currency is GBP.
- The Calculation Amount is GBP 1,000.
- In respect of Spread Linked Rate 1, CMS Rate Determination is applicable and the following information is specified:
  - the CMS Reference Rate is EUR CMS30 (being the 30-year ICE Swap Rate in the Relevant Currency (EUR));
  - the Designated Maturity is 30 years;
  - the Interest Determination Date is on the first day of the Relevant Interest Period;
  - the Relevant Screen Page is ICESWAP2;
  - the Relevant Financial Centre is TARGET and London;
  - the Relevant Time is 11 a.m.; and
  - the Relevant Currency is EUR.
- In respect of Spread Linked Rate 2, CMS Rate Determination is applicable and the following information is specified:
  - the CMS Reference Rate is EUR CMS2 (being the 2-year ICE Swap Rate in the Relevant Currency (EUR));
  - the Designated Maturity is 2 years;
  - the Interest Determination Date is on the first day of the Relevant Interest Period;
  - the Relevant Screen Page is ICESWAP2;
  - the Relevant Financial Centre is TARGET and London;

<ul style="list-style-type: none"> <li>• the Relevant Time is 11 a.m.; and</li> <li>• the Relevant Currency is EUR.</li> </ul> <ul style="list-style-type: none"> <li>• The Maximum Interest Rate is 17% per annum.</li> <li>• The Minimum Interest Rate is 0% per annum.</li> <li>• Spread is specified as 0.5%.</li> <li>• Leverage is specified as 5.</li> <li>• The Interest Commencement Date is 20 August 2017.</li> <li>• The Interest Payment Dates are 20 August in each year.</li> <li>• The Day Count Fraction is Actual/365 (Fixed).</li> </ul> <p>(1) <b><i>What is the interest amount payable on each Note on a particular Interest Payment Date?</i></b></p> <p>(A) In order to calculate the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date (say, 20 August 2018):</p> <p>(i) The Calculation Agent determines Spread Linked Rate 1 by determining the rate that is specified as EUR CMS30 (the Spread Linked Rate 1) for EUR (the Relevant Currency) with a Designated Maturity of 30 years, which appears on Reuters Page ICESWAP2 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 20 August 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)).</p> <p>Let us assume that the Calculation Agent determines that such rate is 5.50% per annum.</p> <p>(ii) The Calculation Agent determines Spread Linked Rate 2 by determining the rate that is specified as EUR CMS2 (the Spread Linked Rate 2) for EUR (the Relevant Currency) with a Designated Maturity of 2 years, which appears on Reuters Page ICESWAP2 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 20 August 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)).</p> <p>Let us assume that the Calculation Agent determines that such rate is 2.24% per annum.</p> <p>(iii) Thereafter, the Calculation Agent calculates the difference between Spread Linked Rate 1 and Spread Linked Rate 2, and multiplies this difference by the Leverage as follows:</p> $[\text{Spread Linked Rate 1 (5.50\%)} - \text{Spread Linked Rate 2 (2.24\%)}] \times \text{Leverage (5)}$ $= 16.30\%$ <p>(iv) Finally, the Calculation Agent adds the Spread to the percentage rate determined in accordance with paragraph (iii) above which results in the Rate of Interest applicable to the Notes in respect of the Relevant Interest Period as follows:</p> $\text{Rate of Interest} = 16.30\% + \text{Spread (0.5\%)}$ $= 16.80\% \text{ per annum.}$ <p>(B) Thereafter, the Calculation Agent calculates the Interest Amount payable in respect of such Relevant Interest Period as follows:</p> <p>(i) The Calculation Agent determines the Day Count Fraction applicable to the Relevant Interest Period. As the specified Day Count Fraction is Actual/365 (Fixed), this will be equal to the result of dividing the actual number of days in the Relevant Interest Period by 365, as follows:</p> $\frac{365}{\text{(Number of days in the Relevant Interest Period)}}$
---

365 (Day Count Fraction)

= 1

(ii) The Calculation Agent then applies the Rate of Interest to the Calculation Amount:

16.80% x GBP 1,000

= GBP 168.00

and multiplies the result by the Day Count Fraction:

GBP 168.00 x 1 = GBP 168.00

Accordingly, the Interest Amount payable in respect of a Note (with a denomination equal to the Calculation Amount) for this Relevant Interest Period will be GBP 168.00.

(2) ***What if the rate determined by the Calculation Agent is less than the Minimum Interest Rate or more than the Maximum Interest Rate?***

If the Rate of Interest determined by the Calculation Agent in paragraph (1) above is more than the Minimum Interest Rate specified or less than the Maximum Interest Rate specified, then the Rate of Interest will be the Minimum Interest Rate or, as the case may be, the Maximum Interest Rate as specified in the relevant Final Terms.

If, for example, the Rate of Interest so calculated would have been negative (for example in a scenario where Spread Linked Rate 2 is greater than Spread Linked Rate 1), then, as the Minimum Interest Rate is specified as 0%, then the Rate of Interest will actually be 0%. As applied to the above example, no interest would be payable in respect of the Notes in respect of the Relevant Interest Period.

#### 6. **Zero Coupon Notes**

If "Zero Coupon Note provisions" are specified as applicable in the relevant Final Terms, the Notes will not be interest-bearing.

If Zero Coupon Notes are required to be redeemed early and "Zero Coupon Accrual Yield and Reference Price" is specified as the "Early Redemption Amount" in the relevant Final Terms, the early redemption amount payable in respect of such Notes will be the sum of a reference amount specified in the relevant Final Terms known as the "Zero Coupon Note Reference Price" and the product of an annually compounded percentage rate specified in the relevant Final Terms known as the Accrual Yield applied to the Zero Coupon Note Reference Price over a period from the issue date to the date of early redemption.

If Zero Coupon Notes are required to be redeemed early and "Zero Coupon Accrual Yield and Reference Price" is not specified as the "Early Redemption Amount" in the relevant Final Terms, the early redemption amount payable in respect of such Note will be (i) the amount specified as the "Early Redemption Amount" in the relevant Final Terms, or (ii) the fair market value (and in respect only of Notes that are not expected to be admitted to listing on the Borsa Italiana S.p.A., less any related hedging costs) of the Note, if "Fair Market Value" is specified as the "Early Redemption Amount" in the relevant Final Terms. If Fair Market Value Floor is specified in the relevant Final Terms as being applicable, then the Fair Market Value shall in no event be less than the amount equal to the percentage per Calculation Amount specified as the Fair Market Value Floor Percentage in the relevant Final Terms.



**Zero Coupon Note worked example:**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Zero Coupon Notes:

- The Issue Date is 1 January 2017.
- The Settlement Currency of denomination is USD.
- The Issue Price is USD 950 per Note (which is 95% of the Calculation Amount).
- The Final Redemption Amount of the Notes is at par value.
- The Calculation Amount is USD 1,000.
- The Early Redemption Amount is specified to be Zero Coupon Accrual Yield and Reference Price.
- The Accrual Yield is 5.236%.
- The Zero Coupon Note Reference Price is USD 950.
- The Day Count Fraction is not specified in the relevant Final Terms, so the default 30E/360 is applicable.
- The term of the Notes is three years (and thus the Notes specify a Maturity Date of 1 January 2020).

(1) ***What happens if the Issuer is required to redeem the Zero Coupon Notes early for taxation reasons?***

- (A) In a scenario where Zero Coupon Notes are required to be redeemed early (e.g. **180 days after the Issue Date** for taxation reasons):

The Calculation Agent will calculate the early redemption amount payable by adding the Zero Coupon Note Reference Price to the product of the Accrual Yield (subject to the specified Day Count Fraction) applied to the Zero Coupon Note Reference Price.

- (i) The Calculation Agent will multiply the Accrual Yield by the Day Count Fraction:

$$\left[\frac{180}{360}\right] (\text{Number of days elapsed since Issue Date}) \times 5.236\% (\text{Accrual Yield})$$

$$= 0.02618$$

- (ii) The Calculation Agent will then apply the rate determined in accordance with paragraph (i) above to the Zero Coupon Note Reference Price:

$$\text{USD } 950 (\text{Zero Coupon Note Reference Price}) \times 0.02618$$

$$= \text{USD } 24.87$$

- (iii) The Calculation Agent will then add the rate determined in accordance with paragraph (ii) above to the Zero Coupon Note Reference Price:

$$\text{USD } 24.87 + \text{USD } 950 (\text{Zero Coupon Note Reference Price})$$

$$= \text{USD } 974.87$$

Accordingly, the early redemption amount payable would be the Zero Coupon Note Reference

Price plus USD 24.87 per Note.

- (B) In a scenario where Zero Coupon Notes are required to be redeemed early (e.g. **1.5 years after the Issue Date** for illegality):

The Calculation Agent will calculate the early redemption amount payable by adding the Zero Coupon Note Reference Price to the product of the Accrual Yield (compounded annually and subject to the specified Day Count Fraction) applied to the Zero Coupon Note Reference Price.

- (i) The Calculation Agent will calculate the compounded Accrual Yield for the whole number of years elapsed as follows:

$$[1 + 5.236\% (\text{Accrual Yield})]^{1 (\text{number of whole years})}$$

$$= 1.05236$$

- (ii) The Calculation Agent will calculate the compounded Accrual Yield with reference to the Day Count Fraction for a period which is not a whole number of years:

$$\left[1 + \frac{180}{360} (\text{being the period which is not a whole number of years}) \times 5.236\% (\text{Accrual Yield})\right]$$

$$= 1.02618$$

- (iii) The Calculation Agent will multiply the rate determined in accordance with paragraph (i) above, with the rate determined in accordance with paragraph (ii) above:

$$1.05236 \times 1.02618 = 1.0799107848$$

- (iv) The Calculation Agent will then apply the rate determined in accordance with paragraph (iii) above to the Zero Coupon Note Reference Price:

$$\text{USD } 950 (\text{Zero Coupon Note Reference Price}) \times 1.0799107848$$

$$= \text{USD } 1,025.92$$

Accordingly, the early redemption amount payable would be the Zero Coupon Note Reference Price plus USD 75.92 per Note.

- (C) In a scenario where Zero Coupon Notes are required to be redeemed early (e.g. **2 years after the Issue Date** for illegality):

The Calculation Agent will calculate the early redemption amount payable by adding the Zero Coupon Note Reference Price to the product of the Accrual Yield (compounded annually) applied to the Zero Coupon Note Reference Price.

- (i) The Calculation Agent will calculate the compounded Accrual Yield for the whole number of years elapsed as follows:

$$[1 + 5.236\% (\text{Accrual Yield})]^{2 (\text{number of whole years})}$$

$$= 1.1074615696$$

- (ii) The Calculation Agent will then apply the rate determined in accordance with paragraph (i) above to the Zero Coupon Note Reference Price:

$$1.1074615696 \times \text{USD } 950 (\text{Zero Coupon Note Reference Price})$$

$$= \text{USD } 1,052.09$$

Accordingly, the early redemption amount payable would be the Zero Coupon Note Reference

Price plus USD 102.09 per Note.

(2) ***What is the Final Redemption of the Zero Coupon Notes?***

If the Zero Coupon Notes are not redeemed prior to the Maturity Date, the Final Redemption Amount would be par or, if the relevant Final Terms specify, a percentage of par.

Accordingly, the Final Redemption Amount will be equal to 100% of the Calculation Amount, which is USD 1,000 per Note.

7. **Inflation Linked Interest Notes**

If "Inflation Linked Interest Note provisions" are specified as applicable in the relevant Final Terms, the interest payable in respect of the Notes (if any) and/or the redemption amount payable in respect of the Notes is linked to the performance of an inflation index, by way of a specified formula. Such inflation indices may include (without limitation) the unrevised Harmonized index of consumer prices excluding Tobacco for Eurozone as calculated and published by Eurostat (Bloomberg ticker: CPTFEMU), the unrevised UK Retail Price Index All Items NSA as calculated and published by the Office for National Statistics (ONS) (Bloomberg ticker: UKRPI) or the unrevised UK Harmonized CPI NSA as calculated and published by the Office for National Statistics (ONS) (Bloomberg ticker: UKCPI). The name of the relevant (or each relevant) inflation index and source where information about such inflation index may be obtained will be specified in the relevant Final Terms.

The inflation linked interest notes will bear interest at a Rate of Interest which shall be calculated by reference to a percentage amount reflecting the performance of the inflation index (the "**Inflation Factor**") which shall be calculated as specified below, and multiplying such Inflation Factor with the number specified as the 'Leverage' in the Final Terms for such Interest Payment Date (**provided that**, if no such amount is specified, the Leverage shall be deemed to be 1) (the "**Leverage**") and the addition of an additional percentage rate per annum specified in the Final Terms (known as the "**Spread**").

The Inflation Factor shall be calculated as follows:

- (X) If "Inflation Index Change" is specified as applicable in the relevant Final Terms the Inflation Factor shall be calculated as (i) the level of the inflation index for the reference month specified for the interest payment date, divided by (ii) the level of the inflation index for the initial reference month specified in the relevant Final Terms for such interest payment date (or, if only one initial reference month is specified, for such initial reference month), subtracting 1 (expressing the result as a percentage); or
- (Y) If "Inflation Index Factor" is specified as applicable in the relevant Final Terms the Inflation Factor shall be calculated as (i) the level of the inflation index for the reference month specified for the interest payment date, divided by (ii) the level of the inflation index for the initial reference month specified in the relevant Final Terms for such interest payment date (or, if only one initial reference month is specified, for such initial reference month).

The Leverage reflects a number which determines the level of exposure to the Inflation Factor, where 1 will give proportionate exposure, a number greater than 1 will multiply the effects of gains and losses and a number less than 1 will reduce the effects of gains and losses.

In respect of each Note and on each interest payment date the amount of interest payable will be calculated by applying the Rate of Interest for that interest payment date to the nominal amount, and then multiplying such amount by a fraction reflecting the number of days for which interest has accrued (the "**Day Count Fraction**").

The Day Count Fraction reflects the number of days in the period for which interest is being calculated (the "**Relevant Interest Period**").

Where "Minimum Interest Rate" is specified in the relevant Final Terms, the Rate of Interest will be restricted from falling below a fixed percentage level per annum (i.e. a so-called "floor").

Where a "Maximum Interest Rate" is specified in the relevant Final Terms, the Rate of Interest will not exceed a fixed percentage level per annum (i.e. a so-called "cap").

A worked example of how a Day Count Fraction, Leverage, Minimum Interest Rate and Maximum Interest Rate are applied in practice is set out below.

**Inflation Linked Interest Note worked example:**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Inflation Linked Notes:

- The Notes are issued on 20 August 2017.
- The Settlement Currency is GBP.
- The Calculation Amount is GBP 1,000.
- The Inflation Index is the unrevised UK Retail Price Index All Items NSA as calculated and published by the Office for National Statistics (ONS) (Bloomberg ticker: UKRPI).
- The Maximum Interest Rate is 6% per annum.
- The Minimum Interest Rate is 0% per annum.
- Spread is specified as 0.50%.
- Leverage is specified as 1.
- The Interest Commencement Date is 20 August 2017.
- Inflation Index Change is specified as applicable.
- The Interest Payment Dates are 20 August in each year.
- The Initial Reference Months are, in respect of each Interest Payment Date, 12 months prior to the Reference Month specified for such Interest Payment Date;
- The Reference Month specified for the Interest Payment Date falling in August is June.
- The Day Count Fraction is Actual/365 (Fixed).

(1) ***What is the interest amount payable on each Note on a particular Interest Payment Date?***

(A) In order to calculate the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date (say, 20 August 2018):

- (i) The Calculation Agent determines the level of the Inflation Index published or announced for the relevant Reference Month (June 2018) (**Inflation Index<sub>(t)</sub>**).

Let us assume that the Calculation Agent determines such level to be 120.

- (ii) The Calculation Agent determines the level of the Inflation Index for the Initial Reference Month (being June 2017, i.e. 12 months prior to June 2018) (**Inflation Index<sub>(t-1)</sub>**).

Let us assume that the Calculation Agent determines such level to be 115.

- (iii) The Calculation Agent determines the Inflation Factor in accordance with the following formula:

$$\frac{\text{Inflation Index}_{(t)}}{\text{Inflation Index}_{(t-1)}} - 1$$

Therefore, the Inflation Factor for these purposes = 4.34782%

- (iv) The Calculation Agent multiplies the Inflation Factor (determined in accordance with paragraph (iii) above) with the Leverage and to this product adds the Spread, which results in the Rate of Interest applicable to the Notes in respect of the Relevant Interest Period as follows:

$$\begin{aligned} \text{Rate of Interest} &= [\text{Inflation Factor (4.34782\%)} \times \text{Leverage (1)}] + \text{Spread (0.50\%)} \\ &= 4.85\% \text{ per annum (rounded to two decimal places, with 0.005 rounded upwards).} \end{aligned}$$

- (B) Thereafter, the Calculation Agent calculates the Interest Amount payable in respect of such Relevant Interest Period as follows:

- (i) The Calculation Agent determines the Day Count Fraction applicable to the Relevant Interest Period. As the specified Day Count Fraction is Actual/365 (Fixed), this will be equal to the result of dividing the actual number of days in the Relevant Interest Period by 365, as follows:

$$\begin{aligned} &\frac{365 \text{ (Number of days in the Relevant Interest Period)}}{365 \text{ (Day Count Fraction)}} \\ &= 1 \end{aligned}$$

- (ii) The Calculation Agent then applies the Rate of Interest to the Calculation Amount:

$$\begin{aligned} &4.85\% \times \text{GBP } 1,000 \\ &= \text{GBP } 48.50 \end{aligned}$$

and multiplies the result by the Day Count Fraction:

$$\text{GBP } 48.50 \times 1 = \text{GBP } 48.50$$

Accordingly, the Interest Amount payable in respect of a Note (with a denomination equal to the Calculation Amount) for this Relevant Interest Period will be GBP 42.20.

- (2) ***What if the rate determined by the Calculation Agent is less than the Minimum Interest Rate or more than the Maximum Interest Rate?***

If the Rate of Interest determined by the Calculation Agent in paragraph (1) above is more than 6% or less than 0%, then the Rate of Interest will be the Minimum Interest Rate or, as the case may be, the Maximum Interest Rate as specified in the relevant Final Terms.

If, for example, the Rate of Interest so calculated would have been 6.5%, then, as the Maximum Interest Rate is specified as 6%, then the Rate of Interest will actually be 6%. As applied to the above example, if 4.85% were replaced by 6%, the Interest Amount payable would be GBP 60.00 per Note.

## **D. ADDITIONAL OPTIONAL FEATURES OF THE NOTES**

### **1. Variable interest features of the Notes**

***Interest Step-up:*** If "Interest Step-up" is specified as applicable in the relevant Final Terms in respect of any Notes to which Fixed Rate Note provisions apply, then Notes will bear interest at a fixed rate of interest which increases (or "steps-up") periodically during the life of the Notes. The Rate of Interest in

respect of such Notes for a Relevant Interest Period shall be the rate specified to be applicable in respect of the Relevant Interest Payment Date on which the Relevant Interest Period ends, as set forth in the applicable Final Terms. Each successive rate specified to be applicable in respect of a Relevant Interest Payment Date to which Fixed Rate Note provisions apply shall be greater than the immediately preceding rate specified to be applicable in respect of a Relevant Interest Payment Date to which Fixed Rate Note provisions apply.

**Interest Step-up worked example:**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Fixed Rate Notes:

- The Notes are issued on 1 January 2017.
- The term of the Notes is one year (and thus the Notes specify a "Maturity Date" of 1 January 2018).
- The Settlement Currency is EUR.
- The Calculation Amount is EUR 1,000.
- The Interest Payment Dates are specified as being 1 April, 1 July, 1 October and 1 January in each year.
- The Fixed Coupon Amount is specified as Not Applicable.
- The Day Count Fraction is Actual/360.
- The Rate of Interest is specified in the Final Terms as follows:

Relevant Interest Payment Date	Rate of Interest
1 April 2017	5%
1 July 2017	6%
1 October 2017	7%
1 January 2018	8%

***What is the interest amount payable on each Note on each Interest Payment Date?***

Since no Fixed Coupon Amount is specified, the Calculation Agent will calculate the interest amount ("**Interest Amount**") payable in respect of each Calculation Amount of the Notes on each Interest Payment Date as follows:

(A) Interest Payment Date falling on 1 April 2017

Interest Amount = Rate of Interest (5%) x Calculation Amount (EUR 1,000) x Day Count Fraction (90/360) (90 being the number of days in the relevant Interest Period)

= EUR 12.50

(B) Interest Payment Date falling on 1 July 2017

Interest Amount = Rate of Interest (6%) x Calculation Amount (EUR 1,000) x Day Count Fraction (91/360) (91 being the number of days in the relevant Interest Period)

= EUR 15.17 (rounded to two decimal places, with 0.005 rounded upwards)

**(C) Interest Payment Date falling on 1 October 2017**

Interest Amount = Rate of Interest (7%) x Calculation Amount (EUR 1,000) x Day Count Fraction (92/360) (92 being the number of days in the relevant Interest Period)

= EUR 17.89 (rounded to two decimal places, with 0.005 rounded upwards)

**(D) Interest Payment Date falling on 1 January 2018**

Interest Amount = Rate of Interest (8%) x Calculation Amount (EUR 1,000) x Day Count Fraction (92/360) (92 being the number of days in the relevant Interest Period)

= EUR 20.44 (rounded to two decimal places, with 0.005 rounded upwards)

For a worked example of how a Rate of Interest is determined in respect of a Fixed Rate Note, please see the section "Fixed Rate Notes" above.

**Interest Step-down:** If "Interest Step-down" is specified as applicable in the relevant Final Terms in respect of any Notes to which Fixed Rate Note provisions apply, then Notes will bear interest at a fixed rate of interest which decreases (or "steps-down") periodically during the life of the Notes. The Rate of Interest in respect of such Notes for a Relevant Interest Period shall be the rate specified to be applicable in respect of the Relevant Interest Payment Date on which the Relevant Interest Period ends, as set forth in the applicable Final Terms. Each successive rate specified to be applicable in respect of a Relevant Interest Payment Date to which Fixed Rate Note provisions apply shall be lesser than the immediately preceding rate specified to be applicable in respect of a Relevant Interest Payment Date to which Fixed Rate Note provisions apply.

**Interest Step-down worked example:**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Fixed Rate Notes:

- The Notes are issued on 1 January 2017.
- The term of the Notes is one year (and thus the Notes specify a "Maturity Date" of 1 January 2018).
- The Settlement Currency is EUR.
- The Calculation Amount is EUR 1,000.
- The Interest Payment Dates are specified as being 1 April, 1 July, 1 October and 1 January in each year.
- The Fixed Coupon Amount is specified as Not Applicable.
- The Day Count Fraction is Actual/360.
- The Rate of Interest is specified in the Final Terms as follows:

Relevant Interest Payment Date	Rate of Interest
1 April 2017	8%
1 July 2017	7%
1 October 2017	6%
1 January 2018	5%

***What is the interest amount payable on each Note on each Interest Payment Date?***

Since no Fixed Coupon Amount is specified, the Calculation Agent will calculate the interest amount ("**Interest Amount**") payable in respect of each Calculation Amount of the Notes on each Interest Payment Date as follows:

**(A) Interest Payment Date falling on 1 April 2017**

Interest Amount = Rate of Interest (8%) x Calculation Amount (EUR 1,000) x Day Count Fraction (90/360) (90 being the number of days in the relevant Interest Period)

= EUR 20.00

**(B) Interest Payment Date falling on 1 July 2017**

Interest Amount = Rate of Interest (7%) x Calculation Amount (EUR 1,000) x Day Count Fraction (91/360) (91 being the number of days in the relevant Interest Period)

= EUR 17.69 (rounded to two decimal places, with 0.005 rounded upwards)

**(C) Interest Payment Date falling on 1 October 2017**

Interest Amount = Rate of Interest (6%) x Calculation Amount (EUR 1,000) x Day Count Fraction (92/360) (92 being the number of days in the relevant Interest Period)

= EUR 15.33 (rounded to two decimal places, with 0.005 rounded upwards)

**(D) Interest Payment Date falling on 1 January 2018**

Interest Amount = Rate of Interest (5%) x Calculation Amount (EUR 1,000) x Day Count Fraction (92/360) (92 being the number of days in the relevant Interest Period)

= EUR 12.78 (rounded to two decimal places, with 0.005 rounded upwards)

For a worked example of how a Rate of Interest is determined in respect of a Fixed Rate Note, please see the section "Fixed Rate Notes" above.

***Spread Step-up:*** If "Spread Step-up" is specified as applicable in the relevant Final Terms in respect of any Notes to which Floating Rate Note provisions apply, then Notes will bear interest at a floating rate of interest in respect of which the added Spread increases (or "steps-up") periodically during the life of the Notes. The Spread in respect of the calculation of the Rate of Interest in respect of such Notes for a Relevant Interest Period shall be the percentage specified to be applicable in respect of the Relevant Interest Payment Date on which the Relevant Interest Period ends, as set forth in the applicable Final Terms. Each successive Spread specified to be applicable in respect of a Relevant Interest Payment Date to which Floating Rate Note provisions apply shall be greater than the immediately preceding Spread specified to be applicable in respect of a Relevant Interest Payment Date to which Floating Rate Note provisions apply.



***Spread Step-up worked example:****The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Floating Rate Notes:

- The Notes are issued on 20 August 2017.
- The term of the Notes is two years (and thus the Notes specify a "Maturity Date" of 20 August 2019).
- The Interest Payment Dates are specified as being 20 August in each year.
- The Settlement Currency is GBP.
- The Calculation Amount is GBP 1,000.
- The Maximum Interest Rate is Not Applicable.
- The Minimum Interest Rate is Not Applicable.
- Spread is specified as follows:

Relevant Interest Payment Date	Spread
20 August 2018	5%
20 August 2019	10%

- Leverage is specified as 1.5.
- Screen Rate Determination is Applicable and the following information is specified:
  - the Reference Rate is 3-month LIBOR;
  - the Interest Determination Date is on the first day of the Relevant Interest Period;
  - the Relevant Screen Page is Reuters Page LIBOR01;
  - the Relevant Financial Centre is London;
  - the Relevant Time is 11 a.m.; and
  - the Relevant Currency is GBP.
- The Interest Commencement Date is 20 August 2017.
- The Day Count Fraction is Actual/365 (Fixed).

(1) ***What is the interest amount payable on each Note on each Interest Payment Date?***(A) Interest Payment Date falling on 20 August 2018

First, the Calculation Agent calculates the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date (20 August 2018).

Let us assume that the Calculation Agent determines that 3-month LIBOR (the Reference Rate) for GBP (the Relevant Currency) which appears on Reuters Page LIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 20 August 2017 is 2% per annum.

The Calculation Agent calculates the Rate of Interest by:

- (i) multiplying the Reference Rate with the Leverage (2% x 1.5 = 3%); and
- (ii) adding to the rate determined in accordance with paragraph (i) above the Spread. As

Spread for the Interest Payment Date on 20 August 2018 is specified as 5%, the Rate of Interest for the Interest Period ending on 20 August 2018 will be:

the rate determined in accordance with paragraph (i) above (3%) plus the Spread (5%) = 8%.

Second, the Calculation Agent calculates the Interest Amount payable in respect of such Relevant Interest Period as follows:

- (i) The Calculation Agent determines the Day Count Fraction applicable to the Relevant Interest Period. As the specified Day Count Fraction is Actual/365 (Fixed), this will be equal to the result of dividing the actual number of days in the Relevant Interest Period by 365, as follows:

$$\frac{365 \text{ (Number of days in the Relevant Interest Period)}}{365 \text{ (Day Count Fraction)}} = 1$$

- (ii) The Calculation Agent then applies the Rate of Interest to the Calculation Amount:

$$8\% \times \text{GBP } 1,000 = \text{GBP } 80.00$$

and multiplies the result by the Day Count Fraction:

$$\text{GBP } 80.00 \times 1 = \text{GBP } 80.00$$

Accordingly, the Interest Amount payable in respect of a Note (with a denomination equal to the Calculation Amount) for this Relevant Interest Period will be GBP 80.00.

(B) Interest Payment Date falling on 20 August 2019

First, the Calculation Agent calculates the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date (20 August 2019).

Let us assume that the Calculation Agent determines that 3-month LIBOR (the Reference Rate) for GBP (the Relevant Currency) which appears on Reuters Page LIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 20 August 2018 is 3% per annum.

The Calculation Agent calculates the Rate of Interest by:

- (i) multiplying the Reference Rate with the Leverage ( $3\% \times 1.5 = 4.5\%$ ); and
- (ii) adding to the rate determined in accordance with paragraph (i) above the Spread. As Spread for the Interest Payment Date on 20 August 2019 is specified as 10%, the Rate of Interest for the Interest Period ending on 20 August 2019 will be:

the rate determined in accordance with paragraph (i) above (4.5%) plus the Spread (10%) = 14.5%.

Second, the Calculation Agent calculates the Interest Amount payable in respect of such Relevant Interest Period as follows:

- (i) The Calculation Agent determines the Day Count Fraction applicable to the Relevant Interest Period. As the specified Day Count Fraction is Actual/365 (Fixed), this will be equal to the result of dividing the actual number of days in the Relevant Interest Period by 365, as follows:

$$\frac{365 \text{ (Number of days in the Relevant Interest Period)}}{365 \text{ (Day Count Fraction)}}$$

= 1

(ii) The Calculation Agent then applies the Rate of Interest to the Calculation Amount:

14.5% x GBP 1,000

= GBP 145.00

and multiplies the result by the Day Count Fraction:

GBP 145.00 x 1 = GBP 145.00

Accordingly, the Interest Amount payable in respect of a Note (with a denomination equal to the Calculation Amount) for this Relevant Interest Period will be GBP 145.00.

For a worked example of how a Rate of Interest is determined in respect of a Floating Rate Note, please see the section "Floating Rate Notes" above.

**Spread Step-down:** If "Spread Step-down" is specified as applicable in the relevant Final Terms in respect of any Notes to which Floating Rate Note provisions apply, then Notes will bear interest at a floating rate of interest in respect of which the added Spread decreases (or "steps-down") periodically during the life of the Notes. The Spread in respect of the calculation of the Rate of Interest in respect of such Notes for a Relevant Interest Period shall be the percentage specified to be applicable in respect of the Relevant Interest Payment Date on which the Relevant Interest Period ends, as set forth in the applicable Final Terms. Each successive Spread specified to be applicable in respect of a Relevant Interest Payment Date to which Floating Rate Note provisions apply shall be less than the immediately preceding Spread specified to be applicable in respect of a Relevant Interest Payment Date to which Floating Rate Note provisions apply.

***Spread Step-down worked example:***

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Floating Rate Notes:

- The Notes are issued on 20 August 2017.
- The term of the Notes is two years (and thus the Notes specify a "Maturity Date" of 20 August 2019).
- The Interest Payment Dates are specified as being 20 August in each year.
- The Settlement Currency is GBP.
- The Calculation Amount is GBP 1,000.
- The Maximum Interest Rate is Not Applicable.
- The Minimum Interest Rate is Not Applicable.
- Spread is specified as follows:

Relevant Interest Payment Date	Spread
20 August 2018	10%
20 August 2019	5%

- Leverage is specified as 1.5.

- Screen Rate Determination is Applicable and the following information is specified:
    - the Reference Rate is 3-month LIBOR;
    - the Interest Determination Date is on the first day of the Relevant Interest Period;
    - the Relevant Screen Page is Reuters Page LIBOR01;
    - the Relevant Financial Centre is London;
    - the Relevant Time is 11 a.m.; and
    - the Relevant Currency is GBP.
  - The Interest Commencement Date is 20 August 2017.
  - The Day Count Fraction is Actual/365 (Fixed).
- (1) ***What is the interest amount payable on each Note on each Interest Payment Date?***
- (A) Interest Payment Date falling on 20 August 2018  
 First, the Calculation Agent calculates the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date (20 August 2018).
- Let us assume that the Calculation Agent determines that 3-month LIBOR (the Reference Rate) for GBP (the Relevant Currency) which appears on Reuters Page LIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 20 August 2017 is 2% per annum.
- The Calculation Agent calculates the Rate of Interest by:
- (i) multiplying the Reference Rate with the Leverage (2% x 1.5 = 3%); and
  - (ii) adding to the rate determined in accordance with paragraph (i) above the Spread. As Spread for the Interest Payment Date on 20 August 2018 is specified as 10%, the Rate of Interest for the Interest Period ending on 20 August 2018 will be:
 

the rate determined in accordance with paragraph (i) above (3%) plus the Spread (10%) = 13%.
- Second, the Calculation Agent calculates the Interest Amount payable in respect of such Relevant Interest Period as follows:
- (i) The Calculation Agent determines the Day Count Fraction applicable to the Relevant Interest Period. As the specified Day Count Fraction is Actual/365 (Fixed), this will be equal to the result of dividing the actual number of days in the Relevant Interest Period by 365, as follows:
 

$\frac{365 \text{ (Number of days in the Relevant Interest Period)}}{365 \text{ (Day Count Fraction)}}$

= 1
  - (ii) The Calculation Agent then applies the Rate of Interest to the Calculation Amount:
 

13% x GBP 1,000

= GBP 130.00

and multiplies the result by the Day Count Fraction:

GBP 130.00 x 1 = GBP 130.00

Accordingly, the Interest Amount payable in respect of a Note (with a denomination equal to the Calculation Amount) for this Relevant Interest Period will be GBP 130.00.

(B) Interest Payment Date falling on 20 August 2019

First, the Calculation Agent calculates the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date (20 August 2019).

Let us assume that the Calculation Agent determines that 3-month LIBOR (the Reference Rate) for GBP (the Relevant Currency) which appears on Reuters Page LIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 20 August 2018 is 3% per annum.

The Calculation Agent calculates the Rate of Interest by:

- (i) multiplying the Reference Rate with the Leverage ( $3\% \times 1.5 = 4.5\%$ ); and
- (ii) adding to the rate determined in accordance with paragraph (i) above the Spread. As Spread for the Interest Payment Date on 20 August 2019 is specified as 5%, the Rate of Interest for the Interest Period ending on 20 August 2019 will be:

the rate determined in accordance with paragraph (i) above (4.5%) plus the Spread (5%) = 9.5%.

Second, the Calculation Agent calculates the Interest Amount payable in respect of such Relevant Interest Period as follows:

- (i) The Calculation Agent determines the Day Count Fraction applicable to the Relevant Interest Period. As the specified Day Count Fraction is Actual/365 (Fixed), this will be equal to the result of dividing the actual number of days in the Relevant Interest Period by 365, as follows:

$$\frac{365 \text{ (Number of days in the Relevant Interest Period)}}{365 \text{ (Day Count Fraction)}}$$

= 1

- (ii) The Calculation Agent then applies the Rate of Interest to the Calculation Amount:

$$9.5\% \times \text{GBP } 1,000$$

= GBP 95.00

and multiplies the result by the Day Count Fraction:

$$\text{GBP } 95.00 \times 1 = \text{GBP } 95.00$$

Accordingly, the Interest Amount payable in respect of a Note (with a denomination equal to the Calculation Amount) for this Relevant Interest Period will be GBP 95.00.

For a worked example of how a Rate of Interest is determined in respect of a Floating Rate Note, please see the section "Floating Rate Notes" above.

**Interest Switch:** If "Switch Option" is specified as applicable in the relevant Final Terms in respect of any Notes, at any time the Issuer may exercise its right to change the Rate of Interest applicable to the Notes for all subsequent interest periods up to but excluding the maturity date (the "**Switch Option**"). The Rate of Interest or method for determining the Rate of Interest applicable both prior to and following the exercise of the Switch Option, as well as all other conditions relating to the Rate of Interest, will be specified in the Final Terms.

In case of the exercise of a Switch Option, Noteholders will receive an interest amount calculated on the basis of the pre-Switch Option exercise Rate of Interest up to and including the interest payment date in respect of the interest period in which the Switch Option is exercised. For each remaining interest period

following exercise of the Switch Option, the interest amount will be calculated on the basis of the post-Switch Option exercise Rate of Interest. Once the Switch Option has been exercised it cannot be exercised again.

If "Automatic Interest Switch" is specified as being applicable in the relevant Final Terms in respect of any Notes, the Rate of Interest applicable to the Notes will automatically change from a pre-determined interest payment date specified in the relevant Final Terms (the "**Automatic Switch Date**") for all remaining interest periods up to but excluding the maturity date. The Rate of Interest or method for determining the Rate of Interest applicable both prior to and following the Automatic Switch Date, as well as all other conditions relating to the Rate of Interest, will be specified in the Final Terms.

On the Automatic Switch Date, Noteholders will receive an interest amount calculated on the basis of the pre-Automatic Switch Date Rate of Interest. For each remaining interest period following the Automatic Switch Date, the interest amount will be calculated on the basis of the post-Automatic Switch Date Rate of Interest. An Automatic Switch Date will only occur once during the term of the Notes.

Exercise of the Switch Option or the occurrence of an Automatic Switch Date does not impact upon the redemption of the Notes or any interest amount that has previously been paid to Noteholders.

**Interest Switch worked example where Switch Option is specified as applicable in the relevant Final Terms:**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to each Note:

- The Notes are issued on 1 January 2017.
- The term of the Notes is one year (and thus the Notes specify a "Maturity Date" of 1 January 2018).
- The Interest Payment Dates are specified as being 1 January and 1 July in each year.
- The Interest Commencement Date is 1 January 2017.
- The Settlement Currency is EUR.
- The Calculation Amount is EUR 1,000.
- Switch Option is applicable and the Switch Option Number of Business Days is specified as 5 in the relevant Final Terms.

Fixed Rate Note provisions apply prior to the exercise of the Switch Option

- The Fixed Coupon Amount is specified as Not Applicable.
- The Rate of Interest is specified as 7% per annum.
- The Day Count Fraction is Actual/360.

Floating Rate Note provisions apply after the exercise of the Switch Option

- Screen Rate Determination is Applicable and the following information is specified:
  - the Reference Rate is 3-month EURIBOR.
  - the Interest Determination Date is on the first day of the Relevant Interest Period.
  - the Relevant Screen Page is Reuters Page EURIBOR01.

- the Relevant Financial Centre is TARGET and London.
- the Relevant Time is 11 a.m.
- the Relevant Currency is EUR.
- The Maximum Interest Rate is 5% per annum.
- The Minimum Interest Rate is 0% per annum.
- Spread is specified as Not Applicable.
- Leverage is specified as 1.5.
- The Day Count Fraction is Actual/360.

***What is the interest amount payable on each Note on each Interest Payment Date?***

- (A) In respect of the Interest Payment Date falling on 1 July 2017, the Calculation Agent will calculate the interest amount ("**Interest Amount**") payable in respect of each Calculation Amount of the Notes on such Interest Payment Date as follows:

Interest Amount = Rate of Interest (7%) x Calculation Amount (EUR 1,000) x Day Count Fraction (181/360) (181 being the number of days in the relevant Interest Period)

= EUR 35.19 (rounded to two decimal places, with 0.005 rounded upwards).

For a worked example of how a Rate of Interest is determined in respect of a Fixed Rate Note, please see the section "Fixed Rate Notes" above.

- (B) If the Issuer exercises its Switch Option on, or prior to, 1 July 2017 (by giving not less than 5 Business Days' notice (i.e. not less than the Switch Option Number of Business Days' notice to the Noteholders), the Interest Amount payable on the Interest Payment Date falling on 1 July 2017 will continue to be calculated as described in (A) above. In respect of the subsequent interest periods, the Rate of Interest in respect of the Notes will be calculated in accordance with Floating Rate Note provisions and the Calculation Agent will calculate the interest amount ("**Interest Amount**") payable in respect of each Calculation Amount of the Notes on the Interest Payment Date falling on 1 January 2018 as follows:

- (i) As Screen Rate Determination is applicable in respect of the Reference Rate, the Calculation Agent will determine such rate with reference to the 3-month EURIBOR (the Reference Rate) for EUR (the Relevant Currency) which appears on Reuters Page EURIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 1 July 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)).

Let us assume that the Calculation Agent determines that such rate is 2% per annum.

- (ii) The Calculation Agent calculates the Rate of Interest as follows:

Rate of Interest = 2% x Leverage (1.5) + Spread (0)

= 3% per annum

- (iii) The Calculation Agent calculates the Interest Amount as follows:

Interest Amount = Rate of Interest (3%) x Calculation Amount (EUR 1,000) x Day Count Fraction (184/360) (184 being the number of days in the Relevant Interest Period)

= EUR 15.33 (rounded to two decimal places, with 0.005 rounded upwards).

For a worked example of how a Rate of Interest is determined in respect of a Floating Rate Note, please see the section "Floating Rate Notes" above.

- (C) If the Issuer does not exercise its Switch Option on, or prior to, 1 January 2018, the Rate of Interest will continue to be calculated on the basis of Fixed Rate Note provisions and the Calculation Agent will calculate the interest amount ("**Interest Amount**") payable in respect of each Calculation Amount of the Notes on such Interest Payment Date as follows:

$$\text{Interest Amount} = \text{Rate of Interest (7\%)} \times \text{Calculation Amount (EUR 1,000)} \times \frac{\text{Day Count Fraction (184/360)}}{\text{(184 being the number of days in the relevant Interest Period)}}$$

= EUR 35.78 (rounded to two decimal places, with 0.005 rounded upwards).

For a worked example of how a Rate of Interest is determined in respect of a Fixed Rate Note, please see the section "Fixed Rate Notes" above.

**Interest Switch worked example where Automatic Interest Switch is specified as applicable in the relevant Final Terms:**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to each Note:

- The Notes are issued on 1 January 2017.
- The term of the Notes is one year (and thus the Notes specify a "Maturity Date" of 1 January 2018).
- The Interest Payment Dates are specified as being 1 January and 1 July in each year.
- The Interest Commencement Date is 1 January 2017.
- The Settlement Currency is EUR.
- The Calculation Amount is EUR 1,000.
- Automatic Interest Switch is applicable and the Automatic Switch Date is specified as 1 July 2017.

Fixed Rate Note provisions apply prior to the Automatic Switch Date

- The Fixed Coupon Amount is specified as Not Applicable.
- The Rate of Interest is specified as 7% per annum.
- The Day Count Fraction is Actual/360.

Floating Rate Note provisions apply after the Automatic Switch Date

- Screen Rate Determination is Applicable and the following information is specified:
  - the Reference Rate is 3-month EURIBOR.
  - the Interest Determination Date is on the first day of the Relevant Interest Period.
  - the Relevant Screen Page is Reuters Page EURIBOR01.
  - the Relevant Financial Centre is TARGET and London.



- the Relevant Time is 11 a.m.
- the Relevant Currency is EUR.
- The Maximum Interest Rate is 5% per annum.
- The Minimum Interest Rate is 0% per annum.
- Spread is specified as Not Applicable.
- Leverage is specified as 1.5.
- The Day Count Fraction is Actual/360.

***What is the interest amount payable on each Note on each Interest Payment Date?***

- (A) Prior to the Automatic Switch Date, on the Interest Payment Date falling on 1 July 2017, the Calculation Agent will calculate the interest amount ("**Interest Amount**") payable in respect of each Calculation Amount of the Notes on such Interest Payment Date as follows:

Interest Amount = Rate of Interest (7%) x Calculation Amount (EUR 1,000) x Day Count Fraction (181/360) (181 being the number of days in the relevant Interest Period)

= EUR 35.19 (rounded to two decimal places, with 0.005 rounded upwards).

For a worked example of how a Rate of Interest is determined in respect of a Fixed Rate Note, please see the section "Fixed Rate Notes" above.

- (B) After the Automatic Switch Date (being 1 July 2017), the Rate of Interest in respect of the Notes will be calculated in accordance with Floating Rate Note provisions and the Calculation Agent will calculate the interest amount ("**Interest Amount**") payable in respect of each Calculation Amount of the Notes on the Interest Payment Date occurring on 1 January 2018 as follows:

- (i) As Screen Rate Determination is applicable in respect of the Reference Rate, the Calculation Agent will determine such rate with reference to the 3-month EURIBOR (the Reference Rate) for EUR (the Relevant Currency) which appears on Reuters Page EURIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 1 July 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)).

Let us assume that the Calculation Agent determines that such rate is 2% per annum.

- (ii) The Calculation Agent calculates the Rate of Interest as follows:

Rate of Interest = 2% x Leverage (1.5) + Spread (0)

= 3% per annum

- (iii) The Calculation Agent calculates the Interest Amount as follows:

Interest Amount = Rate of Interest (3%) x Calculation Amount (EUR 1,000) x Day Count Fraction (184/360) (184 being the number of days in the Relevant Interest Period)

= EUR 15.33 (rounded to two decimal places, with 0.005 rounded upwards).

For a worked example of how a Rate of Interest is determined in respect of a Floating Rate Note, please see the section "Floating Rate Notes" above.

**Range Accrual:** If "Range Accrual" is specified as applicable in the relevant Final Terms in respect of any Notes to which Fixed Rate Note provisions, Floating Rate Note provisions, Reverse Floating Rate Note provisions, Digital Interest Rate Note provisions or Steepener Note provisions apply, the amount of interest payable in respect of a Relevant Interest Period to which such interest provisions apply will be multiplied by the applicable Range Accrual Factor.

The "**Range Accrual Factor**" will be a fraction equal to (i) the number of observation dates in the Relevant Interest Period that the Range Accrual Floating Rate (as specified in the Final Terms) is determined to be equal to or greater than the Corresponding Lower Barrier (as specified in the Final Terms) and/or, as specified in the Final Terms equal to or less than the Corresponding Upper Barrier (as specified in the Final Terms), divided by (ii) the total number of observation dates in respect of such Relevant Interest Period.

The Range Accrual Floating Rate shall be a floating interest rate (such as LIBOR or EURIBOR) which will be specified in the relevant Final Terms.

#### **Worked examples of the application of the Range Accrual Factor to Fixed Rate Notes**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Fixed Rate Notes:

- The Notes are issued on 15 June 2017.
- The Settlement Currency is EUR.
- The Calculation Amount is EUR 1,000.
- The Interest Payment Dates are specified as being 15 January and 15 June in each year.
- The Rate of Interest is specified as 2% per annum.
- The Fixed Coupon Amount is specified as Not Applicable.
- The Day Count Fraction is Actual/360.
- In respect of Range Accrual Floating Rate:
  - the Reference Rate is 3-month EURIBOR;
  - The Observation Dates will be each calendar day in each interest period, provided that, for each calendar day from the observation period cut-off date (being the 5<sup>th</sup> Business Day (or such other number of Business Days specified as such in the relevant Final Terms) prior to the end of the interest period) the Range Accrual Floating Rate will be deemed to be the Range Accrual Floating Rate on the Business Day prior to the observation period cut-off date;
  - the Relevant Screen Page is Reuters Page EURIBOR01;
  - the Relevant Financial Centre is London;
  - the Relevant Time is 11 a.m.; and
  - the Relevant Currency is EUR.
- The Corresponding Lower Barrier is 0%; and
- The Corresponding Upper Barrier is 5%.

**(1) What is the interest amount payable on each Note on each Interest Payment Date?**

Since no Fixed Coupon Amount is specified, the Calculation Agent will calculate the interest amount ("**Interest Amount**") payable in respect of each Calculation Amount of the Notes on each Interest Payment Date as follows:

- (A) First, the Calculation Agent calculates the Range Accrual Factor that applies to the Relevant Interest Period ending on such Interest Payment Date (say, 15 January 2018).

As Screen Rate Determination is applicable to the Range Accrual Floating Rate, the Calculation Agent does this by determining the number of days in the Relevant Interest Period on which the rate specified as 3-month EURIBOR (the Reference Rate) for EUR (the Relevant Currency) which appears on Reuters Page EURIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) was:

- (i) greater than or equal to the Corresponding Lower Barrier; and
- (ii) less than or equal to the Corresponding Upper Barrier.

Let us assume that the Calculation Agent determines such number of days as 160 calendar days.

Accordingly, the Range Accrual Factor will be 160 divided by 214 (being the total number of days in the Relevant Interest Period

$$= 0.7476635$$

- (B) The Calculation Agent calculates the Interest Amount as follows:

$$\text{Interest Amount} = \text{Rate of Interest (2\%)} \times \text{Calculation Amount (EUR 1,000)} \times \text{Day Count Fraction (214/360)} \times \text{Range Accrual Factor (0.7476635)}$$

$$= \text{EUR 8.89 (rounded to two decimal places, with 0.005 rounded upwards).}$$

For a worked example of how a Rate of Interest is determined in respect of a Fixed Rate Note, please see the section "Fixed Rate Notes" above.

**(2) What is the interest amount payable on each Note on each Interest Payment Date if 'Add On Interest' is specified as applicable in the relevant Final Terms?**

If for the purposes of the above example, it is assumed that the Final Terms specify the following in relation to Add On Interest Rate:

- Screen Rate Determination is Applicable with respect to the Add On Interest Rate and the following information is specified:
  - the Reference Rate is 3-month EURIBOR.
  - the Interest Determination Date is on the first day of the Relevant Interest Period.
  - the Relevant Screen Page is Reuters Page EURIBOR01.
  - the Relevant Financial Centre is TARGET and London.
  - the Relevant Time is 11 a.m.
  - the Relevant Currency is EUR.
- Add On Leverage is 2;
- Add On Spread is 2%;
- Add On Minimum Rate is 2%;

- Add On Maximum Rate is 10%;
- (A) The Calculation Agent shall determine the Add On Interest Rate with reference to the 3-month EURIBOR (the Reference Rate) for EUR (the Relevant Currency) which appears on Reuters Page EURIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 15 June 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)) and multiply this rate with the Add On Leverage.
- Let us assume that the Calculation Agent determines the screen rate is 3% per annum. The Calculation Agent shall multiply such screen rate with the Add On Leverage (2) and add to such product the Add On Spread (2%) to determine the Add On Interest Rate as 8% per annum.
- As the Add On Interest Rate determined by the Calculation Agent in the above paragraph is less than the Add On Maximum Rate specified and is more than the Add On Minimum Rate specified, the Add On Interest Rate shall be 8% per annum.
- If the Add On Interest Rate determined by the Calculation Agent in accordance with the above paragraph had been less than the Add On Minimum Rate specified or more than the Add On Maximum Rate specified, then the Add On Interest Rate would have been the Add On Minimum Rate or, as the case may be, the Add On Maximum Rate as specified in the relevant Final Terms.
- (B) The Calculation Agent calculates the Add On Interest as follows:
- $$\text{Add On Interest} = \text{Add On Interest Rate (8\%)} \times \text{Calculation Amount (EUR 1,000)} \times \text{Day Count Fraction (214/360)}$$
- $$= \text{EUR 47.56 (rounded to two decimal places, with 0.005 rounded upwards).}$$
- (C) The Calculation Agent calculates the Interest Amount as follows:
- $$\text{Interest Amount} = \text{Interest Amount calculated pursuant to paragraph (1)(B) above (EUR 8.89)} + \text{Add On Interest (EUR 47.56)}$$
- $$= \text{EUR 56.45.}$$

#### **Worked examples of the application of the Range Accrual Factor to Floating Rate Notes**

##### *The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Floating Rate Notes:

- The Notes are issued on 20 August 2017.
- The Settlement Currency is GBP.
- The Calculation Amount is GBP 1,000.
- The Maximum Interest Rate is Not Applicable.
- The Minimum Interest Rate is 0%.
- Spread is specified as Not Applicable.
- Leverage is specified as 1.

- Screen Rate Determination is applicable and the following information is specified:
  - the Reference Rate is 3-month LIBOR;
  - the Interest Determination Date is on the first day of the Relevant Interest Period;
  - the Relevant Screen Page is Reuters Page LIBOR01;
  - the Relevant Financial Centre is London;
  - the Relevant Time is 11 a.m.; and
  - the Relevant Currency is GBP.
- The Interest Commencement Date is 20 August 2017.
- The Interest Payment Dates are 20 August in each year.
- The Day Count Fraction is Actual/365 (Fixed).
- In respect of Range Accrual Floating Rate:
  - the Reference Rate is 3-month EURIBOR;
  - The Observation Dates will be each calendar day in each interest period, provided that, for each calendar day from the observation period cut-off date (being the 5<sup>th</sup> Business Day (or such other number of Business Days specified as such in the relevant Final Terms) prior to the end of the interest period) the Range Accrual Floating Rate will be deemed to be the Range Accrual Floating Rate on the Business Day prior to the observation period cut-off date;
  - the Relevant Screen Page is Reuters Page EURIBOR01;
  - the Relevant Financial Centre is TARGET and London;
  - the Relevant Time is 11 a.m.; and
  - the Relevant Currency is EUR.
- The Corresponding Lower Barrier is 0%; and
- The Corresponding Upper Barrier is 5%.

(1) ***What is the interest amount payable on each Note on a particular Interest Payment Date?***

The Calculation Agent will calculate the interest amount ("**Interest Amount**") payable in respect of each Calculation Amount of the Notes on an Interest Payment Date (say 20 August 2018) as follows:

- (A) First, the Calculation Agent calculates the Range Accrual Factor that applies to the Relevant Interest Period ending on such Interest Payment Date.

As Screen Rate Determination is applicable to the Range Accrual Floating Rate, the Calculation Agent does this by determining the number of days in the Relevant Interest Period on which the rate specified as 3-month EURIBOR (the Reference Rate) for EUR (the Relevant Currency) which appears on Reuters Page EURIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) was:

- (i) greater than or equal to the Corresponding Lower Barrier; and
- (ii) less than or equal to the Corresponding Upper Barrier.

Let us assume that the Calculation Agent determines such number of days as 160 calendar days.

Accordingly, the Range Accrual Factor will be 160 divided by 365 (being the total number of days in the Relevant Interest Period

= 0.4383561

- (B) Second, the Calculation Agent calculates the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date.

As Screen Rate Determination is applicable to the Notes, the Calculation Agent does this by determining what rate is specified as 3-month LIBOR (the Reference Rate) for GBP (the Relevant Currency) which appears on Reuters Page LIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 20 August 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)).

Let us assume that the Calculation Agent determines that such rate is 5% per annum.

Therefore, the Rate of Interest shall be:

Rate of Interest = 5% x Leverage (1) + Spread (0)

= 5% per annum.

- (C) Finally, the Calculation Agent calculates the Interest Amount as follows:

Interest Amount = Rate of Interest (5%) x Calculation Amount (EUR 1,000) x Day Count Fraction (365/365) x Range Accrual Factor (0.4383561)

= EUR 21.92 (rounded to two decimal places, with 0.005 rounded upwards).

For a worked example of how a Rate of Interest is determined in respect of a Floating Rate Note, please see the section "Floating Rate Notes" above.

- (2) ***What is the interest amount payable on each Note on each Interest Payment Date if 'Add On Interest' is specified as applicable in the relevant Final Terms?***

If for the purposes of the above example, it is assumed that the Final Terms specify the following in relation to Add On Interest Rate:

- Add On Interest Rate is a fixed rate of 4% per annum;
- Add On Leverage is Not Applicable;
- Add On Spread is zero;

- (A) The Calculation Agent calculates the Add On Interest as follows:

Add On Interest = Add On Interest Rate (4%) x Calculation Amount (EUR 1,000) x Day Count Fraction (365/365)

= EUR 40.

- (B) The Calculation Agent calculates the Interest Amount as follows:

Interest Amount = Interest Amount calculated pursuant to paragraph (1)(C) above (EUR 21.92) + Add On Interest (EUR 40)

= EUR 61.92.

**Worked examples of the application of the Range Accrual Factor to Notes where Reverse Floating Rate Note provisions apply**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Reverse Floating Rate Notes:

- The Notes are issued on 20 August 2017.
- The Settlement Currency is GBP.
- The Calculation Amount is GBP 1,000.
- The Maximum Interest Rate is Not Applicable.
- The Minimum Interest Rate is 0% per annum.
- Spread is specified as 10%.
- Leverage is specified as 1.
- Screen Rate Determination is applicable and the following information is specified:
  - the Reference Rate is 3-month LIBOR;
  - the Interest Determination Date is on the first day of the Relevant Interest Period;
  - the Relevant Screen Page is Reuters Page LIBOR01;
  - the Relevant Financial Centre is London;
  - the Relevant Time is 11 a.m.; and
  - the Relevant Currency is GBP.
- The Interest Commencement Date is 20 August 2017.
- The Interest Payment Dates are 20 August in each year.
- The Day Count Fraction is Actual/365 (Fixed).
- In respect of Range Accrual Floating Rate:
  - the Reference Rate is 3-month EURIBOR;
  - The Observation Dates will be each calendar day in each interest period, provided that, for each calendar day from the observation period cut-off date (being the 5<sup>th</sup> Business Day (or such other number of Business Days specified as such in the relevant Final Terms) prior to the end of the interest period) the Range Accrual Floating Rate will be deemed to be the Range Accrual Floating Rate on the Business Day prior to the observation period cut-off date;
  - the Relevant Screen Page is Reuters Page EURIBOR01;
  - the Relevant Financial Centre is TARGET and London;
  - the Relevant Time is 11 a.m.; and
  - the Relevant Currency is EUR.

- The Corresponding Lower Barrier is 0%; and
- The Corresponding Upper Barrier is 5%.

***What is the interest amount payable on each Note on a particular Interest Payment Date?***

The Calculation Agent will calculate the interest amount ("**Interest Amount**") payable in respect of each Calculation Amount of the Notes on an Interest Payment Date (say, 20 August 2018) as follows:

- (A) First, the Calculation Agent calculates the Range Accrual Factor that applies to the Relevant Interest Period ending on such Interest Payment Date.

As Screen Rate Determination is applicable to the Range Accrual Floating Rate, the Calculation Agent does this by determining the number of days in the Relevant Interest Period on which the rate specified as 3-month EURIBOR (the Reference Rate) for EUR (the Relevant Currency) which appears on Reuters Page EURIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) was:

- (i) greater than or equal to the Corresponding Lower Barrier; and
- (ii) less than or equal to the Corresponding Upper Barrier.

Let us assume that the Calculation Agent determines such number of days as 160 calendar days.

Accordingly, the Range Accrual Factor will be 160 divided by 365 (being the total number of days in the Relevant Interest Period

= 0.4383561

- (B) Second, the Calculation Agent calculates the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date.

As Screen Rate Determination is applicable to the Notes, the Calculation Agent does this by determining what rate is specified as 3-month LIBOR (the Reference Rate) for GBP (the Relevant Currency) which appears on Reuters Page LIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 20 August 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)).

Let us assume that the Calculation Agent determines that such rate is 5% per annum.

Therefore, the Rate of Interest shall be:

Rate of Interest = Spread (10%) – [5% x Leverage (1)]

= 5% per annum.

- (C) Finally, the Calculation Agent calculates the Interest Amount as follows:

Interest Amount = Rate of Interest (5%) x Calculation Amount (EUR 1,000) x Day Count Fraction (365/365) x Range Accrual Factor (0.4383561)

= EUR 21.92 (rounded to two decimal places, with 0.005 rounded upwards).

For a worked example of how a Rate of Interest is determined in respect of a Reverse Floating Rate Note, please see the section "Reverse Floating Rate Notes" above.



**Worked examples of the application of the Range Accrual Factor to Digital Interest Rate Notes**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Digital Interest Rate Notes:

- The Notes are issued on 1 January 2017.
- The Settlement Currency is GBP.
- The Calculation Amount is GBP 1,000.
- Digital Rate 1 is a fixed rate equal to 8% per annum.
- Digital Rate 2 is a fixed rate equal to 6% per annum.
- In respect of the Digital Reference Rate, Screen Rate Determination is Applicable and the following information is specified:
  - the Reference Rate is 3-month LIBOR;
  - the Interest Determination Date is on the first day of the Relevant Interest Period;
  - the Relevant Screen Page is Reuters Page LIBOR01;
  - the Relevant Financial Centre is London;
  - the Relevant Time is 11 a.m.; and
  - the Relevant Currency is GBP.
- The Digital Strike is specified as 3%.
- The Interest Commencement Date is 1 January 2017.
- The Interest Payment Dates are 1 April, 1 July, 1 October and 1 January in each year.
- The Day Count Fraction is Actual/360.
- In respect of Range Accrual Floating Rate:
  - the Reference Rate is 3-month EURIBOR;
  - The Observation Dates will be each calendar day in each interest period, provided that, for each calendar day from the observation period cut-off date (being the 5<sup>th</sup> Business Day (or such other number of Business Days specified as such in the relevant Final Terms) prior to the end of the interest period) the Range Accrual Floating Rate will be deemed to be the Range Accrual Floating Rate on the Business Day prior to the observation period cut-off date;
  - the Relevant Screen Page is Reuters Page EURIBOR01;
  - the Relevant Financial Centre is TARGET and London;
  - the Relevant Time is 11 a.m. Brussels time; and
  - the Relevant Currency is EUR.
- The Corresponding Lower Barrier is 0%; and

- The Corresponding Upper Barrier is 5%.

***What is the interest amount payable on each Note on a particular Interest Payment Date?***

The Calculation Agent will calculate the interest amount ("**Interest Amount**") payable in respect of each Calculation Amount of the Notes on an Interest Payment Date (say, 1 April 2017) as follows:

- (A) First, the Calculation Agent calculates the Range Accrual Factor that applies to the Relevant Interest Period ending on such Interest Payment Date.

As Screen Rate Determination is applicable to the Range Accrual Floating Rate, the Calculation Agent does this by determining the number of days in the Relevant Interest Period on which the rate specified as 3-month EURIBOR (the Reference Rate) for EUR (the Relevant Currency) which appears on Reuters Page EURIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) was:

- (i) greater than or equal to the Corresponding Lower Barrier; and
- (ii) less than or equal to the Corresponding Upper Barrier.

Let us assume that the Calculation Agent determines such number of days as 60 calendar days.

Accordingly, the Range Accrual Factor will be: 60 divided by 90 (being the total number of days in the Relevant Interest Period

= 0.6666666

- (B) Second, the Calculation Agent calculates the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date as follows:

As Screen Rate Determination is applicable to the Digital Reference Rate, the Calculation Agent does this by determining what rate is specified as 3-month LIBOR (the Reference Rate) for GBP (the Relevant Currency) which appears on Reuters Page LIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 1 January 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)).

Let us assume that the Calculation Agent determines that such rate is 5% per annum.

Therefore, the Rate of Interest applicable to the Notes for the Relevant Interest Period shall be 6% per annum (which is equal to Digital Rate 2) as the Digital Reference Rate is greater than the Digital Strike. (Conversely, had the Digital Reference Rate been less than the Digital Strike, the Rate of Interest applicable to the Notes for the Relevant Interest Period would have been Digital Rate 1.)

- (C) Finally, the Calculation Agent calculates the Interest Amount as follows:

Interest Amount = Rate of Interest (6%, being Digital Rate 2) x Calculation Amount (GBP 1,000)  
x Day Count Fraction (90/360) x Range Accrual Factor (0.6666666)

= GBP 10 (rounded to two decimal places, with 0.005 rounded upwards).

For a worked example of how a Rate of Interest is determined in respect of a Digital Interest Rate Note, please see the section "Digital Interest Rate Notes" above.

**Worked examples of the application of the Range Accrual Factor to Steepener Notes**

*The hypothetical scenario:*

For the purposes of this example, it is assumed that the Final Terms specify the following in relation to Steepener Notes:

- The Notes are issued on 20 August 2017.
- The Settlement Currency is EUR.
- The Calculation Amount is EUR 1,000.
- In respect of Spread Linked Rate 1, CMS Rate Determination is applicable and the following information is specified:
  - the CMS Reference Rate is EUR CMS30 (being the 30-year ICE Swap Rate in the Relevant Currency (EUR));
  - the Designated Maturity is 30 years;
  - the Interest Determination Date is on the first day of the Relevant Interest Period;
  - the Relevant Screen Page is ICESWAP2;
  - the Relevant Financial Centre is TARGET and London;
  - the Relevant Time is 11 a.m. Brussels time; and
  - the Relevant Currency is EUR.
- In respect of Spread Linked Rate 2, CMS Rate Determination is applicable and the following information is specified:
  - the CMS Reference Rate is EUR CMS2 (being the 2-year ICE Swap Rate in the Relevant Currency (EUR));
  - the Designated Maturity is 2 years;
  - the Interest Determination Date is on the first day of the Relevant Interest Period;
  - the Relevant Screen Page is ICESWAP2;
  - the Relevant Financial Centre is TARGET and London;
  - the Relevant Time is 11 a.m. Brussels time; and
  - the Relevant Currency is EUR.
- The Maximum Interest Rate is Not Applicable.
- The Minimum Interest Rate is 0% per annum.
- Spread is specified as Not Applicable.
- Leverage is specified as 1.
- The Interest Commencement Date is 20 August 2017.
- The Interest Payment Dates are 20 August in each year.

- The Day Count Fraction is Actual/365 (Fixed).
- In respect of Range Accrual Floating Rate:
  - the Reference Rate is 3-month EURIBOR;
  - The Observation Dates will be each calendar day in each interest period, provided that, for each calendar day from the observation period cut-off date (being the 5<sup>th</sup> Business Day (or such other number of Business Days specified as such in the relevant Final Terms) prior to the end of the interest period) the Range Accrual Floating Rate will be deemed to be the Range Accrual Floating Rate on the Business Day prior to the observation period cut-off date;
  - the Relevant Screen Page is Reuters Page EURIBOR01;
  - the Relevant Financial Centre is TARGET and London;
  - the Relevant Time is 11 a.m. Brussels time; and
  - the Relevant Currency is EUR.
- The Corresponding Lower Barrier is 0%; and
- The Corresponding Upper Barrier is 5%.

***What is the interest amount payable on each Note on a particular Interest Payment Date?***

The Calculation Agent will calculate the interest amount ("**Interest Amount**") payable in respect of each Calculation Amount of the Notes on an Interest Payment Date (say, 20 August 2018) as follows:

- (A) First, the Calculation Agent calculates the Range Accrual Factor that applies to the Relevant Interest Period ending on such Interest Payment Date.

As Screen Rate Determination is applicable to the Range Accrual Floating Rate, the Calculation Agent does this by determining the number of days in the Relevant Interest Period on which the rate specified as 3-month EURIBOR (the Reference Rate) for EUR (the Relevant Currency) which appears on Reuters Page EURIBOR01 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) was:

- (i) greater than or equal to the Corresponding Lower Barrier; and
- (ii) less than or equal to the Corresponding Upper Barrier.

Let us assume that the Calculation Agent determines such number of days as 160 calendar days.

Accordingly, the Range Accrual Factor will be: 160 divided by 365 (being the total number of days in the Relevant Interest Period

$$= 0.4383561$$

- (B) Second, in order to calculate the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date:

- (i) The Calculation Agent determines Spread Linked Rate 1 by determining what rate is specified as EUR CMS30 (the Spread Linked Rate 1) for EUR (the Relevant Currency) with a Designated Maturity of 30 years, which appears on Reuters Page ICESWAP2 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 20 August 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)).

Let us assume that the Calculation Agent determines that such rate is 5.50% per annum.

- (ii) The Calculation Agent determines Spread Linked Rate 2 by determining what rate is specified as EUR CMS2 (the Spread Linked Rate 2) for EUR (the Relevant Currency) with a Designated Maturity of 2 years, which appears on Reuters Page ICESWAP2 (the Relevant Screen Page) as of 11 a.m. (the Relevant Time) on 20 August 2017 (being the first day of the Relevant Interest Period (i.e. the Interest Determination Date)).

Let us assume that the Calculation Agent determines that such rate is 2.24% per annum.

- (iii) Therefore, the Rate of Interest will be calculated as follows:

$$\text{Rate of Interest} = [\text{Spread Linked Rate 1 (5.50\%)} - \text{Spread Linked Rate 2 (2.24\%)}] \times \text{Leverage (1)} + \text{Spread (0)}$$

$$= 3.26\% \text{ per annum.}$$

- (C) Finally, the Calculation Agent calculates the Interest Amount payable in respect of such Relevant Interest Period as follows:

$$\text{Interest Amount} = \text{Rate of Interest (3.26\%)} \times \text{Calculation Amount (EUR 1,000)} \times \text{Day Count Fraction (365/365)} \times \text{Range Accrual Factor (0.4383561)}$$

$$= \text{EUR 14.29 (rounded to two decimal places, with 0.005 rounded upwards).}$$

For a worked example of how a Rate of Interest is determined in respect of a Steepener Note, please see the section "Steepener Notes" above.

**Please note: The worked examples provided in this Section II.1 – Description of the Notes are produced for illustrative purposes only.** The analysis is based on simplifying assumptions and hypothetical figures, and does not reflect a complete analysis of all possible gain and loss scenarios that may arise under any actual investment in the Notes. No representation or warranty is made by the Issuer or any of its affiliates that any scenario shown above can be duplicated under any actual investment in the Notes. Actual results may vary from the results shown above, and variations may be material. The mark-to-market value of the Notes can fluctuate either upward or downward due to changes in prevailing market conditions. Accordingly, if an investment in the Notes is unwound, repurchased or otherwise redeemed whether at or prior to its stated maturity, investors in such Notes may receive less than the purchase price of the Notes and therefore sustain a loss which in a worst case scenario may be equal to their invested amount.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes (the "**Conditions**") which apply to all Notes and which are completed by the relevant Final Terms for each issue of Notes. The Conditions will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Form of Notes and Summary of Provisions Relating to the Notes while in Global Form".*

The Notes are issued by HSBC Bank plc (the "**Issuer**") pursuant to a programme for the issuance of notes and warrants (the "**Programme**") established by the Issuer, are constituted by, and have the benefit of, a deed of covenant dated on or around 10 June 2016 (the "**Deed of Covenant**"). The Notes also have the benefit of a master note issuance agreement dated 24 February 1999 as most recently amended and restated on or around 10 June 2016 (as further modified and/or amended from time to time, the "**Master Note Issuance Agreement**") and made between the Issuer and HSBC Bank plc as dealer (the "**Dealer**", which expression shall include any successor Dealer) and an issuing and paying agency agreement dated 24 February 1999 as most recently amended and restated on or around 10 June 2016 (as further modified and/or amended from time to time, the "**Issuing and Paying Agency Agreement**") and made between the Issuer, HSBC Bank plc and HSBC France as calculation agents (HSBC Bank plc or, as the case may be, HSBC France being the "**Calculation Agent**" with respect to the Notes if so specified in the relevant Final Terms, which expression includes any successor or other Calculation Agent appointed pursuant to the Issuing and Paying Agency Agreement, as specified in the relevant Final Terms), HSBC Bank plc as transfer agent (HSBC Bank plc being the "**Transfer Agent**", which expression shall include any additional or successor or other Transfer Agent appointed pursuant to the Issuing and Paying Agency Agreement, as specified in the relevant Final Terms), HSBC Bank plc as the principal paying agent (HSBC Bank plc being the "**Principal Paying Agent**", which expression shall include any additional or successor or other Principal Paying Agent appointed pursuant to the Issuing and Paying Agency Agreement, as specified in the relevant Final Terms and, together with any additional paying agent appointed pursuant to the Issuing and Paying Agency Agreement or the Computershare Agency Agreement (as defined below), as specified in the relevant Final Terms, the "**Paying Agents**"), HSBC Bank plc as issue agent (HSBC Bank plc being the "**Issue Agent**", which expression shall include any additional or successor or other Issue Agent appointed pursuant to the Issuing and Paying Agency Agreement, as specified in the relevant Final Terms), HSBC Bank plc as registrar (HSBC Bank plc being the "**Registrar**", which expression shall include any additional or successor or other Registrar appointed pursuant to the Issuing and Paying Agency Agreement, as specified in the relevant Final Terms) and the other parties specified therein.

In addition, the Issuer has entered into an agreement with Computershare Investor Services PLC dated 23 April 2010 (such agreement, as amended and/or supplemented and/or restated from time to time, the "**Computershare Agency Agreement**") appointing the latter as registrar and paying agent (the "**CREST Registrar**", which expression shall include any successor registrar and paying agent) with respect to Uncertificated Registered Notes (as defined below).

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

Copies of the Master Note Issuance Agreement, the Issuing and Paying Agency Agreement, the Deed of Covenant and the Computershare Agency Agreement are available for inspection by Holders (as defined below) of Notes, and copies of the relevant Final Terms, this Base Prospectus and any supplemental prospectus may be obtained in each case during normal business hours at the specified office of the Issuer and of the Paying Agent in London or, in the case of Uncertificated Registered Notes, the CREST Registrar. The Holders (as defined in Condition 2(b) (*Form, Denomination and Title – Bearer Notes*)) for the time being of Notes (the "**Noteholders**", which expression shall, in the case of Bearer Notes, include reference to the Holders of the Coupons appertaining thereto) and of any coupons (the "**Coupons**") or talons (the "**Talons**") (the "**Couponholders**") are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Issuing and Paying Agency Agreement, the Computershare Agency

Agreement, the Deed of Covenant, the Master Note Issuance Agreement and the relevant Final Terms which are applicable to them.

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

1. **Definitions**

"**Accrual Yield**" means, in the case of Zero Coupon Notes, the percentage rate per annum specified as such in the relevant Final Terms;

"**Alternative Payment Cross Currency Rate**" means, for any Alternative Payment Currency Fixing Date, the currency exchange rate between the Cross Currency and the Alternative Payment Currency as published on the Alternative Payment Currency Fixing Page at or around the Alternative Payment Currency Fixing Time and as observed by the Calculation Agent;

"**Alternative Payment Currency**" means the currency, which may be Offshore RMB, specified as such in the relevant Final Terms;

"**Alternative Payment Currency Equivalent**" means the relevant amount in the Settlement Currency determined by the Calculation Agent 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**" means:

- (i) the rate of exchange between the Settlement Currency and Alternative Payment Currency (expressed as the number of units of Alternative Payment Currency per one unit of Settlement Currency or as the number of units of Settlement Currency per one unit of Alternative Payment Currency (as applicable)) as published on the Alternative Payment Currency Fixing Page at or around the Alternative Payment Currency Fixing Time on the Alternative Payment Currency Fixing Date and as observed by the Calculation Agent;
- (ii) if Cross Currency Exchange Rate is specified as applicable in the relevant Final Terms, the rate of exchange determined in accordance with, or derived from the Alternative Payment Cross Currency Rate and the Settlement Currency Exchange Rate, as determined by the Calculation Agent;
- (iii) if Prevailing Spot Rate is specified as applicable in the Final Terms, the rate of exchange between the Settlement Currency and the Alternate Payment Currency as determined by the Calculation Agent by reference to the spot rate prevailing in the international exchange market at the Alternative Payment Currency Fixing Time on the Alternative Payment Currency Fixing Date; or
- (iv) such other rate as may be specified in the relevant Final Terms.

The Calculation Agent shall round such rate to the closest four (4) decimal places, 0.00005 being rounded up. If on an Alternative Payment Currency Fixing Date a Price Source Disruption occurs then the Calculation Agent will determine the Alternative Payment Currency Exchange Rate in accordance with sub-paragraphs (i) or (ii), as applicable, of Condition 7(f) (*Price Source Disruption and FX Disruption*) or, if Price Source Disruption is specified as not applicable in the relevant Final Terms, in its discretion;

"**Alternative Payment Currency Fixing Date**" means the relevant Interest Payment Date, Maturity Date or other date on which the relevant payment falls due (as appropriate). If such date falls on a day that is a Saturday or Sunday or on which commercial banks are not open for

general business and dealings in foreign exchange in the jurisdiction or place specified as such in the relevant Final Terms, or if no such jurisdiction or place is specified in the relevant Final Terms, the Settlement Currency Jurisdiction, the Alternative Payment Currency Jurisdiction and, if Cross Currency Exchange Rate is specified as applicable in the relevant Final Terms, the Cross Currency Jurisdiction (a "**closed day**") then the Alternative Payment Currency Fixing Date shall be the immediately following calendar day that is not a closed day;

"**Alternative Payment Currency Fixing Page**" means the Reuters or other screen page specified as such in the relevant Final Terms or any successor page thereof or, if such page is not specified in the relevant Final Terms or there is no successor page, the Calculation Agent will determine the relevant Alternative Payment Currency Exchange Rate by reference to the spot rate prevailing in the international exchange market;

"**Alternative Payment Currency Fixing Time**" means the time and place specified as such in the relevant Final Terms or, such other time and place as the Calculation Agent determines in the case of a successor page to the Alternative Payment Currency Fixing Page specified in the Final Terms;

"**Alternative Payment Currency Jurisdiction**" means the jurisdiction specified as such in the relevant Final Terms;

"**Alternative Payment Settlement Days**" means the number of local banking days specified as such in the relevant Final Terms or if the relevant Final Terms does not specify any Alternative Payment Settlement Days then the Alternative Payment Settlement Days shall be deemed to be 3 local banking days;

"**BA**" means, in respect of any Relevant Currency and any specified period, the average rate for bankers acceptances denominated in such Relevant Currency and having a tenor equal to such specified period;

"**BBR**" means, in respect of any Relevant Currency and any specified period, the rate for bills of exchange denominated in such Relevant Currency and having a tenor equal to such specified period;

"**BUBOR**" means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Budapest interbank offered rate;

"**Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Business Day**" means:

- (i) in relation to any sum payable in euro, a Euro Business Day and a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments generally in London and in each (if any) Business Centre and on which the relevant Clearing System is open for business; and
- (ii) in relation to any sum payable in a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the Settlement Currency and in each (if any) Business Centre and on which the relevant Clearing System is open for business;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms (which shall be one of the following expressions) and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;



- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant 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;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **"FRN Convention", "Floating Rate Convention" or "Eurodollar Convention"** means that each relevant 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 relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
  - (A) 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;
  - (B) 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
  - (C) 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; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Amount"** means the amount in the Denomination Currency specified as such in the relevant Final Terms;

**"CIBOR"** means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Copenhagen interbank offered rate;

**"Clearing System"** means, in relation to a Series of Notes, Euroclear, Clearstream, Luxembourg, and/or CREST 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, in each case as specified in the relevant Final Terms;

**"Clearing System Currency Eligibility Event"** means the relevant Clearing System(s) ceases to accept payments in the Settlement Currency;

**"Clearstream, Luxembourg"** means Clearstream Banking, *société anonyme*, Luxembourg;

**"Conversion Rate"** means:

- (i) the conversion rate of exchange specified as such in the relevant Final Terms;
- (ii) if such rate is not specified in the relevant Final Terms, the rate of exchange between the Denomination Currency and the Settlement Currency (expressed as the number of units of Settlement Currency per one unit of Denomination Currency or as the number of units of the Denomination Currency per one unit of Settlement Currency (as applicable)) as published on the Conversion Rate Fixing Page at the Conversion Rate Fixing Time on the Conversion Rate Fixing Date and as observed by the Calculation Agent;
- (iii) if Cross Currency Exchange Rate is specified as applicable in the relevant Final Terms, the conversion rate of exchange determined in accordance with, or derived from the Denomination Currency Conversion Rate and the Settlement Currency Conversion Rate, as determined by the Calculation Agent; or

- (iv) if Prevailing Spot Rate is specified as applicable in the Final Terms, the rate of exchange between the Denomination Currency and the Settlement Currency as determined by the Calculation Agent by reference to the spot rate prevailing in the international exchange market at the Conversion Rate Fixing Time on the Conversion Rate Fixing Date.

The Calculation Agent shall round such rate to the closest four (4) decimal places, 0.00005 being rounded up. If on a Conversion Rate Fixing Date a Price Source Disruption occurs then the Calculation Agent will determine the Conversion Rate in accordance with sub-paragraph (i) or (ii), as applicable, of Condition 7(f) (*Price Source Disruption and FX Disruption*) or, if Price Source Disruption is specified as not applicable in the relevant Final Terms, in its discretion;

**"Conversion Rate Business 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 jurisdiction or place specified as such in the relevant Final Terms, or if no such jurisdiction or place is specified in the relevant Final Terms, the Settlement Currency Jurisdiction, Denomination Currency Jurisdiction and, if Cross Currency Exchange Rate is specified as applicable in the relevant Final Terms, the Cross Currency Jurisdiction;

**"Conversion Rate Fixing Date"** means each of the dates specified as such in the relevant Final Terms or if such date is not a Conversion Rate Business Day the immediately following day that is a Conversion Rate Business Day or, if such date is not specified in the relevant Final Terms, the fifth Conversion Rate Business Day prior to the relevant Interest Payment Date, Maturity Date or other date on which the relevant payment falls due (as applicable);

**"Conversion Rate Fixing Page"** means the Reuters or other screen page specified as such in the Final Terms or any successor page thereof or if such page is not specified in the relevant Final Terms, the Calculation Agent will determine the relevant Conversion Rate by reference to the spot rate prevailing in the international exchange market;

**"Conversion Rate Fixing Time"** means the time and place specified as such in the relevant Final Terms or such other time and place as the Calculation Agent determines in the case of a successor page to the Conversion Rate Fixing Page specified in the Final Terms;

**"CMS Reference Rate"** means the rate determined in accordance with Condition 4G(d) (*CMS Rate Determination*);

**"CREST"** means Euroclear UK and Ireland Limited (formerly known as CRESTCo Limited);

**"Cross Currency"** means the currency specified as such in the relevant Final Terms, or if such currency is not specified in the relevant Final Terms, the Cross Currency shall mean USD;

**"Cross Currency Jurisdiction"** means the jurisdiction specified as such in the relevant Final Terms;

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in the relevant Final Terms and:

- (i) if **"Actual/Actual"**, **"Actual/Actual (ISDA)"**, **"Act/Act"** or **"Act/Act (ISDA)"** is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **"Actual/Actual (ICMA)"** or **"Act/Act (ICMA)"** is specified means:
- (A) 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

- (B) where the Calculation Period is longer than one Regular Period, the sum of:
- (1) 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 one year; and
  - (2) 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;
- (iii) if "**Actual/365 (Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (iv) if "**Actual/365 (Sterling)**" is specified, means the actual number of days in the Calculation Period divided by 365, or in the case of an Interest Payment Date falling in a leap year, 366;
- (v) if "**Actual/360**", "**Act/360**" or "**A/360**" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (vi) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified, the number of days in the Calculation Period in respect of which payment is being made 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 included in 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 number, in which the day immediately following the last day included in 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 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vii) if "**30E/360**" or "**Eurobond Basis**" is specified, the number of days in the Calculation Period in respect of which payment is being made 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 included in 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 number, in which the day immediately following the last day included in 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

- (viii) if "**30E/360 (ISDA)**" is specified, the number of days in the Calculation Period in respect of which payment is being made 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 included in 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 number, in which the day immediately following the last day included in 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 Termination Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30;

"**Deferral Period**" has the meaning ascribed thereto in Condition 7(f) (*Price Source Disruption and FX Disruption*);

**"Denomination Currency"** means the currency of denomination of the Notes as specified as such in the relevant Final Terms;

**"Denomination Currency Conversion Rate"** means, for any Conversion Rate Fixing Date, the currency exchange rate between the Cross Currency and the Denomination Currency as published on the Conversion Rate Fixing Page at or around the Conversion Rate Fixing Time and as observed by the Calculation Agent;

**"Denomination Currency Jurisdiction"** means the jurisdiction as specified as such in the relevant Final Terms;

**"Designated Maturity"** means, in respect of a Reference Rate, the period of time specified in respect of such Reference Rate in the Final Terms;

**"Digital Interest Rate Note"** means a Note which bears interest at a floating rate and in respect of which the relevant provisions of Condition 4D (*Interest – Digital Interest Rate Note Provisions*) are applicable as specified in the Final Terms;

**"Early Redemption Amount"** means, in relation to each Note or Calculation Amount (as applicable), an amount equal to the percentage per Calculation Amount or its Fair Market Value, in each case as specified in the relevant Final Terms and subject to Condition 5(g) (*Early Redemption of Zero Coupon Notes*); **provided, however, that** in respect of any Notes that are Italian Notes, the Early Redemption Amount shall be at least equal to 100% of the Calculation Amount;

**"EIBOR"** means, in respect of any Relevant Currency and any specified period, the interest rate benchmark known as the Emirates interbank offered rate;

**"EURIBOR"** means, in respect of any Relevant Currency and any specified period, the interest rate benchmark known as the Eurozone interbank offered rate;

**"Euro", "euro", "EUR", "€"** each mean the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty;

**"Euro Business Day"** or **"TARGET Business Day"** means a day on which TARGET2 is open for settlement of payments in euro;

**"Euroclear"** means Euroclear Bank SA/NV;

**"exchange date"** shall be the Relevant Banking Day following the day on which the relevant Bearer Note shall have been surrendered for exchange in the manner specified in Condition 11 (*Replacement, Exchange and Transfer*);

**"Fair Market Value"** means, in relation to any Note which is to be redeemed early, its fair market value immediately prior to the early redemption date, as determined by the Issuer (acting in good faith and in a commercially reasonable manner) and/or the Calculation Agent, as applicable, and in respect only of Notes that are not Italian 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, and any such calculation of the fair market value shall have the effect of preserving for the Noteholders the economic equivalent of the obligations of the Issuer to make payments in respect of the Notes which would, but for such early redemption, have fallen due after the relevant early redemption date. For the purposes of calculating the Fair Market Value following an Event of Default pursuant to Condition 9 (*Events of Default*) only, in determining the fair market value of the Notes, no account shall be taken of the creditworthiness of the Issuer, who shall be deemed to be able to perform fully its obligations in respect of the Notes. In addition, if Fair Market Value Floor is specified in the relevant Final Terms as being applicable, then the Fair Market Value shall in no event be less than the amount equal to the percentage per Calculation Amount specified as the 'Fair Market Value Floor Percentage' in the relevant Final Terms;

**"Fallback Bond"** means, in relation to an Inflation Index applicable to an Inflation Linked Note, a bond selected by the Calculation Agent and issued by the government or one of the governments (but not any government agency) of the country (or countries) to whose level of inflation the Inflation Index relates and which pays a coupon and/or redemption amount which is calculated by reference to the Index, with a maturity date which falls on the same day as the Maturity Date of the Inflation Linked Notes, or such other date as the Calculation Agent shall select if there is no such bond maturing on the Maturity Date of the Inflation Linked Notes. If any bond so selected is redeemed, the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond is redeemed (including any bond for which the redeemed bond is exchanged);

**"Final Redemption Amount"** has the meaning given to it in Condition 5(a) (*Redemption and Purchase – At Maturity*);

**"First Interest Payment Date"** means the date specified as such in the relevant Final Terms;

**"Fixed Rate Note"** means a Note which bears interest at a fixed rate and in respect of which Condition 4A (*Interest – Fixed Rate Note Provisions*) is applicable as specified in the Final Terms;

**"Floating Rate"** means the rate determined in accordance with Condition 4G (*Determination of a Floating Rate*);

**"Floating Rate Note"** means a Note which bears interest at a floating rate and in respect of which the relevant provisions of Condition 4B (*Interest – Floating Rate Note Provisions*), Condition 4C (*Interest – Reverse Floating Rate Note Provisions*), Condition 4D (*Interest – Digital Interest Rate Note Provisions*), Condition 4E (*Interest – Steeper Note Provisions*) or Condition 4F (*Interest – Inflation Linked Note Provisions*), are applicable as specified in the Final Terms;

**"FX Disruption Event"** means the occurrence, as determined by the Calculation Agent of (i) an Inconvertibility, Non-transferability or Illiquidity, or any other event affecting the Denomination Currency, Cross Currency, or Settlement Currency (as applicable) (the **"FX Disruption Relevant Currency"**) which would make it unlawful or impractical 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 power) for the Issuer (or the Issuer's affiliate) to pay or receive amounts in the FX Disruption Relevant Currency under or in respect of any hedging arrangement relating to or connected with the FX Disruption Relevant Currency; or (ii) if Offshore RMB is specified as the applicable FX Disruption Relevant Currency, each of the events specified in (i) above, plus an Offshore RMB Disruption;

**"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;

**"HIBOR"** means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Hong Kong interbank offered rate;

**"Illiquidity"** means where the foreign exchange market in the Settlement Currency Jurisdiction becomes illiquid after the Trade Date 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 Reference Dealers;

**"Inconvertibility"** means the occurrence of any event after the Trade Date that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the foreign 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 Trade Date and

it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

**"Inflation Index Sponsor"** means, in relation to an Inflation Index, the sponsor specified as such in the Final Terms (being the entity that publishes or announces (directly or through an agent) the level of such Inflation Index) and any successor sponsor of such Inflation Index as determined by the Calculation Agent.

**"Inflation Linked Note"** means a Floating Rate Note in respect of which the provisions of Condition 4F (*Interest – Inflation Linked Note Provisions*) are applicable as specified in the Final Terms or a Note in respect of which the Final Redemption Type is specified as 'Inflation Linked Redemption' in the relevant Final Terms;

**"Interest Amount"** means, in respect of an Interest Period, the amount of interest payable in respect of a Note (representing a nominal amount equal to the Calculation Amount) for that Interest Period;

**"Interest Commencement Date"** means the date specified as such in the relevant Final Terms;

**"Interest Determination Date"** means the day specified as such in the relevant Final Terms **provided that** such day shall be a day (i) if such currency is euro, which is a Euro Business Day, and (ii) if such currency is any other currency, on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres of the country of such currency (or where such currency is a National Currency Unit) and the Notes have been redenominated into euro pursuant to Condition 8 (*Redenomination*), the former principal financial centre or centres);

**"Interest Payment Date"** means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted (if so required) in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and supplemented as at the date of issue of the first Tranche of the Notes of the relevant Series), as published by the International Swaps and Derivatives Association, Inc ("**ISDA**") (copies of which may be obtained from ISDA at [www.isda.org](http://www.isda.org));

**"Issue Date"** means the date specified as such in the relevant Final Terms;

**"Italian Notes"** means Notes for which it is specified in the Final Terms that an application is expected to be made for the Notes to be admitted to the official list of the Italian Stock Exchange;

**"Italian Stock Exchange"** means Borsa Italiana S.p.A.;

**"JIBAR"** means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Johannesburg interbank agreed rate;

**"LIBOR"** means, in respect of any Relevant Currency and any specified period, the interest rate benchmark known as the London interbank offered rate;

**"Linear Interpolation"** means, with respect to any Interest Period, the straight-line interpolation by reference to two rates based on the Reference Rate, one of which will be determined as if the Specified Duration were the period of time for which rates are available next shorter than the length of such Interest Period, and the other of which will be determined as if the Specified Duration were the period of time for which rates are available next longer than the length of such Interest Period;

**"local banking day"** means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Principal Paying Agent, the Paying Agent, or the Registrar or the Transfer Agent, to which the relevant Note or Coupon is presented for payment is located;

**"Maturity Date"** has the meaning ascribed thereto in Condition 5(a) (*Redemption and Purchase – At Maturity*);

**"Maximum Interest Rate"** means the percentage rate per annum (or such other applicable period of time) specified as such in the relevant Final Terms;

**"Maximum Redemption Amount (Call Option)"** means, in relation to each Note, the percentage of its Calculation Amount specified as such in the relevant Final Terms;

**"Maximum Redemption Amount (Put Option)"** means, in relation to each Note, the percentage of its Calculation Amount specified as such in the relevant Final Terms;

**"Minimum Interest Rate"** means the percentage rate per annum (or such other applicable period of time) specified as such in the relevant Final Terms;

**"Minimum Redemption Amount (Call Option)"** means, in relation to each Note, the percentage of its Calculation Amount specified as such in the relevant Final Terms;

**"Minimum Redemption Amount (Put Option)"** means, in relation to each Note, the percentage of its Calculation Amount specified as such in the relevant Final Terms;

**"MOSPRIME"** means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Moscow prime offered rate;

**"National Currency Unit"** means the national currency unit of any Participating Member State that becomes a denomination of the euro by reason of Council Regulation (EC) No. 1103/97, Council Regulation (EC) No. 974/98 or any other applicable laws;

**"NIBOR"** means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Norwegian interbank offered rate;

**"Non-transferability"** means the occurrence of any event after the Trade Date 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 or from an account outside the Settlement Currency Jurisdiction 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 Trade Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

**"Note Interest Provisions"** means Fixed Rate Note provisions, Floating Rate Note provisions, Reverse Floating Rate Note provisions, Digital Interest Rate Note provisions, Steeper Note provisions, Inflation Linked Note provisions or Zero Coupon Note provisions, applicable in relation to the Notes in respect of each Interest Period, as specified in the relevant Final Terms;

**"Offshore RMB"** means RMB that is freely deliverable between accounts in the Offshore RMB Centre in accordance with the law and applicable regulation and guidelines issued by relevant authorities in the Offshore RMB Centre prevailing as of the Trade Date of the Notes;



**"Offshore RMB Centre"** means either Hong Kong, Singapore, Taiwan or any other jurisdiction specified as such in the relevant Final Terms;

**"Offshore RMB Disruption"** means the occurrence of, as determined by the Calculation Agent, an Offshore RMB Inconvertibility, Offshore RMB Non-transferability or Offshore RMB Illiquidity;

**"Offshore RMB Illiquidity"** means the occurrence of any event after the Trade Date that makes it impossible (where it has previously been possible) for the Issuer to obtain a firm quote of an offer price in respect of any amount in Offshore RMB in order to satisfy its obligation to pay an amount under the Notes (the **"Relevant Disrupted Amount"**), in each case on the due date for payment, Valuation Date or Conversion Rate Fixing Date (as the case may be), either in one transaction or a commercially reasonable number of transactions that, when taken together, is no less than such Relevant Disrupted Amount, in the general Offshore RMB exchange market in each Offshore RMB Centre in order to perform its obligations under the Notes;

**"Offshore RMB Inconvertibility"** means the occurrence of any event after the Trade Date that makes it impossible (where it had previously been possible) for the Issuer to convert an amount of Offshore RMB no less than the Relevant Disrupted Amount into or from USD (or, if the Settlement Currency specified in the Final Terms is other than USD, then such Settlement Currency) in the general Offshore RMB exchange market in each Offshore RMB Centre, 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 Trade Date of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

**"Offshore RMB Non-Transferability"** means the occurrence in each Offshore RMB Centre of any event after the Trade Date that makes it impossible (where it had previously been possible) for the Issuer to transfer Offshore RMB (i) between accounts inside an Offshore RMB Centre, (ii) from an account inside an Offshore RMB Centre to an account outside such Offshore RMB Centre and outside the PRC, or (iii) from an account outside an Offshore RMB Centre and outside the PRC to an account inside such Offshore RMB Centre, 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 Trade Date of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation). For the purpose of Offshore RMB Non-Transferability and Hong Kong as an Offshore RMB Centre only, a segregated Chinese Renminbi fiduciary cash account with the People's Bank of China and operated by Bank of China (Hong Kong) Limited shall be deemed to be an account inside Hong Kong;

**"Optional Redemption Date (Call Option)"** means the date specified as such in the relevant Final Terms on which the Notes are being redeemed pursuant to Condition 5(e) (*Redemption and Purchase – Redemption at the Option of the Issuer (Call Option)*);

**"Optional Redemption Date (Put Option)"** means the date specified as such in the relevant Final Terms on which the Notes are being redeemed pursuant to Condition 5(f) (*Redemption and Purchase – Redemption at the Option of the Noteholder (Put Option)*);

**"Participating Member State"** means any member state of the European Union that has adopted or adopts the single currency in accordance with the Treaty;

**"PRC"** means the People's Republic of China excluding (solely for this purpose) the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**") and the Macau Special Administrative Region of the People's Republic of China ("**Macau**") and Taiwan;

**"PRIBOR"** means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Prague interbank offered rate;

**"Price Source Disruption"** means, in relation to a Relevant Rate, such Relevant Rate is not available for any reason as determined by the Calculation Agent;

**"Redemption Amount (Call Option)"** means, in relation to each Note, the percentage of its Calculation Amount or its Fair Market Value, in each case as specified in the relevant Final Terms;

**"Redemption Amount (Put Option)"** means, in relation to each Note, the percentage of its Calculation Amount or its Fair Market Value, in each case as specified in the relevant Final Terms;

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

- (i) is specified by the Issuer in the notice given to the Noteholders pursuant to Condition 8(a) (*Redenomination – General*); and
- (ii) falls on or after such date as the country of the Settlement Currency becomes a Participating Member State;

**"Reference Bank(s)"** means four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**"Reference Dealers"** means leading dealers in the relevant foreign exchange market, as determined by the Calculation Agent;

**"Reference Rate"** means, as specified in the relevant Final Terms, BA, BBR, BUBOR, CIBOR, EIBOR, EURIBOR, HIBOR, JIBAR, LIBOR, MOSPRIME, NIBOR, PRIBOR, SAIBOR, SIBOR, SOR, STIBOR, TELBOR, TIBOR, TIIE, TRLIBOR or WIBOR. Where the relevant Final Terms specifies 'CMS Rate Determination' to be applicable, 'Reference Rate' shall be construed to include a CMS Reference Rate. Where the Final Terms specifies 'RMS Rate Determination' to be applicable, 'Reference Rate' shall be construed to include a RMS Reference Rate. If more than one Reference Rate is specified, 'Reference Rate' shall be construed to refer to each rate defined or specified as such, or determined, in respect of the relevant period or day as specified in the Final Terms;

**"Regular Period"** means:

- (i) 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;
- (ii) 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
- (iii) 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;

**"Related Bond"** means, in relation to any Inflation Linked Notes, the bond specified as such in the Final Terms or, if specified as applicable in the Final Terms and if no bond is specified as the Related Bond, the Related Bond shall be the Fallback Bond. If the bond specified to be the Related Bond redeems or matures during the term of the Inflation Linked Notes, following such redemption or maturity the Related Bond shall be the Fallback Bond;

**"Related Payment Date"** means any payment date on the Notes on which the amount payable is calculated by reference to the Relevant Rate determined on the related Scheduled FX Fixing Day;

**"Relevant Banking Day"** means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Note for a Registered Note where such request for exchange is made to the Principal Paying Agent or the Transfer Agent, in the place where the specified office of the Principal Paying Agent or, as the case may be, the Transfer Agent is located;

**"Relevant Currency"** means:

- (i) **"AUD"** which is the lawful currency of Australia;
- (ii) **"CAD"** which is the lawful currency of Canada;
- (iii) **"CHF"** which is the lawful currency of Switzerland;
- (iv) **"CNY"** which is the lawful currency of the People's Republic of China;
- (v) **"COP"** which is the lawful currency of Colombia;
- (vi) **"CZK"** which is the lawful currency of the Czech Republic;
- (vii) **"DKK"** which is the lawful currency of Denmark;
- (viii) **"EGP"** which is the lawful currency of Egypt;
- (ix) **"EUR"** which is the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty;
- (x) **"GBP"** which is the lawful currency of the United Kingdom;
- (xi) **"GHS"** which is the lawful currency of Ghana;
- (xii) **"HKD"** which is the lawful currency of Hong Kong Special Administrative Region of the People's Republic of China;
- (xiii) **"HUF"** which is the lawful currency of the Republic of Hungary;
- (xiv) **"ILS"** which is the lawful currency of the State of Israel;
- (xv) **"JPY"** which is the lawful currency of Japan;
- (xvi) **"KES"** which is the lawful currency of Kenya;
- (xvii) **"MXN"** which is the lawful currency of the United Mexican States;
- (xviii) **"NGN"** which is the lawful currency of Nigeria;
- (xix) **"NOK"** which is the lawful currency of Norway;
- (xx) **"NZD"** which is the lawful currency of New Zealand;
- (xxi) **"PLN"** which is the lawful currency of Poland;
- (xxii) **"RUB"** which is the lawful currency of the Russian Federation;
- (xxiii) **"SEK"** which is the lawful currency of the Kingdom of Sweden;
- (xxiv) **"SGD"** which is the lawful currency of Singapore;
- (xxv) **"TRY"** which is the lawful currency of the Republic of Turkey;
- (xxvi) **"UGX"** which is the lawful currency of Uganda;

- (xxvii) "**USD**" which is the lawful currency of the United States of America;
- (xxviii) "**ZAR**" which is the lawful currency of the Republic of South Africa;
- (xxix) "**ZMW**" which is the lawful currency of Zambia; or
- (xxx) any other currency specified as being the Relevant Currency,

in each case as specified in the relevant Final Terms;

**"Relevant Currency Business Day"** means, in relation to a Relevant Rate that is the:

- (i) Alternative Payment Currency Exchange Rate or Alternative Payment Cross Currency Rate or Settlement Currency Exchange Rate (which is being determined for the purposes of determining the Alternative Payment Currency Exchange Rate), an Alternative Payment Currency Fixing Date; or
- (ii) Conversion Rate or Denomination Currency Conversion Rate or Settlement Currency Conversion Rate (which is being determined for the purposes of determining the Conversion Rate), a Conversion Rate Business Day.

**"Relevant Financial Centre"** means the financial centre specified as such in the relevant Final Terms;

**"Relevant Financial Centre Day"** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres for the currency in which payment falls to be made (or, where such currency is a National Currency Unit and the Notes have been redenominated into euro pursuant to Condition 8 (*Redenomination*), the former principal financial centre or centres) and in any other place set out in the Final Terms. In the case of payments which fall to be made in euro (save for payments in relation to Notes which have been redenominated into euros pursuant to Condition 8 (*Redenomination*)), a Euro Business Day. The Relevant Financial Centre Days in relation to any Tranche determined in accordance with the above provisions as at the Issue Date shall be specified in the relevant Final Terms;

**"Relevant Rate"** means the Alternative Payment Currency Exchange Rate, Alternative Payment Cross Currency Rate, Conversion Rate, Denomination Currency Conversion Rate, Settlement Currency Exchange Rate, Settlement Currency Conversion Rate or Specified Currency Exchange Rate (as applicable);

**"Relevant Screen Page"** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**"Relevant Time"** means the time specified as such in the relevant Final Terms;

**"Renminbi"**, **"RMB"** and **"CNY"** all refer to the lawful currency of the People's Republic of China (excluding the Hong Kong Special Administrative Region of the People's Republic of China and the Macau Special Administrative Region of the People's Republic of China and Taiwan);

**"RMS Reference Rate"** means the rate determined in accordance with Condition 4G(e) (*RMS Rate Determination*);

**"Residual Designated Maturity"** means, in relation to an Interest Period relating to the Notes, the Residual Designated Maturity specified as such for such Interest Period in the Final Terms.

**"Reverse Floating Rate Note"** means a Note which bears interest at a floating rate and in respect of which the relevant provisions of Condition 4C (*Interest – Reverse Floating Rate Note Provisions*) are applicable as specified in the Final Terms;

**"SAIBOR"** means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Saudi Arabia interbank offered rate;

**"Scheduled FX Fixing Day"** has the meaning specified in Condition 7(f) (*Price Source Disruption and FX Disruption*);

**"Settlement Currency"** means the currency specified as such in the relevant Final Terms;

**"Settlement Currency Conversion Rate"** means, for any Conversion Rate Fixing Date, the currency exchange rate between the Cross Currency and the Settlement Currency as published on the Conversion Rate Fixing Page at or around the Conversion Rate Fixing Time and as observed by the Calculation Agent;

**"Settlement Currency Exchange Rate"** means, for any Alternative Payment Currency Fixing Date, the currency exchange rate between the Cross Currency and the Settlement Currency as published on the Alternative Payment Currency Fixing Page at or around the Alternative Payment Currency Fixing Time and as observed by the Calculation Agent;

**"Settlement Currency Jurisdiction"** means the jurisdiction specified as such in the relevant Final Terms;

**"SIBOR"** means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Singaporean interbank offered rate;

**"SOR"** means, in respect of any Relevant Currency and any specified period, the synthetic rate for deposits denominated in the Relevant Currency and having a tenor equal to such specified period;

**"Specified Duration"** means, in relation to an Interest Period and any Notes, the duration specified as such or, if none, a period equal to such Interest Period, ignoring any adjustment made in accordance with any Business Day Convention;

**"Specified Period"** means the period specified as such in the relevant Final Terms;

**"Specified Swap Rate"** means any of the following as specified in the Final Terms: (a) the swap rate, (b) the annual swap rate, (c) the semi-annual swap rate, (d) the quarterly swap rate, (e) the quarterly-annual swap rate, or (f) the quarterly-quarterly swap rate;

**"Steepener Notes"** means a Note which bears interest at a floating rate and in respect of which the relevant provisions of Condition 4E (*Interest – Steepener Note Provisions*) are applicable as specified in the Final Terms;

**"STIBOR"** means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Stockholm interbank offered rate;

**"Switch Option Number of Business Days"** means the number of Business Days specified in the relevant Final Terms, **provided that**, if no such number is specified in the Final Terms, the Switch Option Observation Number of Business Days will be deemed to be five Business Days.

**"TARGET2"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**"TELBOR"** means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Tel Aviv interbank offered rate;

**"TIBOR"** means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Tokyo interbank offered rate;

"**TIE**" means, in respect of any Relevant Currency and any specified period, the Tasa de Interés Interbancaria de Equilibrio (Interbank Equilibrium Interest Rate) denominated in such Relevant Currency and having a tenor equal to such specified period;

"**Trade Date**" means the date specified as such in the relevant Final Terms;

"**transfer date**" shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer;

"**TRLIBOR**" means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Turkish Lira interbank offered rate;

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

"**Unscheduled Holiday**" means, in relation to a Relevant Rate, a day, determined by the Calculation Agent, that is not a Relevant Currency Business Day and the market was not aware of such fact (by means of a public announcement or by reference to other publicly available information) until on or prior to the second Relevant Currency Business Day (or such other number of Relevant Currency Business Days specified in the relevant Final Terms) immediately preceding the Scheduled FX Fixing Day;

"**Valuation Date**" means the Initial Valuation Date, Final Valuation Date, Inflation Interest Determination Date or any other date on which the Inflation Index Level is required to be determined.

"**WIBOR**" means, in respect of any Relevant Currency and any specified period, the interest benchmark known as the Warsaw interbank offered rate;

"**Zero Coupon Note**" means a Note or Series of Notes specified as such in the relevant Final Terms; and

"**Zero Coupon Note Reference Price**" means the price per Note specified as such in the relevant Final Terms.

## 2. **Form, Denomination and Title**

### (a) **Form**

Notes are issued in bearer form ("**Bearer Notes**"), in registered form ("**Registered Notes**") or in uncertificated registered form ("**Uncertificated Registered Notes**") as set out in the relevant Final Terms. Bearer Notes issued in definitive form are referred to as "**Definitive Notes**". Definitive Notes will be serially numbered. In the case of Registered Notes, a certificate will be issued to each Noteholder in respect of its registered holding. Each such certificate will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") maintained by the Registrar in respect of the Registered Notes.

### (b) **Bearer Notes**

#### (i) *Denomination*

Subject to Condition 8 (*Redenomination*), Bearer Notes will be in the denomination(s) specified in the relevant Final Terms. Bearer Notes of one denomination will not be exchangeable after their initial delivery for Notes of any other denomination.

#### (ii) *General; Title*

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

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

Subject as set out below, title to Bearer Notes will pass by delivery. References herein to the "**Holders**" of Bearer Notes or of Coupons are to the bearers of such Bearer Notes or such Coupons.

To the extent permitted by law, the Issuer, the Principal Paying Agent, any other Paying Agents and the Registrar may deem and treat the Holder of any Bearer Note or of any Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for the purpose of receiving payment on account thereof and for all other purposes.

(c) **Registered Notes**

(i) *Denomination*

Registered Notes will be in the denomination(s) and multiples specified in the relevant Final Terms.

(ii) *General; Title*

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

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

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

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

(d) **Uncertificated Registered Notes**

The Uncertificated Registered Notes shall be issued in uncertificated registered form in accordance with the Uncertificated Securities Regulations 2001, including any modification or re-enactment thereof for the time being in force (the "**Uncertificated Securities Regulations**"). The Uncertificated Registered Notes are participating securities for the purposes of the Uncertificated Securities Regulations. Title to the Uncertificated Registered Notes is recorded on the relevant Operator (as defined below) register of corporate securities. The CREST Registrar on behalf of the Issuer shall maintain a record of uncertified corporate securities (the "**Record**") in relation to the Uncertificated Registered Notes and shall procure that the Record is regularly updated to reflect the Operator register of corporate securities in accordance with the rules of the Operator. Subject to this requirement, (i) each person who is for the time being shown in the Record as the holder of a particular number of Uncertificated Registered Notes shall be treated by the Issuer and the CREST Registrar as the holder of such number of Uncertificated Registered Notes for all purposes (and the expressions "**Noteholder**" and "**Holder**" and related expressions

shall be construed accordingly), and (ii) none of the Issuer and the CREST Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Record which the CREST Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to the Uncertificated Registered Notes.

Uncertificated Registered Notes will be in the denomination(s) and multiples specified in the relevant Final Terms.

Title to Uncertificated Registered Notes will pass upon registration of the transfer in the Operator register of corporate securities. All transactions in relation to Uncertificated Registered Notes (including transfers of Uncertificated Registered Notes) in the open market or otherwise must be effected through an account at the Operator subject to and in accordance with the rules and procedures for the time being of the Operator.

No provision of these Conditions as amended in accordance with the relevant Final Terms shall (notwithstanding anything contained therein) apply or have effect to the extent that it is in any respect inconsistent with (I) the holding of title to Uncertificated Registered Notes in uncertificated form, (II) the transfer of title to Uncertificated Registered Notes by means of a relevant system or (III) the Uncertificated Securities Regulations. Without prejudice to the generality of the preceding sentence and notwithstanding anything contained in these Conditions or the relevant Final Terms, so long as the Uncertificated Registered Notes are participating securities, (A) the Operator register of corporate securities relating to the Uncertificated Registered Notes shall be maintained at all times in the United Kingdom, (B) the Uncertificated Registered Notes may be issued in uncertificated form in accordance with and subject as provided in the Uncertificated Securities Regulations, and (C) for the avoidance of doubt, the Conditions and the relevant Final Terms in relation to any Uncertificated Registered Note shall remain applicable notwithstanding that they are not endorsed on any certificate for such Uncertificated Registered Note.

As used herein each of "**Operator register of corporate securities**", "**participating securities**", "**record of uncertificated corporate securities**" and "**relevant system**" is as defined in the Uncertificated Securities Regulations and the relevant Operator (as such term is used in the Uncertificated Securities Regulations) is CREST (or any additional or alternative operator from time to time approved by the Issuer and the CREST Registrar in relation to the Uncertificated Registered Notes and in accordance with the Uncertificated Securities Regulations. Any reference herein to the "**Operator**" shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator from time to time and notified to the holders of the Uncertificated Registered Notes in accordance with Condition 12 (*Notices*).

If at any time:

- (i) a Noteholder ceases for any reason to be a member of CREST; or
- (ii) the Uncertificated Registered Notes cease for any reason to be participating securities capable of being held in CREST,

then the Issuer shall, in accordance with the rules and procedures governing CREST, ensure that Registered Notes are issued in exchange for the Uncertificated Registered Notes and that such Registered Notes are registered in such names as the Operator shall notify to the Issuer.

### 3. **Status**

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



4. **Interest**

(a) ***Interest Type***

The relevant Final Terms will specify in respect of each Interest Period whether the interest rate provisions that apply to the Notes are:

- (i) Fixed Rate Note provisions;
- (ii) Floating Rate Note provisions;
- (iii) Reverse Floating Rate Note provisions;
- (iv) Digital Interest Rate Note provisions;
- (v) Steepener Note provisions;
- (vi) Inflation Linked Interest Note provisions; or
- (vii) Zero Coupon Note provisions.

The relevant Final Terms will indicate whether or not a Switch Option is applicable.

4A. ***Fixed Rate Note Provisions***

(a) ***Application***

This Condition 4A (*Interest – Fixed Rate Note Provisions*) is applicable to the Notes only in respect of the Interest Period(s) for which Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***

Each Note bears interest during each Relevant Interest Period at the rate per annum equal to the Rate of Interest specified in the Final Terms to apply to the Relevant Interest Payment Date corresponding to such Relevant Interest Period, subject to the application of the Range Accrual Factor, if applicable. Interest will be payable in arrear on the Relevant Interest Payment Date on which the Relevant Interest Period ends, subject as provided in Condition 7 (*Payments*).

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Final Redemption Amount or any other redemption amount, as the case may be, is improperly withheld or refused, in which case, **provided that** Fixed Rate Note provisions applied on the date of such redemption, it will continue to bear interest in accordance with this Condition 4A (*Interest – Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the day the Calculation Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment, in which case the Notes will continue to bear interest as aforesaid).

(c) ***Fixed Coupon Amount***

Only if Fixed Coupon Amount is specified in the relevant Final Terms, the amount of interest payable in respect of each Note for any Relevant Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one denomination (as specified in the relevant Final Terms), shall be the relevant Fixed Coupon Amount in respect of the relevant denomination.

(d) ***Calculation of Interest Amount***

In respect of any Relevant Interest Period for which a Fixed Coupon Amount is not specified, the Interest Amount payable in respect of each Note on any Relevant Interest Payment Date shall be calculated by:

(X) applying the Rate of Interest to the Calculation Amount, then further multiplying such amount by:

- (i) the relevant Day Count Fraction; and
- (ii) if the relevant Final Terms specifies 'Range Accrual' to be applicable to such Relevant Interest Payment Date, multiplying such amount by the applicable Range Accrual Factor (which shall be determined in accordance with Condition 4H (*Calculation of the Range Accrual Factor*)); and

(Y) if "Add On Interest" is specified as applicable in the relevant Final Terms, adding to the amount calculated pursuant to paragraph (X) above, the Add On Interest,

and rounding the resulting figure to the nearest sub-unit of the Settlement Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note (as specified in the relevant Final Terms) divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. If the above calculation results in an amount less than zero, then the Interest Amount payable on the Relevant Interest Payment Date shall be deemed to be zero.

(e) ***Interest Step-up***

If "Interest Step-up" is specified as applicable in the relevant Final Terms in respect of any Notes to which Fixed Rate Note provisions apply, the Rate of Interest in respect of such Notes for a Relevant Interest Period shall be the rate specified to be applicable in respect of a Relevant Interest Payment Date on which the Relevant Interest Period ends, as set forth in the relevant Final Terms. Each successive rate specified to be applicable in respect of a Relevant Interest Payment Date to which Fixed Rate Note provisions and this paragraph (e) applies shall be greater than the immediately preceding rate specified to be applicable in respect of a Relevant Interest Payment Date to which Fixed Rate Note provisions apply.

(f) ***Interest Step-down***

If "Interest Step-down" is specified as applicable in the relevant Final Terms in respect of any Notes, the Rate of Interest in respect of such Notes for a Relevant Interest Period shall be the rate specified to be applicable in respect of the Relevant Interest Payment Date on which the Relevant Interest Period ends, as set forth in the relevant Final Terms. Each successive rate specified to be applicable in respect of a Relevant Interest Payment Date to which Fixed Rate Note provisions and this paragraph (f) applies shall be less than the immediately preceding rate specified to be applicable in respect of a Relevant Interest Payment Date to which Fixed Rate Note provisions apply.

(g) ***Relevant defined terms***

The following terms as used in this Condition 4A have the following meaning:

- "**Add On Interest**" means the product of (i) Add On Interest Rate, (ii) Day Count Fraction, and (iii) the Calculation Amount.
- "**Add On Interest Rate**" means:
  - (A) the fixed rate specified as such in the relevant Final Terms; or
  - (B) the sum of (i) the Add On Spread, and (ii) the product of the Add on Leverage and the floating rate specified as such in the Final Terms. If the Add On Interest

Rate is a floating rate, the relevant Final Terms shall also specify whether it shall be determined in accordance with 'Screen Rate Determination' (in which case Condition 4G(b) (*Screen Rate Determination*) below will apply), 'ISDA Determination' (in which case Condition 4G(c) (*ISDA Determination*) below will apply), 'CMS Rate Determination' (in which case Condition 4G(d) (*CMS Rate Determination*) below will apply) or 'RMS Rate Determination' (in which case Condition 4G(e) (*RMS Rate Determination*) below will apply).

If any Add On Maximum Rate or Add On Minimum Rate is specified in the relevant Final Terms, then the Add On Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

- **"Add On Leverage"** means the number specified as the 'Add On Leverage' in the relevant Final Terms (provided that, if no such amount is specified, the Add On Leverage shall be deemed to be 1).
- **"Add On Maximum Rate"** means the percentage rate per annum (or such other applicable period of time) specified as such in the relevant Final Terms.
- **"Add On Minimum Rate"** means the percentage rate per annum (or such other applicable period of time) specified as such in the relevant Final Terms.
- **"Add On Spread"** means the percentage rate specified as such in the Final Terms (which rate may be negative).
- **"Rate of Interest"** means, in relation to any Relevant Interest Period:
  - (A) where the Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable in respect of a Relevant Interest Period and "Interest Step-up" and "Interest Step-down" are specified as not applicable, the rate of interest specified as such in the relevant Final Terms;
  - (B) where the Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable in respect of a Relevant Interest Period and "Interest Step-up" is specified as applicable, the rate of interest determined in accordance with Condition 4A(e) and in the manner specified in the relevant Final Terms; and
  - (C) where the Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable in respect of a Relevant Interest Period and "Interest Step-down" is specified as applicable, the rate of interest determined in accordance with Condition 4A(f) and in the manner specified in the relevant Final Terms.
- **"Relevant Interest Period"** means each Interest Period in respect of which the relevant Final Terms specifies that Fixed Rate Note provisions shall apply.
- **"Relevant Interest Payment Date"** means, in respect of a Relevant Interest Period, the Interest Payment Date on which such Relevant Interest Period ends.

4B. ***Floating Rate Note Provisions***

(a) ***Application***

This Condition 4B (*Interest – Floating Rate Note Provisions*) is applicable to the Notes only in respect of the Interest Period(s) for which Floating Rate Note provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***

Each Note bears interest during each Relevant Interest Period at the Rate of Interest applicable to the Interest Payment Date on which such Relevant Interest Period ends, as determined in accordance with Condition 4B(c) (*Determination of Rate of Interest*) below, subject to the

application of the Range Accrual Factor, if applicable. Interest will be payable in arrear on the Interest Payment Date on which such Relevant Interest Period ends, subject as provided in Condition 7 (*Payments*).

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Final Redemption Amount or any other redemption amount, as the case may be, is improperly withheld or refused, in which case, **provided that** Floating Rate Note provisions applied on the date of such redemption, it will continue to bear interest in accordance with this Condition 4B (*Interest – Floating Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the day the Calculation Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment, in which case the Notes will continue to bear interest as aforesaid).

(c) ***Determination of Rate of Interest***

Subject to paragraph (d) (*Maximum or Minimum Interest Rate*) below, the Rate of Interest for a Relevant Interest Payment Date will be (x) the Floating Rate determined for such Relevant Interest Payment Date in accordance with Condition 4B(g) (*Floating Rate*) below, multiplied by (y) the number specified as the 'Leverage' in the Final Terms for such Relevant Interest Payment Date (which number may be negative) (**provided that**, if no such amount is specified, the Leverage shall be deemed to be 1) (the "**Leverage**") and then (z) adding the 'Spread' percentage rate specified as such in the Final Terms for such Relevant Interest Payment Date (which rate may be negative) (the "**Spread**") to the product of (x) and (y).

The Rate of Interest calculation can also be expressed formulaically as:

$$(\text{Floating Rate} \times \text{Leverage}) + \text{Spread}$$

(d) ***Maximum or Minimum Interest Rate***

If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(e) ***Spread Step-up***

If "Spread Step-up" is specified as applicable in the relevant Final Terms in respect of any Notes to which Floating Rate Note provisions apply, the Spread in respect of such Notes for a Relevant Interest Period shall be the percentage specified to be applicable in respect of a Relevant Interest Payment Date on which the Relevant Interest Period ends, as set forth in the relevant Final Terms. Each successive Spread specified to be applicable in respect of a Relevant Interest Payment Date to which Floating Rate Note provisions and this paragraph (e) applies shall be greater than the immediately preceding Spread specified to be applicable in respect of a Relevant Interest Payment Date to which Floating Rate Note provisions apply.

(f) ***Spread Step-down***

If "Spread Step-down" is specified as applicable in the relevant Final Terms in respect of any Notes, the Spread in respect of such Notes for a Relevant Interest Period shall be the percentage specified to be applicable in respect of the Relevant Interest Payment Date on which the Relevant Interest Period ends, as set forth in the relevant Final Terms. Each successive Spread specified to be applicable in respect of a Relevant Interest Payment Date to which Floating Rate Note provisions and this paragraph (f) applies shall be less than the immediately preceding Spread specified to be applicable in respect of a Relevant Interest Payment Date to which Floating Rate Note provisions apply.

(g) ***Floating Rate***

The relevant Final Terms will specify whether the Floating Rate to be determined for each Relevant Interest Payment Date shall be determined in accordance with 'Screen Rate Determination' (in which case Condition 4G(b) (*Screen Rate Determination*) below will apply), 'ISDA Determination' (in which case Condition 4G(c) (*ISDA Determination*) below will apply), 'CMS Rate Determination' (in which case Condition 4G(d) (*CMS Rate Determination*) below will apply) or 'RMS Rate Determination' (in which case Condition 4G(e) (*RMS Rate Determination*) below will apply).

If the relevant Final Terms specifies 'Linear Interpolation' to be 'Applicable' to any Relevant Interest Period specified in the relevant Final Terms, the Calculation Agent will determine the relevant Floating Rate using Linear Interpolation.

(h) ***Calculation of Interest Amount***

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Relevant Interest Period, calculate the "**Interest Amount**". The Interest Amount payable in respect of each Note on a Relevant Interest Payment Date shall be calculated by:

(X) applying the Rate of Interest to the Calculation Amount, then further multiplying such amount by:

- (i) the relevant Day Count Fraction; and
- (ii) if the relevant Final Terms specify 'Range Accrual' to be applicable to such Relevant Interest Payment Date, multiplying such amount by the applicable Range Accrual Factor (which shall be determined in accordance with Condition 4H (*Calculation of the Range Accrual Factor*)); and

(Y) if "Add On Interest" is specified as applicable in the relevant Final Terms, adding to the amount calculated pursuant to paragraph (X) above, the Add On Interest,

and rounding the resulting figure to the nearest sub-unit of the Settlement Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note (as specified in the relevant Final Terms) divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. If the above calculation results in an amount less than zero, then the Interest Amount payable on the Relevant Interest Payment Date shall be deemed to be zero.

(i) ***Relevant defined terms***

The following terms as used in this Condition 4B have the following meaning:

- "**Add On Interest**" means the product of (i) Add On Interest Rate, (ii) Day Count Fraction, and (iii) the Calculation Amount.
- "**Add On Interest Rate**" means:
  - (A) the fixed rate specified as such in the relevant Final Terms; or
  - (B) the sum of (i) the Add On Spread, and (ii) the product of the Add on Leverage and the floating rate specified as such in the Final Terms. If the Add On Interest Rate is a floating rate, the relevant Final Terms shall also specify whether it shall be determined in accordance with 'Screen Rate Determination' (in which case Condition 4G(b) (*Screen Rate Determination*) below will apply), 'ISDA Determination' (in which case Condition 4G(c) (*ISDA Determination*) below will apply), 'CMS Rate Determination' (in which case Condition 4G(d) (*CMS Rate Determination*) below will apply) or 'RMS Rate Determination' (in which case Condition 4G(e) (*RMS Rate Determination*) below will apply).

If any Add On Maximum Rate or Add On Minimum Rate is specified in the relevant Final Terms, then the Add On Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

- "**Add On Leverage**" means the number specified as the 'Add On Leverage' in the relevant Final Terms (provided that, if no such amount is specified, the Add On Leverage shall be deemed to be 1).
- "**Add On Maximum Rate**" means the percentage rate per annum (or such other applicable period of time) specified as such in the relevant Final Terms.
- "**Add On Minimum Rate**" means the percentage rate per annum (or such other applicable period of time) specified as such in the relevant Final Terms.
- "**Add On Spread**" means the percentage rate specified as such in the Final Terms (which rate may be negative).
- "**Rate of Interest**" means, in relation to any Relevant Interest Period, the percentage rate of interest per annum applicable to such Relevant Interest Period, calculated in accordance with Condition 4B(c) (*Determination of Rate of Interest*) above.
- "**Relevant Interest Period**" means each Interest Period in respect of which the relevant Final Terms specifies that Floating Rate Note provisions shall apply.
- "**Relevant Interest Payment Date**" means, in respect of a Relevant Interest Period, the Interest Payment Date on which such Relevant Interest Period ends.

4C. ***Reverse Floating Rate Note Provisions***

(a) ***Application***

This Condition 4C (*Interest – Reverse Floating Rate Note Provisions*) is applicable to the Notes only in respect of the Interest Period(s) for which Reverse Floating Rate Note provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***

Each Note bears interest during each Relevant Interest Period at the Rate of Interest applicable to the Relevant Interest Payment Date corresponding to such Relevant Interest Period, as determined in accordance with Condition 4C(c) (*Determination of Rate of Interest*) below, subject to the application of the Range Accrual Factor, if applicable. Interest will be payable in arrear on the Interest Payment Date on which such Relevant Interest Period ends, subject as provided in Condition 7 (*Payments*).

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Final Redemption Amount or any other redemption amount, as the case may be, is improperly withheld or refused, in which case, **provided that** Reverse Floating Rate Note provisions applied on the date of such redemption, it will continue to bear interest in accordance with this Condition 4C (*Interest – Reverse Floating Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the day the Calculation Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment, in which case the Notes will continue to bear interest as aforesaid).

(c) ***Determination of Rate of Interest***

Subject to sub-Condition (d) (*Maximum or Minimum Interest Rate*) below, the Rate of Interest for a Relevant Interest Payment Date will be (x) the 'Spread' percentage rate specified as such in the Final Terms for such Relevant Interest Payment Date (which rate may not be negative) (the

"**Spread**") minus the product of (y) the Floating Rate determined for such Relevant Interest Payment Date in accordance with Condition 4C(e) (*Floating Rate*) below and (y) the number specified as the 'Leverage' in the relevant Final Terms for such Relevant Interest Payment Date (which number may be negative) (**provided that**, if no such amount is specified, the Leverage shall be deemed to be 1) (the "**Leverage**").

The Rate of Interest calculation can also be expressed formulaically as:

$$\text{Spread} - (\text{Floating Rate} \times \text{Leverage})$$

(d) ***Maximum or Minimum Interest Rate***

If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(e) ***Floating Rate***

The relevant Final Terms will specify whether the Floating Rate to be determined for each Relevant Interest Payment Date shall be determined in accordance with 'Screen Rate Determination' (in which case Condition 4G(b) (*Screen Rate Determination*) below will apply), 'ISDA Determination' (in which case Condition 4G(c) (*ISDA Determination*) below will apply), 'CMS Rate Determination' (in which case Condition 4G(d) (*CMS Rate Determination*) below will apply), 'RMS Rate Determination' (in which case Condition 4G(e) (*RMS Rate Determination*) below will apply).

If the relevant Final Terms specifies 'Linear Interpolation' to be 'Applicable', then, in respect of any short or long Relevant Interest Period as specified in the Final Terms, the Calculation Agent will determine the relevant Floating Rate using Linear Interpolation.

(f) ***Calculation of Interest Amount***

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Relevant Interest Period, calculate the "**Interest Amount**". The Interest Amount payable in respect of each Note on a Relevant Interest Payment Date shall be calculated by applying the Rate of Interest to the Calculation Amount, then further multiplying such amount by:

- (i) the relevant Day Count Fraction; and
- (ii) if the Final Terms specify 'Range Accrual' to be applicable to such Relevant Interest Payment Date, multiplying such amount by the applicable Range Accrual Factor (which shall be determined in accordance with Condition 4H (*Calculation of the Range Accrual Factor*)),

and rounding the resulting figure to the nearest sub-unit of the Settlement Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note (as specified in the relevant Final Terms) divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. If the above calculation results in an amount less than zero, then the Interest Amount payable on the Relevant Interest Payment Date shall be deemed to be zero.

(g) ***Relevant defined terms***

The following terms as used in this Condition 4C have the following meaning:

- "**Rate of Interest**" means, in relation to any Relevant Interest Period, the percentage rate of interest per annum applicable to such Relevant Interest Period, calculated in accordance with Condition 4C(c) (*Determination of Rate of Interest*) above.

- "**Relevant Interest Period**" means each Interest Period in respect of which the relevant Final Terms specifies that Floating Rate Note provisions shall apply.
- "**Relevant Interest Payment Date**" means, in respect of a Relevant Interest Period, the Interest Payment Date on which such Relevant Interest Period ends.

4D. ***Digital Interest Rate Note Provisions***

(a) ***Application***

This Condition 4D (*Interest – Digital Interest Rate Note Provisions*) is applicable to the Notes only in respect of the Interest Period(s) for which Digital Interest Rate Note provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***

Each Note bears interest during each Relevant Interest Period at the Rate of Interest applicable to the Relevant Interest Payment Date corresponding to such Relevant Interest Period, as determined in accordance with Condition 4D(c) (*Determination of Rate of Interest*) below, subject to the application of the Range Accrual Factor, if applicable. Interest will be payable in arrear on the Interest Payment Date on which such Relevant Interest Period ends, subject as provided in Condition 7 (*Payments*).

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Final Redemption Amount or any other redemption amount, as the case may be, is improperly withheld or refused, in which case, **provided that** Digital Interest Rate Note provisions applied on the date of such redemption, it will continue to bear interest in accordance with this Condition 4D (*Interest – Digital Interest Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the day the Calculation Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment, in which case the Notes will continue to bear interest as aforesaid).

(c) ***Determination of Rate of Interest***

The Rate of Interest for a Relevant Interest Payment Date will be equal to:

- (i) if the Digital Reference Rate in respect of the relevant Interest Observation Date is less than the Digital Strike, the sum of:
  - (A) the product of Digital Rate 1 and Digital Leverage 1; and
  - (B) the Digital Rate 1 Spread,
 (such sum, the "**Leveraged Rate 1**"); or
- (ii) if the Digital Reference Rate in respect of the relevant Interest Observation Date is greater than the Digital Strike, the sum of:
  - (A) the product of Digital Rate 2 and Digital Leverage 2; and
  - (B) the Digital Rate 2 Spread,
 (such sum, the "**Leveraged Rate 2**"); or
- (iii) the greater of Leveraged Rate 1 and Leveraged Rate 2, if the Digital Reference Rate in respect of the relevant Interest Observation Date is equal to the Digital Strike.

(d) ***Maximum or Minimum Interest Rate***



If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(e) ***Digital Rate which is a floating rate***

For each Digital Rate which is a floating rate the relevant Final Terms will specify whether the Digital Rate to be determined for each Relevant Interest Payment Date shall be determined in accordance with 'Screen Rate Determination' (in which case Condition 4G(b) (*Screen Rate Determination*) below will apply), 'ISDA Determination' (in which case Condition 4G(c) (*ISDA Determination*) below will apply), 'CMS Rate Determination' (in which case Condition 4G(d) (*CMS Rate Determination*) below will apply) or 'RMS Rate Determination' (in which case Condition 4G(e) (*RMS Rate Determination*) below will apply).

If the Final Terms specifies 'Linear Interpolation' to be 'Applicable', then, in respect of any short or long Relevant Interest Period as specified in the Final Terms, the Calculation Agent will determine the relevant Digital Rate using Linear Interpolation.

(f) ***Calculation of Interest Amount***

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Relevant Interest Period, calculate the "**Interest Amount**". The Interest Amount payable in respect of each Note on a Relevant Interest Payment Date shall be calculated by applying the Rate of Interest to the Calculation Amount, then further multiplying such amount by:

- (i) the relevant Day Count Fraction; and
- (ii) if the Final Terms specify 'Range Accrual' to be applicable to such Relevant Interest Payment Date, multiplying such amount by the applicable Range Accrual Factor (which shall be determined in accordance with Condition 4H (*Calculation of the Range Accrual Factor*)),

and rounding the resulting figure to the nearest sub-unit of the Settlement Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note (as specified in the relevant Final Terms) divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. If the above calculation results in an amount less than zero, then the Interest Amount payable on the Relevant Interest Payment Date shall be deemed to be zero.

(g) ***Relevant defined terms***

The following terms as used in this Condition 4D have the following meaning:

- "**Digital Leverage 1**" means the number specified as such for a Relevant Interest Payment Date in the Final Terms (which number may be negative) (provided that, if no such number is specified, Digital Leverage 1 shall be deemed to be 1).
- "**Digital Leverage 2**" means the number specified as such for a Relevant Interest Payment Date in the Final Terms (which number may be negative) (provided that, if no such number is specified, Digital Leverage 2 shall be deemed to be 1).
- "**Digital Rate**" means each of Digital Rate 1, Digital Rate 2 and Digital Reference Rate, to the extent that such a rate is a floating rate, a CMS Reference Rate or a RMS Reference Rate.
- "**Digital Rate 1**" and "**Digital Rate 2**" each means a fixed rate, a floating rate, a CMS Reference Rate or a RMS Reference Rate, as specified in the Final Terms.

- "**Digital Rate 1 Spread**" means the percentage rate specified as such in the Final Terms for a Relevant Interest Payment Date (which rate may be negative).
- "**Digital Rate 2 Spread**" means the percentage rate specified as such in the Final Terms for a Relevant Interest Payment Date (which rate may be negative).
- "**Digital Reference Rate**" means a floating rate, a CMS Reference Rate, or a RMS Reference Rate as specified in the Final Terms.
- "**Digital Strike**" means the percentage rate specified as such for the Relevant Interest Payment Date in the Final Terms.
- "**Interest Observation Date**" means, with respect to a Relevant Interest Period, the Interest Determination Date for such Relevant Interest Period.
- "**Rate of Interest**" means, in relation to any Relevant Interest Period, the percentage rate of interest per annum applicable to such Relevant Interest Period, calculated in accordance with Condition 4D(c) (*Determination of Rate of Interest*) above.
- "**Relevant Interest Period**" means each Interest Period in respect of which the relevant Final Terms specifies that Digital Interest Rate Note provisions shall apply.
- "**Relevant Interest Payment Date**" means, in respect of a Relevant Interest Period, the Interest Payment Date on which such Relevant Interest Period ends.

4E. ***Steepener Note Provisions***

(a) ***Application***

This Condition 4E (*Interest – Steepener Note Provisions*) is applicable to the Notes only in respect of the Interest Period(s) for which Steepener Note provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***

Each Note bears interest during each Relevant Interest Period at the Rate of Interest applicable to the Relevant Interest Payment Date corresponding to such Relevant Interest Period, as determined in accordance with Condition 4E(c) (*Determination of Rate of Interest*) below, subject to the application of the Range Accrual Factor, if applicable. Interest will be payable in arrears on the Interest Payment Date on which such Relevant Interest Period ends, subject as provided in Condition 7 (*Payments*).

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Final Redemption Amount or any other redemption amount, as the case may be, is improperly withheld or refused, in which case, **provided that** Steepener Note provisions applied on the date of such redemption, it will continue to bear interest in accordance with this Condition 4E (*Interest – Steepener Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the day the Calculation Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment, in which case the Notes will continue to bear interest as aforesaid).

(c) ***Determination of Rate of Interest***

Subject to sub-Condition (d) (*Maximum or Minimum Interest Rate*) below, the Rate of Interest for a Relevant Interest Payment Date will be calculated by multiplying (x) the difference between Spread Linked Rate 1 and Spread Linked Rate 2 by (y) the number specified as the 'Leverage' in the Final Terms for such Relevant Interest Payment Date (which number may be negative) (**provided that**, if no such amount is specified, the Leverage shall be deemed to be 1) (the

"Leverage") and then (z) adding the 'Spread' percentage rate specified as such in the Final Terms for such Relevant Interest Payment Date (which rate may be negative) (the "**Spread**") to the product of (x) and (y).

The Rate of Interest calculation can also be expressed formulaically as:

$$(\text{Spread Linked Rate 1} - \text{Spread Linked Rate 2}) \times \text{Leverage} + \text{Spread}$$

(d) **Maximum or Minimum Interest Rate**

If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(e) **Floating Rate**

Each Spread Linked Rate will be determined for each Relevant Interest Payment Date in accordance with 'CMS Rate Determination' (and Condition 4G(d) (*CMS Rate Determination*) below will apply).

If the Final Terms specifies 'Linear Interpolation' to be 'Applicable', then, in respect of any short or long Relevant Interest Period as specified in the Final Terms, the Calculation Agent will determine the relevant Spread Linked Rate using Linear Interpolation.

(f) **Calculation of Interest Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Relevant Interest Period, calculate the "**Interest Amount**". The Interest Amount payable in respect of each Note on a Relevant Interest Payment Date shall be calculated by applying the Rate of Interest to the Calculation Amount, then further multiplying such amount by:

- (i) the relevant Day Count Fraction; and
- (ii) if the Final Terms specify 'Range Accrual' to be applicable to such Relevant Interest Payment Date, multiplying such amount by the applicable Range Accrual Factor (which shall be determined in accordance with Condition 4H (*Calculation of the Range Accrual Factor*),

and rounding the resulting figure to the nearest sub-unit of the Settlement Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note (as specified in the relevant Final Terms) divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. If the above calculation results in an amount less than zero, then the Interest Amount payable on the Relevant Interest Payment Date shall be deemed to be zero.

(g) **Relevant defined terms**

The following terms as used in this Condition 4E have the following meaning:

- "**ICE Swap Rate**" means the mid-price for interest rate swaps (the fixed leg) in the Relevant Currency and in various tenors as published by ICE Benchmark Administration Limited.
- "**Rate of Interest**" means, in relation to any Relevant Interest Period, the percentage rate of interest per annum applicable to such Relevant Interest Period, calculated in accordance with Condition 4E(c) (*Determination of Rate of Interest*) above.
- "**Relevant Interest Period**" means each Interest Period in respect of which the relevant Final Terms specifies that Steepener Note provisions shall apply.

- **"Relevant Interest Payment Date"** means, in respect of a Relevant Interest Period, the Interest Payment Date on which such Relevant Interest Period ends.
- **"Spread Linked Rate"** means each of Spread Linked Rate 1 and Spread Linked Rate 2.
- **"Spread Linked Rate 1"** and **"Spread Linked Rate 2"** each means one of the following CMS Reference Rates:
  - (i) 1-year ICE Swap Rate in the Relevant Currency;
  - (ii) 2-year ICE Swap Rate in the Relevant Currency;
  - (iii) 5-year ICE Swap Rate in the Relevant Currency;
  - (iv) 10-year ICE Swap Rate in the Relevant Currency;
  - (v) 20-year ICE Swap Rate in the Relevant Currency; or
  - (vi) 30-year ICE Swap Rate in the Relevant Currency,
 where the **"Relevant Currency"** is as specified in the applicable Final Terms.

4F. ***Inflation Linked Interest Note Provisions***

(a) ***Application***

This Condition 4F (*Interest – Inflation Linked Interest Note Provisions*) is applicable to the Notes only in respect of the Interest Period(s) for which Inflation Linked Interest Note provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***

Each Note bears interest during each Relevant Interest Period at the Rate of Interest applicable to the Relevant Interest Payment Date corresponding to such Relevant Interest Period, as determined in accordance with Condition 4F(c) (*Determination of Rate of Interest*) below. Interest will be payable in arrears on the Interest Payment Date on which such Relevant Interest Period ends, subject as provided in Condition 7 (*Payments*).

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Final Redemption Amount or any other redemption amount, as the case may be, is improperly withheld or refused, in which case, **provided that** Inflation Linked Interest Note provisions applied on the date of such redemption, it will continue to bear interest in accordance with this Condition 4F (*Interest – Inflation Linked Interest Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the day the Calculation Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment, in which case the Notes will continue to bear interest as aforesaid).

(c) ***Determination of Rate of Interest***

Subject to sub-Condition (d) (Maximum or Minimum Interest Rate) below, the Rate of Interest for a Relevant Interest Payment Date will be (x) the Inflation Factor determined for such Relevant Interest Payment Date in accordance with Condition 4F(e) (*Inflation Factor*) below, multiplied by (y) the number specified as the 'Leverage' in the Final Terms for such Relevant Interest Payment Date (which number may be negative) (**provided that**, if no such amount is specified, the Leverage shall be deemed to be 1) (the **"Leverage"**) and then (z) adding the 'Spread' percentage rate specified as such in the Final Terms for such Relevant Interest Payment Date (which rate may be negative) (the **"Spread"**) to the product of (x) and (y).

The Rate of Interest calculation can also be expressed formulaically as:

$$(\text{Inflation Factor} \times \text{Leverage}) + \text{Spread}$$

(d) **Maximum or Minimum Interest Rate**

If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(e) **Inflation Factor**

The Inflation Factor shall be determined as follows:

- (X) if "Inflation Index Change" is specified as applicable in the relevant Final Terms, the Inflation Factor shall be calculated by subtracting 1 (one) from the amount that is determined by dividing:
- (A) the Inflation Index Level for the Reference Month specified in the Final Terms as corresponding to the Relevant Interest Payment Date ("**Inflation Index<sub>(t)</sub>**"); by
  - (B) the Inflation Index Level for the Initial Reference Month specified in the Final Terms as corresponding to the Relevant Interest Payment Date ("**Inflation Index<sub>(t-1)</sub>**").

The Inflation Factor calculation can also be expressed formulaically as follows:

$$\frac{\text{Inflation Index}_{(t)}}{\text{Inflation Index}_{(t-1)}} - 1$$

- (Y) or if "Inflation Index Ratio" is specified as applicable in the relevant Final Terms, the Inflation Factor shall be calculated by dividing:
- (A) the Inflation Index Level for the Reference Month specified in the Final Terms as corresponding to the Relevant Interest Payment Date ("**Inflation Index<sub>(t)</sub>**"); by
  - (B) the Inflation Index Level for the Initial Reference Month specified in the Final Terms as corresponding to the Relevant Interest Payment Date ("**Inflation Index<sub>(t-1)</sub>**").

The Inflation Factor calculation can also be expressed formulaically as follows:

$$\frac{\text{Inflation Index}_{(t)}}{\text{Inflation Index}_{(t-1)}}$$

If any Relevant Interest Payment Date does not fall on the first calendar day of a month, and the relevant Final Terms specifies that the Reference Month corresponding to such Relevant Interest Payment Date is subject to linear interpolation, the relevant Inflation Index Level for the Reference Month corresponding to such Relevant Interest Payment Date and the Initial Reference Month shall be calculated using linear interpolation between (x) the Inflation Index Level for such month and (y) the Inflation Index Level for the calendar month following such month.

(f) **Calculation of Interest Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Relevant Interest Period, calculate the "**Interest Amount**". The Interest Amount payable in respect of each Note on a Relevant Interest Payment Date shall

be calculated by applying the Rate of Interest to the Calculation Amount, then further multiplying such amount by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Settlement Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note (as specified in the relevant Final Terms) divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. If the above calculation results in an amount less than zero, then the Interest Amount payable on the Relevant Interest Payment Date shall be deemed to be zero.

(g) ***Relevant defined terms***

The following terms as used in this Condition 4F have the following meaning:

- "**Initial Reference Month**" means, in respect of a Relevant Interest Payment Date, the Reference Month falling the Relevant Number of Calendar Months prior to the Reference Month specified in the Final Terms as corresponding to such Relevant Interest Payment Date or, if "Single Initial Reference Month" is specified as applicable in the Final Terms, the Reference Month specified as the Single Initial Reference Month in the Final Terms.
- "**Inflation Factor**" means the fraction calculated in accordance with Condition 4F(e) (*Inflation Factor*) above.
- "**Inflation Index**" means the index specified as such in the Final Terms.
- "**Inflation Index Level**" means the level of the Inflation Index first published or announced for the relevant Reference Month, as determined by the Calculation Agent, subject to Condition 7(g) (*Inflation Index Disruption Events*).
- "**Inflation Interest Determination Date**" means the day falling 5 Business Days prior to a Relevant Interest Payment Date.
- "**Rate of Interest**" means, in relation to any Relevant Interest Period, the percentage rate of interest per annum applicable to such Relevant Interest Period, calculated in accordance with Condition 4F(c) (*Determination of Rate of Interest*) above.
- "**Reference Month**" means the calendar month for which the level of the Inflation Index was reported, regardless of when this information is published or amended. If the period for which the Inflation Index was reported is a period other than a month, the Reference Month is the period for which the Inflation Index Level was reported.
- "**Relevant Interest Period**" means each Interest Period in respect of which the relevant Final Terms specifies that Index Linked Note provisions shall apply.
- "**Relevant Interest Payment Date**" means, in respect of a Relevant Interest Period, the Interest Payment Date on which such Relevant Interest Period ends.
- "**Relevant Number of Calendar Months**" means the number of calendar months specified as such in the Final Terms.

4G. ***Determination of a Floating Rate***

(a) ***Application***

This Condition 4G applies only in respect of Interest Period(s) for which the Final Terms specifies Floating Rate Note provisions, Reverse Floating Rate Note provisions, Digital Interest Rate Note provisions or Steepener Note provisions to be applicable, or in respect of calculating an Add On Interest Rate or Range Accrual Floating Rate (as applicable).

(b) **Screen Rate Determination**

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Floating Rate is/are to be determined, the Floating Rate applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears in the Relevant Currency on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appears in the Relevant Currency on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date; and
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, then:
  - (x) if ISDA Determination for Fall-back provisions is specified in the relevant Final Terms as being applicable, and the Notes are not Italian Notes, then, subject to the last paragraph of this sub-Condition (b), the Calculation Agent will determine the relevant Floating Rate for the relevant Interest Determination Date in accordance with Condition 4G(c) (*ISDA Determination*) on the basis of the Floating Rate Option, Designated Maturity and Reset Date specified in the relevant Final Terms and, if so specified in the relevant Final Terms, as if fewer than the minimum number of Reference Banks specified therein had quoted;
  - (y) if the Relevant Currency is 'COP', the Floating Rate shall be the EMTA COP Indicative Survey Rate (COP03), which shall, for a relevant Interest Determination Date, be the Colombian Peso/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Colombian Pesos per one U.S. Dollar, for settlement on the same day, as published on EMTA's web site (<http://www.emta.org> or any successor website) at approximately 11:30 a.m., Bogotá time, or as soon thereafter as practicable, on such Interest Determination Date. The spot rate shall be calculated by EMTA (or a service provider EMTA may select in its sole discretion) pursuant to the EMTA COP Indicative Survey Methodology (which means a methodology, dated as of August 1, 2006, as amended from time to time, for a centralized industry-wide survey of financial institutions that are active participants in the Colombian Peso/U.S. Dollar markets for the purpose of determining the EMTA COP Indicative Survey Rate); and
  - (z) in all other cases, the Calculation Agent will:
    - (1) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate in the Relevant Currency at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time;
    - (2) determine the arithmetic mean of such quotations; and
    - (3) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the principal financial centre of the Settlement Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the principal financial centre of the Settlement Currency) on the first day of the relevant Interest Period

for loans in the Settlement Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Floating Rate for such Interest Period shall be the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Floating Rate applicable to the Notes during such Interest Period will be the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

**Investors should note that, if ISDA Determination for Fall-back provisions is specified in the relevant Final Terms as being applicable, then the Calculation Agent may be required to determine the relevant Floating Rate by reference to the rates provided by certain financial institutions selected by it in accordance with the ISDA Definitions in circumstances in which Condition 4G(b)(iii)(x) applies.**

For purposes of paragraph (iii)(x) above, if the Floating Rate Option specified in the relevant Final Terms for purposes of the ISDA Determination for Fall-Back is:

- (aa) "HUF-BUBOR-Reference Banks", then, prior to determining the relevant Floating Rate in accordance with such Floating Rate Option, the Calculation Agent will determine the relevant Floating Rate on the basis of the BUBOR rate for the relevant period as published by the National Bank of Hungary pursuant to the BUBOR Regulation on the relevant Interest Determination Date; or
- (bb) "SGD-SOR-Reference Banks", then, prior to determining the relevant Floating Rate in accordance with such Floating Rate Option, the Calculation Agent will determine the rate as being any substitute synthetic rate for SGD for the relevant period announced by the Association of Banks in Singapore ("ABS"),

and, if such published rate is available (in the case of (aa) above), or such a substitute rate is so announced by ABS prior to 4 p.m. (Singapore time) on the relevant Interest Determination Date (in the case of (bb) above), then such rate as so determined shall be used for purposes of calculating the Floating Rate in accordance with the immediately preceding paragraph of this Condition 4G(b) (*Screen Rate Determination*), and, if such published rate is not available or such synthetic rate is not so announced (as the case may be), then the Calculation Agent shall proceed to determine the relevant Floating Rate in accordance with paragraph (iii)(x) above.

(c) ***ISDA Determination***

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Floating Rate(s) is/are to be determined, the Floating Rate applicable to the Notes for each Interest Period will be the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the "Floating Rate" (as such term is defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the "Floating Rate Option" (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the "Designated Maturity" (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

the relevant "Reset Date" (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.



**Investors should note that, if ISDA Determination is specified in the relevant Final Terms as the manner in which the Floating Rate(s) is/are to be determined, then the Calculation Agent may be required to determine the relevant Floating Rate by reference to the rates provided by certain financial institutions selected by it in accordance with the ISDA Definitions if (a) the Floating Rate Option specified in the Final Terms refers expressly to "Reference Banks" in its title or (b) the primary method for determining the ISDA Rate in accordance with the ISDA Definitions fails for any reason (unless the Final Terms specify that ISDA Reference Banks Fallbacks are not applicable).**

(d) ***CMS Rate Determination***

Where 'CMS Rate Determination' is specified to be applicable in the relevant Final Terms ("**CMS Rate Determination**"), the Floating Rate for each Interest Period will be the relevant CMS Reference Rate for such Interest Period.

The CMS Reference Rate in respect of an Interest Period or any relevant day (as applicable) will be the Specified Swap Rate for swap transactions in the Relevant Currency with a maturity of the Designated Maturity (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in respect of such Interest Period or such relevant day, all as determined by the Calculation Agent.

If the Specified Swap Rate does not appear on the Relevant Screen Page or if the Relevant Screen Page is unavailable then the Calculation Agent will determine the relevant Floating Rate for the relevant Interest Determination Date in accordance with Condition 4G(c) (*ISDA Determination*) on the basis of the Floating Rate Option, Designated Maturity and Reset Date specified in the relevant Final Terms and, if so specified in the relevant Final Terms, as if fewer than the minimum number of Reference Banks specified therein had quoted.

(e) ***RMS Rate Determination***

Where 'RMS Rate Determination' is specified to be applicable in the relevant Final Terms ("**RMS Rate Determination**"), the Floating Rate for each Interest Period will be the relevant RMS Reference Rate for such Interest Period.

The RMS Reference Rate in respect of an Interest Period or any relevant day (as applicable) will be the Specified Swap Rate for swap transactions in the Relevant Currency with a maturity of the Residual Designated Maturity (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in respect of such Interest Period or such relevant day, all as determined by the Calculation Agent.

If the Specified Swap Rate does not appear on the Relevant Screen Page or if the Relevant Screen Page is unavailable then the Calculation Agent will determine the relevant Floating Rate for the relevant Interest Determination Date in accordance with Condition 4G(c) (*ISDA Determination*) on the basis of the Floating Rate Option, Residual Designated Maturity and Reset Date specified in the relevant Final Terms and, if so specified in the relevant Final Terms, as if fewer than the minimum number of Reference Banks specified therein had quoted.

4H. ***Calculation of the Range Accrual Factor***

(a) ***Application***

The Range Accrual Factor will be calculated by observing in the case of Notes for which Fixed Rate Note provisions, Floating Rate Note provisions, Reverse Floating Rate Note Provisions, Digital Interest Rate Note provisions or Steeper Note Provisions apply, a rate calculated by reference to a single floating interest rate determined in accordance with sub-paragraph (d) (*Determination of Range Accrual Floating Rate*) below.

(b) ***Range Accrual Factor and application to Interest Amount***

The Range Accrual Factor for an Observation Period corresponding to an Interest Payment Date will be calculated as the quotient of (i)  $n$ , divided by (ii)  $N$ , expressed mathematically as:

$$\frac{n}{N}$$

where:

- "n" in respect of an Observation Period corresponding to an Interest Payment Date is the number of Observation Dates within that Observation Period that the Accrual Condition is satisfied; and
- "N", in respect of an Observation Period corresponding to an Interest Payment Date, is the number of Observation Dates within that Observation Period.

(c) ***Determination of Accrual Condition***

The Accrual Condition in respect of an Observation Period corresponding to an Interest Payment Date will be satisfied on any Observation Date within that Observation Period if:

- (i) the Range Accrual Floating Rate on such Observation Date is greater than or equal to the Corresponding Lower Barrier (where only a Corresponding Lower Barrier is specified in the Final Terms); or
- (ii) the Range Accrual Floating Rate on such Observation Date is less than or equal to the Corresponding Upper Barrier (where only a Corresponding Upper Barrier is specified in the Final Terms); or
- (iii) the Range Accrual Floating Rate on such Observation Date is greater than or equal to the Corresponding Lower Barrier and less than or equal to the Corresponding Upper Barrier,

each, as determined by the Calculation Agent.

where:

- "**Corresponding Lower Barrier**" means, in respect of the determination of any Accrual Condition and any Range Accrual Floating Rate, the percentage rate specified as being 'Lower Barrier' applicable to such Range Accrual Floating Rate in the Final Terms.
- "**Corresponding Upper Barrier**" means, in respect of the determination of any Accrual Condition and any Range Accrual Floating Rate, the percentage rate specified as being 'Upper Barrier' applicable to such Range Accrual Floating Rate in the Final Terms.
- "**Observation Date**" means each calendar day in each Observation Period, provided that, for each calendar day from the Observation Period Cut-off Date the Range Accrual Floating Rate will be deemed to be the Range Accrual Floating Rate on the Business Day prior to the Observation Period Cut-off Date.
- "**Observation Period**" means each Interest Period corresponding to an Interest Payment Date where Condition 4H (*Calculation of the Range Accrual Factor*) applies.
- "**Observation Period Cut-off Date**" means the 5<sup>th</sup> Business Day prior to the end of the Observation Period or such other number of Business Days specified as such in the Final Terms.
- "**Range Accrual Floating Rate**" means, in respect of any Observation Date in an Observation Period, the percentage rate of interest per annum for the relevant Observation Date calculated in accordance with sub-paragraph (d) (*Determination of a Range Accrual Floating Rate*) below.

(d) ***Determination of Range Accrual Floating Rate***

The Range Accrual Floating Rate in respect of any Observation Date in an Observation Period shall be determined with reference to the Reference Rate and Relevant Currency as of the Relevant Time on the Relevant Screen Page (each as specified in the relevant Final Terms as being applicable to 'Range Accrual Floating Rate') in accordance with 'Screen Rate Determination' and Condition 4G(b) (*Screen Rate Determination*) will apply, and for these purposes the Interest Determination Date shall be each Observation Date and the Interest Period shall be equal to the period specified in the definition of the Reference Rate in respect of the Range Accrual Floating Rate, which Interest Period shall commence on the date which is customary for fixing the Reference Rate applicable to deposits in the Relevant Currency.

If:

- (i) "Range Accrual Floating Rate Fallback Redemption" is specified as applicable in the Final Terms,
- (ii) the Notes are not Italian Notes, and
- (iii) if the Relevant Screen Page specified in the Final Terms to apply to a Range Accrual Floating Rate is not available, or no such offered quotation appears on such Relevant Screen Page as at the Relevant Time specified in the Final Terms to apply to such Range Accrual Floating Rate for thirty consecutive calendar days,

the Issuer shall, by giving not less than 10 Business Days' (or such other number of Business Days as may be specified in the Final Terms) (the "**Range Accrual Fallback Redemption Notice Period**") irrevocable notice to the Noteholders, redeem all of the Notes of the relevant Series on the date specified in such notice, and pay to each Noteholder, in respect of each Note held by it, an amount equal to the Early Redemption Amount.

#### 4I. **Switch Option**

##### (a) **Application**

This Condition 4I applies to Notes in respect of which the Final Terms specifies that the Switch Option is applicable and the Notes are not Zero Coupon Notes.

##### (b) **Issuer Switch Option**

The Issuer may, at its option (the "**Switch Option**") if so specified in the Final Terms, by giving not less than the Switch Option Number of Business Days' irrevocable notice to the Noteholders, elect to switch the Note Interest Provisions from the Note Interest Provisions that apply to the Notes in respect of the Interest Period during which the Switch Option is exercised (the "**Original Interest Provisions**") to the Note Interest Provisions that are specified in the Final Terms to apply to the Notes in respect of each Interest Period following the Interest Period in which the Switch Option is exercised (the "**New Interest Provisions**").

The Issuer may exercise the Switch Option on any Business Day ("**Switch Date**") by giving not less than the Switch Option Number of Business Days' irrevocable notice to the Noteholders, such notice to specify the Switch Date. The Issuer may exercise the Switch Option only once during the term of the Notes. It may determine not to exercise the Switch Option.

For the avoidance of doubt, the amount of interest payable on an Interest Payment Date which is also the Switch Date will be an amount calculated pursuant to the Original Interest Provisions.

(c) ***Automatic Interest Switch***

If 'Automatic Interest Switch' is specified as being applicable to the Notes in the Final Terms then from the Interest Payment Date specified in the Final Terms as the 'Automatic Switch Date' (the "**Automatic Switch Date**") the Note Interest Provisions shall switch from the Note Interest Provisions that applied to the Notes prior to the Automatic Switch Date (the "**Original Interest Provisions**") to the Note Interest Provisions that are specified in the Final Terms to apply to the Notes following the Automatic Switch Date (the "**New Interest Provisions**").

For the avoidance of doubt, the amount of interest payable on an Interest Payment Date which is also the Automatic Switch Date will be an amount calculated pursuant to the Original Interest Provisions.

(d) ***Effect***

Upon exercise of the Switch Option, the Note Interest Provisions applicable to the Notes will change with effect from (and including) the Interest Payment Date falling at the end of the Interest Period during which the Switch Option was exercised from the Original Interest Provisions to the New Interest Provisions. If a Switch Date falls on an Interest Payment Date, the Note Interest Provisions applicable to the Notes will change with effect from (and including) the immediately following Interest Payment Date from the Original Interest Provisions to the New Interest Provisions.

From, and including, the Automatic Switch Date (if applicable), the Note Interest Provisions Applicable to the Notes will change with effect from (and including) the Interest Payment Date corresponding to the Automatic Switch Date from the Original Interest Provisions to the New Interest Provisions.

4J. ***Zero Coupon Note Provisions***

(a) ***Application***

This Condition 4J (*Interest – Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note provisions are specified in the relevant Final Terms as being applicable and if the relevant Final Terms specify that this Condition 4J shall be applicable to the Notes.

(b) If any amount payable in respect of a Zero Coupon Note is improperly withheld or refused, such an amount shall thereafter be an amount equal to the sum of:

- (i) the Zero Coupon Note Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Zero Coupon Note Reference Price on the basis of the relevant Day Count Fraction as may be specified in the relevant Final Terms for the purposes of this Condition 4J(b) (*Interest – Zero Coupon Note Provisions*) and Condition 5(g) (*Redemption and Purchase – Early Redemption of Zero Coupon Notes*) (or, if no such relevant Day Count Fraction is specified, a Day Count Fraction of 30E/360 shall apply) from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

4K. ***Publication and Notification***

(a) ***Application***

This Condition 4K (*Interest - Publication and Notification*) is applicable to the Notes only in respect of the Interest Period(s) for which Floating Rate Note provisions, Reverse Floating Rate Note Provisions, Digital Interest Rate Note Provisions, Steepener Note Provisions or Inflation Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.

(b) **Publication**

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the Relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s), to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation if so required by the relevant rules of such authority, stock exchange or quotation system (as applicable) as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the provisions of Condition 4B (*Interest – Floating Rate Note Provisions*), Condition 4C (*Interest – Reverse Floating Rate Note Provisions*), Condition 4D (*Interest – Digital Interest Rate Note Provisions*), Condition 4E (*Interest – Steepener Note Provisions*) or Condition 4F (*Interest – Inflation Linked Interest Note Provisions*) as applicable) without notice in the event of an extension or shortening of the Relevant Interest Period as a result of the early redemption or the termination of the Notes pursuant to Condition 5(d) (*Redemption for Taxation Reasons*), Condition 5(e) (*Redemption at the Option of the Issuer (Call Option)*), Condition 5(f) (*Redemption at the Option of the Noteholder (Put Option)*), Condition 5(h) (*Early Redemption for Illegality*) or Condition 9 (*Events of Default*) or as a result of the provisions of Condition 7(f) (*Price Source Disruption and FX Disruption*) or Condition 8 (*Redenomination*). If the Calculation Amount is less than the minimum denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum denomination.

(c) **Notifications etc.**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 4B (*Interest – Floating Rate Note Provisions*), Condition 4C (*Interest – Reverse Floating Rate Note Provisions*), Condition 4D (*Interest – Digital Interest Rate Note Provisions*), Condition 4E (*Interest – Steepener Note Provisions*) or Condition 4F (*Interest – Inflation Linked Interest Note Provisions*), as applicable, by the Calculation Agent will be made by the Calculation Agent and will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and **(subject as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.**

5. **Redemption and Purchase**(a) **At Maturity**

The relevant Final Terms will indicate whether the redemption provisions applicable to the Notes are:

- Fixed Redemption; or
- Inflation Linked Redemption,

(each, a "**Final Redemption Type**").

If the Final Redemption Type is specified as 'Inflation Linked Redemption', the relevant Final Terms will also specify the details of any applicable Inflation Index.

(b) **Fixed Redemption**

This Condition 5(b) applies only to Notes for which the Final Redemption Type is specified to be 'Fixed Redemption' in the relevant Final Terms.

Unless previously redeemed or purchased and cancelled, each Note will be redeemed by the Issuer at an amount (the "**Final Redemption Amount**") in the relevant Settlement Currency specified in the relevant Final Terms on the date specified in the relevant Final Terms as the

scheduled date on which such Note is to be redeemed (the "**Maturity Date**") (or, in the case of Instalment Notes, in such number of instalments on such dates ("**Instalment Dates**") and in such amounts ("**Instalment Amounts**") as may be specified in the relevant Final Terms).

(c) ***Inflation Linked Redemption***

This Condition 5(c) applies only to Notes for which the Final Redemption Type is specified to be 'Inflation Linked Redemption' in the relevant Final Terms.

Unless previously redeemed or purchased and cancelled, each Note will be redeemed by the Issuer at the Final Redemption Amount determined on the Final Valuation Date by the Calculation Agent in the relevant Settlement Currency specified in the relevant Final Terms on the date specified in the relevant Final Terms as the scheduled date on which such Note is to be redeemed (the "**Maturity Date**").

where:

- "**Final Redemption Amount**" means an amount equal to the Calculation Amount multiplied by the Final Inflation Factor.
- "**Final Inflation Factor**" is determined by dividing:
  - (a) the Inflation Index Level for the Reference Month specified in the Final Terms as corresponding to the Maturity Date (the "**Final Redemption Reference Month**"); by
  - (b) the Inflation Index Level for the Reference Month specified in the Final Terms as corresponding to the Initial Valuation Date (the "**Initial Redemption Reference Month**"),

**provided that**, if the Final Terms specifies 'Final Redemption Floor' to be 'Applicable', if the above calculation would result in the Final Inflation Factor being less than the Final Redemption Floor, then the Final Inflation Factor shall be deemed to be equal to the Final Redemption Floor. If applicable, the "**Final Redemption Floor**" means 1, unless another amount is specified in the Final Terms.

If the Initial Valuation Date or the Maturity Date does not fall on the first calendar day of a month, and the Final Terms specifies that the Reference Month corresponding to such Initial Valuation Date or Maturity Date is subject to linear interpolation, the relevant Inflation Index Level corresponding to such Initial Valuation Date or Maturity Date shall be calculated using linear interpolation between (x) the Inflation Index Level for the Reference Month corresponding to such Initial Valuation Date or Maturity Date and (y) the Inflation Index Level for the calendar month following such Reference Month.

- "**Final Valuation Date**" means the date falling 5 Business Days prior to the Maturity Date.
- "**Inflation Index**" means the index specified in the Final Terms.
- "**Inflation Index Level**" means the level of the Inflation Index first published or announced for the relevant Reference Month, as determined by the Calculation Agent, subject to Condition 7(g) (*Inflation Index Disruption Events*).
- "**Initial Valuation Date**" means the date specified in the Final Terms.
- "**Reference Month**" means the calendar month for which the level of the Inflation Index was reported, regardless of when this information is published or amended. If the period for which the Inflation Index was reported is a period other than a month, the Reference Month is the period for which the Inflation Index Level was reported.

(d) ***Redemption for Taxation Reasons***

If in respect of a Series of Notes Condition 6B (*Taxation - Gross-up*) is specified as applicable in the relevant Final Terms, and:

- (i) on a subsequent date for the payment of interest on such Series of Notes the Issuer would be required to pay any additional amounts in accordance with the provisions of Condition 6B (*Taxation - Gross-up*); or
- (ii) if the Issuer were to seek to redeem such Notes (for which purpose no regard shall be had to whether or not the Issuer would otherwise be entitled to redeem such Notes), the Issuer would be required to pay any additional amounts in accordance with the provisions of Condition 6B (*Taxation - Gross-up*);

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

The Issuer may exercise such option in respect of any Note notwithstanding the prior exercise by the Holder thereof or the Issuer of their respective options to require the redemption of such Note under Condition 5(e) (*Redemption and Purchase – Redemption at the Option of the Issuer (Call Option)*) and 5(d) (*Redemption and Purchase – Redemption at the Option of the Noteholder (Put Option)*) respectively, below, if the due date for redemption under this Condition 5(d) (*Redemption and Purchase – Redemption for Taxation Reasons*) would occur prior to that under Condition 5(e) (*Redemption and Purchase – Redemption at the Option of the Issuer (Call Option)*) and 5(f) (*Redemption and Purchase – Redemption at the Option of the Noteholder (Put Option)*), respectively, but not otherwise and, in such circumstances, the exercise of the option under Condition 5(e) (*Redemption and Purchase – Redemption at the Option of the Issuer (Call Option)*) and 5(f) (*Redemption and Purchase – Redemption at the Option of the Noteholder (Put Option)*), respectively shall be rendered ineffective.

Prior to giving any notice of redemption pursuant to this Condition 5(d) (*Redemption and Purchase – Redemption for Taxation Reasons*) the Issuer may obtain a certificate of an independent legal adviser or accountant to the effect either that such a circumstance does exist or that, upon a change in or amendment to the laws of the United Kingdom (including any regulations pursuant thereto), or in the interpretation or administration thereof, which at the date of such certificate is proposed and in the opinion of such legal adviser or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal or interest in respect of the Notes would otherwise be made, becoming so effective, such circumstances would exist, and any such certificate shall be sufficient to establish the circumstances required by this Condition 5(d).

(e) ***Redemption at the Option of the Issuer (Call Option)***

Where the Notes are specified in the relevant Final Terms as being redeemable at the option of the Issuer, the Issuer may at any time (in the case of Fixed Rate Notes or Zero Coupon Notes), on any Interest Payment Date (in the case of Floating Rate Notes), having given not less than five nor more than 30 days' notice (or such other notice period as may be specified in the relevant Final Terms) to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable) redeem on an Optional Redemption Date (Call Option) all, or some only, of the Notes then outstanding on such Optional Redemption Date (Call Option) and at the Redemption Amount (Call Option) specified in the Final Terms as corresponding to such Optional Redemption Date (Call Option), together with interest accrued but unpaid thereon to the date fixed for redemption, as determined by the Calculation Agent in accordance with the Conditions.

If "Series Amount" is specified as applicable in the Final Terms, the amount payable upon such redemption in relation to each Calculation Amount in respect of the Notes shall be equal to such Redemption Amount (Call Option) divided by "N" where "N" means the result of dividing the Aggregate Principal Amount of the Notes by the Calculation Amount.

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

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

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

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

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Condition 11 (*Replacement, Exchange and Transfer*) 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.

(f) ***Redemption at the Option of the Noteholder (Put Option)***

Where the Notes are specified in the relevant Final Terms as being redeemable at the option of Noteholders, then where a Noteholder has given not less than 15 nor more than 30 days' notice to the Issuer with a copy to the Issue Agent in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable), the Issuer shall, following receipt of such notice from the Noteholder and confirmation from the Issue Agent that it has been duly notified, redeem on the Optional Redemption Date (Put Option), so many of the Notes in respect of which such Noteholder has exercised such option as are outstanding on the Optional Redemption Date (Put Option) and at the Redemption Amount (Put Option), together with interest accrued but unpaid thereon to the date fixed for redemption, as determined by the Calculation Agent acting in accordance with the Conditions.

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

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



any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under Condition 5(d) (*Redemption and Purchase – Redemption for Taxation Reasons*), 5(e) (*Redemption and Purchase – Redemption at the Option of the Issuer (Call Option)*) or Condition 5(h) (*Redemption and Purchase – Early Redemption for Illegality*).

(g) **Early Redemption of Zero Coupon Notes**

(i) The Early Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be as specified in the relevant Final Terms. If "Zero Coupon Accrual Yield and Reference Price" is specified as the Early Redemption Amount in the relevant Final Terms, the Early Redemption Amount shall be an amount equal to the sum of:

- (A) the Zero Coupon Note Reference Price; and
- (B) the product of the Accrual Yield (compounded annually) being applied to the Zero Coupon Note Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

(ii) 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 such Day Count Fraction as may be specified in the relevant Final Terms for the purposes of Condition 4C(b) (*Interest – Zero Coupon Note Provisions*) and this Condition 5(g) (*Redemption and Purchase – Early Redemption of Zero Coupon Notes*) (or, if no such relevant Day Count Fraction is specified, a Day Count Fraction of 30E/360 shall apply).

(h) **Early Redemption for Illegality**

The Issuer shall have the right to terminate its obligations under the Notes, if the Calculation Agent shall have determined that the performance of such obligations under the Notes (or the Issuer's or the Issuer's designated affiliates' obligations under any hedging arrangements established in connection 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; **provided, however, that** if the Calculation Agent determines that the relevant obligations have become unlawful, the Issuer may obtain an opinion of an independent legal adviser to that effect prior to terminating its obligations under the Notes, and any such opinion shall be sufficient to establish the circumstances required by this Condition 5(h). In such circumstances the Issuer will pay to each Noteholder the Early Redemption Amount. Payment will be made in such manner as shall be notified to the Noteholders in accordance with Condition 12 (*Notices*).

(i) **Purchases**

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

(j) **Cancellation**

All Notes which are redeemed pursuant to Condition 5(a) (*Redemption and Purchase – At Maturity*), 5(d) (*Redemption and Purchase – Redemption for Taxation Reasons*), 5(e) (*Redemption and Purchase – Redemption at the Option of the Issuer (Call Option)*), 5(f) (*Redemption and Purchase – Redemption at the Option of the Noteholder (Put Option)*), 5(g) (*Redemption and Purchase – Early Redemption of Zero Coupon Notes*) and 5(h) (*Redemption and Purchase – Early Redemption for Illegality*) shall, and all Notes purchased by the Issuer pursuant to this Condition 5(j) (*Redemption and Purchase – Cancellation*) may, at the option of the Issuer, be cancelled forthwith (together with, in the case of Definitive Notes, all unmatured

Coupons and unexchanged Talons attached thereto or surrendered therewith). All Notes redeemed or purchased and cancelled as aforesaid may not be re-issued or resold.

(k) ***No Other Redemption Provisions***

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 5(a) (*Redemption and Purchase – At Maturity*), 5(d) (*Redemption and Purchase – Redemption for Taxation Reasons*), 5(e) (*Redemption and Purchase – Redemption at the Option of the Issuer (Call Option)*), 5(f) (*Redemption and Purchase – Redemption at the Option of the Noteholder (Put Option)*), 5(g) (*Redemption and Purchase – Early Redemption of Zero Coupon Notes*) and 5(h) (*Redemption and Purchase – Early Redemption for Illegality*).

6. **Taxation**

**6A – Taxation – No gross-up**

This Condition 6A will be applicable to all Series of Notes unless it is specified in the relevant Final Terms that Condition 6B (*Taxation – Gross-up*) is applicable.

All payments by the Issuer of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature, present or future, as are imposed or levied by or on behalf of the United Kingdom unless the Issuer is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges. **In the event that the Issuer is so required by law to withhold or deduct, the Issuer shall not be required to pay any additional amounts in connection with such withholding or deduction.**

**6B – Taxation – Gross-up**

This Condition 6B will only be applicable to a Series of Notes where it is specified in the relevant Final Terms that Condition 6B (*Taxation – Gross-up*) is applicable.

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

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

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

- (iii) more than 30 days after the Relevant Date (defined below) except, in the case of Bearer Notes, to the extent that the Holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days;
- (iv) in the case of Registered Notes, unless it is proved to the satisfaction of the Registrar that the Holder, immediately upon becoming the Holder, (i) was eligible for the benefits of a tax treaty with the United Kingdom or any other relevant jurisdiction that provides for a complete exemption from withholding taxes on payments under the Notes, or (ii) was otherwise entitled to a complete exemption from withholding taxes on payments under the Notes;
- (v) to, or to a third party on behalf of, a Holder who is not the sole beneficial owner of the Note or any Coupon, or a portion of either, or that is a fiduciary or partnership, but only to the extent that a beneficiary or settlor with respect to the fiduciary, a beneficial owner or member of the partnership would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment.

As used herein, the "**Relevant Date**" means the date on which such payment first becomes due but, in the case of Bearer Notes, if the full amount of the money payable has not been received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given to the relevant Holders in accordance with Condition 12 (*Notices*).

If the Issuer becomes resident for tax purposes in any taxing jurisdiction other than the United Kingdom, references in this Condition 6 (*Taxation*) to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

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

- (i) any additional amounts which may be payable under this Condition 6 (*Taxation*);
- (ii) the principal amount payable on the relevant Notes on the Maturity Date;
- (iii) the principal amount payable on redemption of the relevant Notes prior to such Maturity Date; and
- (iv) any premium and any other amounts which may be payable under or in respect of the relevant Notes.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of FATCA withholding.

## 7. **Payments**

### (a) ***Bearer Notes***

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

Notes will be made by mail to an address in the United States or by transfer to an account maintained by the Holder in the United States.

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

If the due date for payment of any amount due in respect of any Bearer Note is not both a Relevant Financial Centre Day and, if such Bearer Note is a Definitive Note or if the Final Terms so specify, a local banking day, then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 4A (*Interest – Fixed Rate Note Provisions*), Condition 4B (*Interest – Floating Rate Note Provisions*), Condition 4C (*Interest – Reverse Floating Rate Note Provisions*), Condition 4D (*Interest – Digital Interest Rate Note Provisions*), Condition 4E (*Interest – Steepener Note Provisions*), Condition 4F (*Interest – Inflation Linked Interest Note Provisions*) or Condition 4J (*Interest – Zero Coupon Note Provisions*), as appropriate.

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

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

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

Definitive Notes which are Fixed Rate Notes should be presented for payment with all unmatured Coupons appertaining thereto, failing which the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, that portion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Any amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon within a period of 10 years from the Relevant Date (as defined in Condition 6 (*Taxation*)) for the payment of such principal, whether or not such Coupon has become void pursuant to Condition 10 (*Prescription*) or, if later, five years from the date on which such Coupon would have become due.

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

its sole and absolute discretion, for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

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

In relation to Definitive Notes initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside the United States (save as provided above) in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 (*Prescription*) below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

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

(b) **Registered Notes**

Payment of the amount due on final redemption in respect of Registered Notes will be made against presentation and, save in the case of partial payment of any such amount, surrender of the relevant certificate at the specified office of the Registrar or of the Transfer Agent. If the due date for payment of the Final Redemption Amount or any other redemption amount, as the case may be, of any Registered Note is not both a Relevant Financial Centre Day and, if such Registered Note is not in global form or if the Final Terms so specify, a local banking day, then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 4A (*Interest – Fixed Rate Note Provisions*), Condition 4B† (*Interest – Floating Rate Note Provisions*), Condition 4C (*Interest – Reverse Floating Rate Note Provisions*), Condition 4D (*Interest – Digital Interest Rate Note Provisions*), Condition 4E (*Interest – Steepener Note Provisions*), Condition 4F (*Interest – Inflation Linked Interest Note Provisions*) or Condition 4J (*Interest – Zero Coupon Note Provisions*), as appropriate.

Payment of amounts (whether principal, interest or otherwise) due (other than on final redemption) in respect of Registered Notes will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the Register at the close of business (local time in the place of the specified office of the Registrar) on the fifteenth day prior to the due date for such payment (the "**Record Date**").

Payment will be made in the currency in which such amount is due either by cheque posted to the Noteholder's registered address (or, in the case of joint Holders, the first-named) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar or to the Transfer Agent and the Registrar or, as the case may be, the Transfer Agent has acknowledged such application for payment to be made to a designated account denominated in the relevant Settlement Currency, in each case as specified in Condition 7(c) (*Payments – Uncertificated Registered Notes*).

(c) **Uncertificated Registered Notes**

The Issuer shall pay or cause to be paid when due payments of principal and interest (if any) in respect of Uncertificated Registered Notes to the relevant Noteholder's cash memorandum account (as shown in the records of the Operator), such payment to be made in accordance with

the rules of the Operator. Each of the persons shown in the Operator register of corporate securities as holder of a particular principal amount of Uncertificated Registered Notes must look solely to the settlement bank or institution at which its cash memorandum account is held for its share of each such payment so made by or on behalf of the Issuer.

(d) **General Provisions**

The following provisions apply to both Bearer Notes and Registered Notes (and do not apply to Uncertificated Registered Notes). Subject to Condition 7(e) (*Payments – Payment of Alternative Payment Currency Equivalent*), payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the relevant Settlement Currency either by cheque or, at the option of the payee, by transfer to an account in the relevant Settlement Currency specified by the payee other than, for payments in respect of Bearer Notes, any such account in the United States.

Payments and deliveries will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6 (*Taxation*).

Without prejudice to the generality of the foregoing, the Issuer reserves the right to require any person receiving payment of principal or, as the case may be, payment of interest with respect to any Note or Coupon to provide a Paying Agent with such certification or information as may be required to enable the Issuer or any parent or holding company of the Issuer or any subsidiary of any such parent or holding company to comply with the requirements of the U.S. Federal Income Tax laws or such other laws as the Issuer or any such parent or holding company or subsidiary thereof may be required to comply with.

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

(e) **Payment of Alternative Payment Currency Equivalent**

If "Payment of Alternative Payment Currency Equivalent" is specified as applicable in the relevant Final Terms, then if by reason of a FX Disruption Event or a Clearing System Currency Eligibility Event the Issuer is not able to satisfy payments in respect of the Notes when due in the Settlement Currency, the Issuer may, settle any such payment in U.S. dollars or any other currency specified as the Alternative Payment Currency in the relevant Final Terms on the date falling the Alternative Payment Settlement Days after the due date at the Alternative Payment Currency Equivalent of any such amount due and no further payment on account of interest or otherwise shall be due in respect of such postponed payment.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7(e) (*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.

(f) **Price Source Disruption and FX Disruption**

If "Price Source Disruption" is specified as being applicable in the relevant Final Terms, then, if on any day on which the Calculation Agent is required to determine a Relevant Rate (a "**Scheduled FX Fixing Day**"):

- (i) a Price Source Disruption occurs, (other than as a result of an Unscheduled Holiday) the Calculation Agent shall:

- (A) determine the Relevant Rate by reference to the rate of exchange published by available recognised financial information vendors (as selected by the Calculation Agent acting in good faith and in a commercially reasonable manner) on the Scheduled FX Fixing Day (the "**Fallback Reference Price**"); or
  - (B) unless the Final Terms specifies Dealer Poll as not applicable, in the event that the Calculation Agent is unable to determine a Fallback Reference Price in accordance with paragraph (A) above or the Calculation Agent determines that the Fallback Reference Price so determined does not accurately represent the rate which the Calculation Agent determines that the Issuer would be able to obtain in the general foreign exchange market, the Calculation Agent will on the Scheduled FX Fixing Day request four Reference Dealers to provide a quotation of their rate for the Relevant Rate on such day. If at least two quotations are provided, the Relevant Rate will be the arithmetic mean of such quotations; and
  - (C) if (i) the Final Terms specify Dealer Poll as not applicable and the Calculation Agent is unable to determine a Fallback Reference Price in accordance with paragraph (A) above or the Calculation Agent determines that the Fallback Reference Price so determined does not accurately represent the rate which the Calculation Agent determines that the Issuer would be able to obtain in the general foreign exchange market; (ii) the Calculation Agent determines that the Relevant Rate determined in accordance with paragraph (B) above does not accurately represent the rate which the Calculation Agent determines that the Issuer would be able to obtain in the general foreign exchange market; or (iii) fewer than 2 quotations are provided by Reference Dealers following the Calculation Agent's request pursuant to paragraph (B) above, the Calculation Agent will determine the Relevant Rate on the first succeeding Business Day on which the Price Source Disruption ceases to exist; **provided, however, that** if the Price Source Disruption continues for thirty consecutive calendar days (or such other number of calendar days as may be specified in the relevant Final Terms) after the Scheduled FX Fixing Day (the "**FX Cut-off Date**"), the Calculation Agent shall determine its good faith estimate of the Relevant Rate on that FX Cut-off Date; or
- (ii) an Unscheduled Holiday occurs (whether or not a Price Source Disruption also occurs), the Scheduled FX Fixing Day for such Relevant Rate and all other Relevant Rates which have the same Scheduled FX Fixing Day shall be postponed to the first succeeding Relevant Currency Business Day; **provided, however that** in the event that the Scheduled FX Fixing Day is postponed as a result of the occurrence of an Unscheduled Holiday (a "**Postponed FX Fixing Day**"), and if the Postponed FX Fixing Day has not occurred on or before the thirtieth consecutive calendar day (or such other number of calendar days as may be specified in the relevant Final Terms) after the Scheduled FX Fixing Day (any such period being a "**Deferral Period**"), then the next day after the Deferral Period that is or would have been a Relevant Currency Business Day but for an Unscheduled Holiday, shall be deemed to be the Postponed FX Fixing Day and the Calculation Agent shall determine its good faith estimate of the Relevant Rate on that Postponed FX Fixing Day.

If at any time, a FX Disruption Event occurs, the Issuer, in its sole and absolute discretion, may elect to either:

- (i) having given not less than five days' notice to the Noteholders in accordance with Condition 14 (*Notices*), redeem all, but not some only, of the Notes at their Fair Market Value (and, if the FX Disruption Event occurs on a Scheduled FX Fixing Day on which there is a Price Source Disruption or Unscheduled Holiday, for the purposes of determining such Fair Market Value the Calculation Agent shall first determine any Relevant Rate in accordance with sub-paragraph (i) or (ii), as applicable, of Condition 9(f) (*Price Source Disruption and FX Disruption*)) on the date notified to the Noteholders; or

- (ii) instruct the Calculation Agent to make such adjustment(s) to the Conditions as it determines to be necessary or desirable to reflect or account for any market practice that develops in respect of the FX Disruption Event,

**provided, however that** in relation to (i) and (ii) above, if as a result of the FX Disruption Event the Issuer is not able to satisfy payments in respect of the Notes when due in the Settlement Currency, the Issuer may settle any such payment pursuant to the provisions of Condition 7(e) (*Payments - Payment of Alternative Payment Currency Equivalent*);

Without prejudice to the Issuer's rights pursuant to this Condition 7(f) (*Price Source Disruption and FX Disruption*), if on a Scheduled FX Fixing Day an FX Disruption Event occurs the Issuer may postpone determination of the Conversion Rate to the first succeeding Business Day on which the FX Disruption Event ceases to exist; provided however that if the FX Disruption Event continues for fourteen consecutive calendar days, the Conversion Rate will be determined on such fourteenth calendar day (or, if such day is not a Conversion Rate Business Day, on the immediately following Conversion Rate Business Day) as if such date were the Conversion Rate Fixing Date.

If a Scheduled FX Fixing Day is postponed in accordance with this Condition 9(f), any Related Payment Date will also be postponed, if needed, such that the Related Payment Date shall fall at least three (3) local banking days (or such other number of local banking days as may be specified in the relevant Final Terms) following the postponed Scheduled FX Fixing Day or, if later, the FX Cut-off Date or Postponed FX Fixing Date, as applicable.

Unless Interest Adjustment is specified in the relevant Final Terms as being applicable, no further payment on account of interest or otherwise shall be due in respect of any payment postponed pursuant to this Condition 9(f) (so that, for the avoidance of doubt, any interest payable in respect of the Notes on a Related Payment Date which is so postponed shall be calculated as if such Related Payment Date had not been postponed pursuant to this Condition 9(f) unless, in the case of a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, there is a subsequent failure to pay in accordance with these Conditions, in which event interest shall continue to accrue as provided in Condition 4A (*Interest – Fixed Rate Note Provisions*), Condition 4B (*Interest – Floating Rate Note Provisions*), Condition 4C (*Interest – Reverse Floating Rate Note Provisions*), Condition 4D (*Interest – Digital Interest Rate Note Provisions*), Condition 4E (*Interest – Steeper Note Provisions*), Condition 4F (*Interest – Inflation Linked Note Provisions*) or Condition 4J (*Interest – Zero Coupon Note Provisions*), as appropriate.

(g) ***Inflation Index Disruption Events***

This Condition 7(g) is applicable to the Notes only in respect of the Interest Period for which Inflation Linked Interest Note provisions are specified in the relevant Final Terms as being applicable or in respect of the calculation of Final Redemption Amount in relation to Notes for which Inflation Linked Redemption is specified as applicable in the relevant Final Terms.

(i) ***Delay of publication***

If the Inflation Index Level for a Reference Month which is relevant to the calculation of an amount payable in respect of a Note (a "**Relevant Level**") has not been published or announced by the relevant Valuation Date the Calculation Agent shall determine a "**Substitute Inflation Index Level**" (in place of such Relevant Level) by using the following methodology:

- (A) if Related Bond is specified as applicable in the Final Terms, the Calculation Agent will take the same action to determine the Substitute Inflation Index Level for the relevant Valuation Date as that taken by the calculation agent pursuant to the terms and conditions of the Related Bond; or
- (B) if (X) Related Bond is specified as "Not Applicable" in the Final terms; or (Y) the Calculation Agent is not able to determine a Substitute Inflation Index Level pursuant to sub-clause (A) above for the relevant Valuation Date for any reason,



then the Calculation Agent shall determine the Substitute Inflation Index Level as follows:

$$\text{Base Level} \times (\text{Latest Level/Reference Level})$$

If a Relevant Level is published or announced at any time after the relevant Valuation Date, such Relevant Level will not be used in any calculations and instead the Substitute Inflation Index Level so determined pursuant to this Condition 7(g) will be the definitive level for the relevant Reference Month.

For the purposes of this Condition 7(g) the following terms shall have the following meanings:

- **"Base Level"** means the level of the Inflation Index (excluding any 'flash' estimates) published or announced by the Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Inflation Index Level is being determined.
- **"Latest Level"** means the latest level of the Inflation Index (excluding any 'flash' estimates) published or announced by the Inflation Index Sponsor prior to the month in respect of which the Substitute Inflation Index Level is being calculated.
- **"Reference Level"** means the level of the Inflation Index (excluding any 'flash' estimates) published or announced by the Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to in 'Latest Level' above.

(ii) *Cessation of publication*

If the level of the relevant Inflation Index has not been published or announced for two consecutive months and/or the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index, then the Calculation Agent shall determine a **"Successor Inflation Index"** (in lieu of any previously applicable Inflation Index) for the purposes of the Inflation Linked Notes by using the following methodology:

- (A) if at any time (other than after the designation by the Calculation Agent of a date for the early redemption of the Notes pursuant to paragraph (D) below) a successor index has been designated by the calculation agent pursuant to the terms and conditions of the Related Bond, such successor index shall be designated a 'Successor Inflation Index' for the purposes of calculating the relevant Final Redemption Amount or for all subsequent Interest Payment Dates in respect of which Inflation Linked Interest Note provisions are specified in the relevant Final Terms in relation to the Notes notwithstanding that any other successor index may previously have been determined under the other subsections of this Condition 7(g);
- (B) if: (i) a Successor Inflation Index has not been determined under paragraph (A) above; (ii) there has been no designation of a date for the early redemption of the Notes by the Calculation Agent pursuant to paragraph (D) below; (iii) a notice has been given or an announcement has been made by the Inflation Index Sponsor specifying that the Inflation Index will be superseded by a replacement Inflation Index specified by the Inflation Index Sponsor; and (iv) the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, then such replacement index shall be deemed to be the 'Successor Inflation Index' for the purposes of the Notes from the date that such replacement Inflation Index comes into effect;

- (C) if a Successor Inflation Index has not been determined by the Calculation Agent under sub-paragraph (A) or (B) above (and there has been no designation of a date for the early redemption of the Notes by the Calculation Agent pursuant to subparagraph (D) below), the Calculation Agent will determine an appropriate alternative index for such relevant Valuation Date, and such index will be deemed a "Successor Inflation Index";
- (D) if the Calculation Agent determines that there is no appropriate alternative index, the Issuer may, by notice to the Noteholders, redeem on the Early Redemption Date or cancel all but not some only of the Notes at the Early Redemption Amount.

The Issuer shall notify the Noteholders of any Successor Inflation Index determined pursuant to the provisions of this Condition 7(b)(ii).

(iii) *Rebasing of Inflation Index*

If the Calculation Agent determines that the Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the "**Rebased Inflation Index**") will be used for purposes of determining the level of an Inflation Index from the date of such rebasing; **provided, however, that** the Calculation Agent shall make such adjustments as are made by the calculation agent pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased Inflation Index so that the Rebased Inflation Index levels reflect the same rate of inflation as the Inflation Index before it was rebased. If there is no Related Bond, the Calculation Agent shall make adjustments to the levels of the Rebased Inflation Index so that the Rebased Inflation Index levels reflect the same rate of inflation as the Inflation Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Notes.

(iv) *Material modification*

If, on or prior to the relevant Valuation Date the Inflation Index Sponsor announces that it will make a material change to the Inflation Index, the Calculation Agent shall make any such adjustments to the Inflation Index and/or the terms of the Notes consistent with adjustments made to the Related Bond, or, if there is no Related Bond, only those adjustments necessary for the modified Inflation Index to continue as the Inflation Index.

(v) *Manifest error in Publication*

If, within 30 days of publication, but no later than the relevant Valuation Date (as applicable) the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent will take such action as it may deem necessary and practicable to give effect to such correction.

(h) ***Conversion***

If, in relation to a Series of Notes, the Settlement Currency is different from the Denomination Currency, any amount payable in respect of the Notes shall be converted into the Settlement Currency by using the relevant Conversion Rate as determined by the Calculation Agent.

8. **Redenomination**

(a) ***General***

Where redenomination is specified in the relevant Final Terms as being applicable, and in respect of Notes denominated in a National Currency Unit, the Issuer may, without the consent of the Noteholders, upon giving at least 30 days' prior notice to the Noteholders in accordance with Condition 12 (*Notices*), designate a Redenomination Date.

With effect from the Redenomination Date:

- (i) each Note shall (unless already so provided by mandatory provisions of applicable law) be deemed to be redenominated into such amount of euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Settlement Currency, converted into euro at the rate for the conversion of the relevant Settlement 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 EC regulations); **provided, however, that** if the Issuer determines that market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, then the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of the changes that will be required so as to comply with such market practice and such changes shall be deemed to be effective on the date which is 5 days following the date on which such notice is given to the Noteholders;
- (ii) if Notes are in definitive form:
  - (A) all unmatured Coupons denominated in the relevant Settlement Currency (whether or not attached to the Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (**provided that** such Notes and Coupons are available) and no payments will be made in respect thereof;
  - (B) the payment obligations contained in all Notes denominated in the Settlement 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(a) (*Redenomination – General*)) 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 Settlement Currency in such manner as the Issuer may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the relevant Settlement Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro, as though references in the Notes to the Settlement Currency were to euro. Such payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Union; and
- (iv) such other changes will be made to the Conditions as the Issuer may decide to conform such Notes to conventions then applicable to Notes denominated in euro. Any such other changes will not take effect until after it has been notified to the Noteholders in accordance with Condition 12 (*Notices*).

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

(b) ***Interest***

Following redenomination of the Notes pursuant to Condition 8(a) (*Redenomination – General*):

- (i) where Notes are in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the

relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

- (ii) in respect of Fixed Rate Notes where interest is payable annually, any interest required to be calculated for a period of less than one year in respect of the Notes shall be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); **provided, however, that** if the Issuer determines that the market practice in respect of internationally offered euro denominated securities is different from that specified above, then the Issuer shall promptly notify the Noteholders, and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of the changes that will be required so as to comply with such market practice and such changes shall be deemed to be effective on the date which is 5 days following the date on which such notice is given to the Noteholders;
- (iii) in respect of Fixed Rate Notes where interest is payable quarterly or semi-annually, the amount of interest payable in respect of each Note on any Interest Payment Date shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by four or two (as the case may be) and rounding the figure down to the nearest euro 0.01. If interest is required to be calculated for any other period, it shall be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); **provided, however, that** if the Issuer determines that the market practice in respect of internationally offered euro denominated securities is different from that specified above, then the Issuer shall promptly notify the Noteholders, and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of the changes that will be required so as to comply with such market practice and such changes shall be deemed to be effective on the date which is 5 days following the date on which such notice is given to the Noteholders;
- (iv) in respect of Floating Rate Notes, the Interest Amount payable in respect of the Notes for each Interest Period will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during the Interest Period, multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure down to the nearest euro 0.01; and
- (v) in respect of Floating Rate Notes, the Rate of Interest for any subsequent Interest Period shall be determined by the Calculation Agent on the basis of provisions which it determines reflects the market practice in respect of internationally offered euro denominated securities.

9. **Events of Default**

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

- (a) there is a default for more than 14 days in the repayment of any principal due on the Notes of such Series or any of them or in the payment of any interest due in respect of the Notes of such Series or any of them, **provided that** it shall not be such a default to withhold or refuse any such payment (1) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (2) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers acceptable to the Principal Paying Agent as to such validity or applicability; or

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

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

10. **Prescription**

Notes and Coupons will become void unless presented for payment within a period of 10 years and five years, respectively, from the Relevant Date (as defined in Condition 6 (*Taxation*)) in respect thereof. Any monies paid by the Issuer to the Principal Paying Agent for the payment of the principal or interest in respect of any Notes or Coupons and remaining unclaimed when such Notes or Coupons become void will then revert to the Issuer and all liability of the Principal Paying Agent with respect thereto will thereupon cease.

There shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 10 (*Prescription*) or Condition 7 (*Payments*).

11. **Replacement, Exchange and Transfer**

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

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

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

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

defined in Condition 7(b) (*Payments – Registered Notes*)) for such payment of interest and the date on which such payment of interest fall due.

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

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

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

12. **Notices**

(a) ***Notices to Noteholders***

All notices to the Holders of Notes or the Coupons appertaining thereto will be valid: (i) if published, in the case of Bearer Notes and Coupons, in one leading daily newspaper with circulation in London (which is expected to be the *Financial Times* or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe); (ii) in the case of Registered Notes, if mailed to their registered addresses (as advised by the Registrar) or to that of the first named of them in the case of joint Holders; **provided that**, in each case, in the case of Notes admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system the rules of such listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation have been complied with; and (iii) in the case of Uncertificated Registered Notes, if sent by first class mail or (if posted to an address overseas) by airmail to the holders at their respective addresses appearing in the Record and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Uncertificated Registered Notes are listed by or on a competent authority or stock exchange and the rules of that competent authority or stock exchange so require, such notice will be published in a daily newspaper of general circulation in the places or places required by that competent authority or stock exchange. Any such notice shall be deemed to have been given on the date of such publication or delivery or, if published more than once, on the date of the first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

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

(b) ***Notices from Noteholders***

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

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

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

The Issuer is entitled to vary or terminate the appointment of any Paying Agent, Calculation Agent, Issue Agent, Transfer Agent or Registrar and/or approve any change in the specified

office through which any Paying Agent, Calculation Agent, Issue Agent, Transfer Agent or Registrar acts, **provided that**:

- (i) so long as any Bearer Notes are outstanding, there will at all times be a Principal Paying Agent; and
  - (ii) so long as any Registered Notes are outstanding, there will at all times be a Registrar and a Transfer Agent.
- (b) In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the second paragraph of Condition 7(a) (*Payments – Bearer Notes*). Any variation, termination, appointment or change shall only take effect (other than in the case of an insolvency, when it shall be of immediate effect) after notice has been given to the Noteholders in accordance with Condition 12 (*Notices*).
- (c) All calculations and determinations made by the Calculation Agent pursuant to the Conditions for the purposes of the Notes (including any determinations by the Calculation Agent as to the exercise or non-exercise by it of its powers, duties and discretions for such purposes) shall be made in good faith and in a commercially reasonable manner.

14. **Meetings of Noteholders, Modification and Substitution**

(a) ***Meetings of Noteholders***

The Master Note Issuance Agreement contains provisions for convening meetings of the Holders of the Notes of any Series to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Note Issuance Agreement) of a modification of the Notes or any of the provisions of the Master Note Issuance Agreement. Such a meeting may be convened by the Issuer or by Holders of the Notes of any Series holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders of the Notes of any Series whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes (including modifying the date of maturity of the Notes, reducing or cancelling the amount of principal payable in respect of the Notes or altering the currency of payment of the Notes), the quorum shall be one or more persons holding or representing not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing a clear majority, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders of the Notes of any Series shall be binding on all the Noteholders, whether or not they are present at the meeting. Any modification of the Notes shall be notified to the Noteholders in accordance with Condition 12 (*Notices*) as soon as practicable thereafter.

(b) ***Modification***

Subject in case of the Issuing and Paying Agency Agreement and the Master Note Issuance Agreement (as applicable) to the agreement of the other parties thereto, the Issuer may agree, without the consent of the Noteholders, to:

- (i) any modification (except as mentioned above) of the Issuing and Paying Agency Agreement or the Master Note Issuance Agreement or the Conditions which is not materially prejudicial to the interests of the Noteholders as a whole;
- (ii) any modification of the Conditions or the Issuing and Paying Agency Agreement or the Master Note Issuance Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated; or

- (iii) any modification of the Notes which is made to correct an inconsistency between the final terms and conditions of the Note issue (comprising these Conditions as completed by the relevant Final Terms) and the relevant termsheet relating to the Notes.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 12 (*Notices*) as soon as practicable thereafter.

(c) ***Substitution***

The Issuer may also agree, without the consent of the Noteholders, to the substitution of a subsidiary or holding company of the Issuer or any subsidiary of any such holding company (the "**New Issuer**") in place of the Issuer as principal debtor under the Notes of any Series and the Coupons appertaining thereto (if any), **provided that** such Notes and the Coupons appertaining thereto (if any) are irrevocably guaranteed by the Issuer. In the event of any such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer. Any such substitution shall be promptly notified to the relevant Noteholders in accordance with Condition 12 (*Notices*) at least 15 days prior to such substitution taking effect. In connection with such right of substitution, the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Noteholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon such Noteholder.

15. **Further Issues**

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

16. **Third Party Rights**

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

17. **Governing Law**

(a) ***Governing law***

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by and shall be construed in accordance with English law.

(b) ***English courts***

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising out of or in connection with the Notes (including any Dispute regarding the existence, validity or redemption of the Notes or the consequence of their nullity).



## FORM OF NOTES AND SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

*This section provides information regarding Notes issued in global form and issued into certain clearing systems.*

Notes may, subject to all applicable legal and regulatory requirements, be issued in Tranches or Series comprising either Bearer Notes, Registered Notes or Uncertificated Registered Notes as specified in the relevant Final Terms. The summary that follows is only in relation to Bearer Notes and Registered Notes.

### **Bearer Notes**

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

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

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

Where the Global Notes issued in respect of any Tranche are in NGN form, the relevant clearing systems will be notified whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition depends upon satisfaction of the Eurosystem eligibility criteria.

Bearer Notes treated as issued in bearer form for U.S. federal income tax purposes will be issued in accordance with the provisions of United States Treasury Regulations 1.163-5(c)(1)(ii) and 1.163-5(c)(2)(i)(D) ("**TEFRA D**", which definition shall include any successor rules in substantially the same form as TEFRA D for the purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended), unless the relevant Final Terms provides that such Notes will be issued in accordance with the provisions of United States Treasury Regulations 1.163-5(c)(1)(ii) and 1.163-5(c)(2)(i)(C) ("**TEFRA C**", which definition shall include any successor rules in substantially the same form as TEFRA C for the purposes of Section 4701 of the U.S. internal Revenue Code). Bearer Notes issued in accordance with TEFRA D will be represented upon issue by a temporary global note in bearer form without interest coupons (a "**Temporary Global Note**"). Bearer Notes issued in accordance with TEFRA C will be represented upon issue by a permanent global note in bearer form without interest coupons (a "**Permanent Global Note**") or by a Temporary Global Note. Each Temporary Global Note or, as the case may be, Permanent Global Note which is not intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank SA/NV as operator for Euroclear and/or Clearstream, Luxembourg ("**Common Depository**"). Each Temporary Global Note or, as the case may be, Permanent Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg ("**Common Safekeeper**"). Beneficial interests in a Temporary Global Note issued in accordance with TEFRA C will be exchangeable at any time and without any requirement for certification for Bearer Notes in definitive form ("**Definitive Bearer Notes**"), in accordance with the terms of such Temporary Global Note and as specified in the relevant Final Terms. Interests in a Temporary Global Note issued in accordance with TEFRA D will be

exchangeable either for Definitive Bearer Notes or for interests in a Permanent Global Note, on or after the date which is 40 days after the date on which such Temporary Global Note is issued and upon certification as to non-U.S. beneficial ownership thereof or otherwise as required by U.S. Treasury Regulations, in accordance with the terms of such Temporary Global Note and as specified in the relevant Final Terms.

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

The forms of Temporary Global Note and Permanent Global Note (each, a "**Global Note**") will contain provisions applicable to the Notes represented thereby, some of which may modify the effect of the Conditions of the Notes. Certain of these are summarised in this section.

All payments, if any, in respect of Bearer Notes when represented by a Temporary Global Note or Permanent Global Note in CGN form or in NGN form, will be made against presentation and surrender or, as the case may be, presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents. On each occasion on which a payment is so made, the Issuer shall procure that, in respect of a CGN, record of such payment is noted on a schedule to the relevant Global Note and, in respect of an NGN, the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

In respect of Bearer Notes represented by Global Notes, each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in a Global Note (each, an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes.

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

An exchange of a Temporary Global Note for Definitive Notes or, as the case may be, a Permanent Global Note will be made only on or after the Exchange Date (as set out in the relevant Final Terms) and provided certification as to the beneficial ownership thereof as required by the U.S. Treasury Regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing system or depository) has been received.

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

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

Interests in a Permanent Global Note will be exchanged, at the cost and expense of the Issuer, by the Issuer in whole, for Definitive Notes (a) at the option of the holder of such Permanent Global Note, for

Definitive Notes, (i) if the Notes of the relevant Series become immediately repayable in accordance with Condition 9 (*Events of Default*), or (ii) if any of Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so, or (b) at the option of the Issuer, (i) where the Issuer or any Paying Agent, by reason of any change in, or amendment to, the laws of the United Kingdom, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if the Notes were in definitive form; or (ii) unless otherwise provided in the Final Terms, at the option of the Issuer, if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction which would not be suffered were the Notes in definitive form.

Where a Permanent Global Note is exchangeable for Definitive Notes, then such Notes shall be tradable only in principal amounts of at least the denomination of the Notes (or if there is more than one denomination, the lowest denomination).

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

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

Following redenomination of the Notes pursuant to Condition 8 (*Redenomination*):

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

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

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

### **Registered Notes**

Registered Notes may be issued under the new safekeeping structure (the "NSS") or, if not intended to be issued under the NSS, will be issued under the classic safekeeping structure (the "CSS") or under such other structure as the relevant parties may agree.

Following the introduction of the NGN form in June 2006, the Eurosystem required the ICSDs to review the custody arrangements for international debt securities in global registered form. Further to this review, the NSS has been introduced to allow for the possibility of Notes being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the Eurosystem and intra-day credit operations by the Eurosystem either upon issue.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it had assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the NSS would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the Eurosystem, subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form would be offered by Euroclear and Clearstream, Luxembourg as from 30 June 2010 and that registered debt securities in global registered form held through Euroclear and Clearstream, Luxembourg after 30 September 2010 would only be eligible as collateral in Eurosystem operations if the NSS was used.

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

Where the Global Registered Notes issued in respect of any Tranche are in NSS form, the relevant clearing systems will be notified whether or not such Global Registered Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Registered Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition depends upon satisfaction of the Eurosystem eligibility criteria.

#### **Regulation S Global Registered Notes**

In the case of a Series or Tranche of Registered Notes offered and sold solely outside the United States (as defined in Regulation S) in reliance on Regulation S to non-U.S. persons, such Series or Tranche of Registered Notes may be represented by a Global Registered Note without interest coupons (a "**Regulation S Global Registered Note**"), which will be deposited on or about the issue date for the relevant Tranche with, and registered either in the name of the Common Depositary, or, in relation to Notes issued under the NSS, in the name of the Common Safekeeper (or its nominee). Interests in any Regulation S Global Registered Note will be exchangeable (in circumstances described below under "*Exchange and Transfer of Global Registered Notes for Definitive Registered Notes*") for Definitive Registered Notes ("**Regulation S Definitive Registered Notes**").

Each Regulation S Global Registered Note will have an ISIN code.

#### **Owner of Global Registered Notes and Payments**

Subject to certain provisions of the Issuing and Paying Agency Agreement relating to directions, sanctions and consents of Holders of Registered Notes and to meetings of Holders of Notes, so long as Euroclear, Clearstream, Luxembourg or the nominee of their Common Depositary or the Common Safekeeper, as the case may be, is the registered owner or holder of a Global Registered Note, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Registered Note for all purposes under the Issuing and Paying Agency Agreement and the Notes. Payments of principal, interest and additional amounts, if any, pursuant to Condition 7 (*Payments*), on Global Registered Notes will be made to Euroclear, Clearstream, Luxembourg or such nominee thereof, or common service provider acting as agent for Euroclear and Clearstream, Luxembourg, as the case may be, or the registered holder thereof. None of the Issuer, the Registrar, or any Paying Agent or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Registered Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Each such payment in respect of a Global Registered Note will be made to the person shown as the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the Register at the close of business (in the relevant clearing system) on the business day on which each clearing system for which the Global Registered Note is being held is open for business which is the business day of each such clearing system before the due date for such payment.

**Exchange and Transfer of Global Registered Notes for Definitive Registered Notes**

Beneficial interests in a Regulation S Global Registered Note will be exchangeable, in whole but not in part, for Regulation S Definitive Registered Notes: (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; (ii) the Issuer, at its option, elects to terminate the book-entry system through Euroclear and Clearstream, Luxembourg; (iii) the Notes become immediately repayable in accordance with Condition 9 (*Events of Default*); or (iv) at the option of the Issuer, if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction which would not be suffered were the Notes in definitive form.

The holder of a Registered Note may transfer such Registered Note in accordance with the provisions of Condition 2 (*Form, Denomination and Title*) of the Conditions of the Notes.

The holder of a Definitive Registered Note may transfer such Note by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon.

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

**FORM OF FINAL TERMS**

*Set out below is the template of the "Final Terms", a document which will be filled out for each issue of Notes and which will complete the terms and conditions in respect of each such issue of Notes.*

Final Terms dated: [•]

**HSBC Bank plc**

**Programme for the Issuance of Notes and Warrants**

*(Interest Rate Linked and Inflation-Linked Notes)*

**[Further] Issue of**

**[Aggregate Principal Amount of Tranche] [Title of Notes]**

**[(to be consolidated and form a single series with the existing Tranche[s] [•])]**

**PART A – CONTRACTUAL TERMS**

This document constitutes the Final Terms relating to the issue of the Tranche of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated 3 October 2016 in relation to the above Programme, together with each supplemental prospectus relating to the Base Prospectus published by the Issuer after 3 October 2016 but before the issue date or listing date of the Notes, whichever is later, to which these Final Terms relate which together constitute a base prospectus ("**Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC, as amended) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus. However, a summary of the issue of the Notes is annexed to these Final Terms.

[This document constitutes the Final Terms relating to the issue of the Tranche of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated 24 June 2013 which are incorporated by reference in the Base Prospectus dated 3 October 2016 and are applicable to the Notes. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus 3 October 2016 together with each supplemental prospectus relating to the Programme published by the Issuer after 3 October 2016 but before the issue date or listing date of the Notes to which the Final Terms relate, whichever is later, which together constitute a base prospectus ("**Prospectus**") for the purposes of the Prospectus Directive. However, a summary of the issue of the Notes is annexed to these Final Terms.]

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing during normal business hours at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.

1. Issuer: HSBC Bank plc
2. Tranche Number: [•] [The Notes issued under these Final Terms are to be consolidated and form a single series with [•] (the "**Original Issue**") issued on [•] [(ISIN): [•].]

3. Currency:
- (i) Denomination Currency: [•]
- (ii) Settlement Currency: [•]
4. Aggregate Principal Amount [of Notes admitted to trading]:
- (i) Series: [•]
- (ii) Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Principal Amount [plus accrued interest from [•]][An amount as determined by the Calculation Agent equal to [•] per cent. of the Aggregate Principal Amount converted into the Settlement Currency at a rate of exchange of [•].]
6. (i) Denomination(s): [•]
- (ii) Calculation Amount: [•]
7. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [•] [Issue Date] [Not Applicable]
- (iii) Trade Date: [•]
8. Maturity Date: [•] [adjusted in accordance with Business Day Convention [and any applicable Business Centre(s) for the definition of Business Day]] [or, if later, the [fifth] Business Day following the Conversion Rate Fixing Date]
9. Interest basis: [[•] per cent. [and [•] per cent.] Fixed Rate]  
[Floating Rate]  
[Zero Coupon Notes]
10. Redemption basis: [Redemption at par/percentage of par]  
[Instalment]  
[Fixed Redemption]  
[Inflation Linked Redemption]

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

11. Type of Interest: [Fixed Rate Note provisions] [Floating Rate Note provisions] [Reverse Floating Rate Note provisions] [Digital Interest Rate Note provisions] [Steepener Note provisions] [Inflation Linked Note provisions] [Zero Coupon Note provisions]

12. Switch Option: [Applicable] [Not Applicable]
- (i) Switch Option Number of Business Days: [•] [As specified in the Conditions]
- (iii) Original Interest Provisions [Fixed Rate Note provisions] [Floating Rate Note provisions] [Reverse Floating Rate Note provisions] [Digital Interest Rate Note provisions] [Steepener Note provisions] [Inflation Linked Note provisions]
- (iv) New Interest Provisions [Fixed Rate Note provisions] [Floating Rate Note provisions] [Reverse Floating Rate Note provisions] [Digital Interest Rate Note provisions] [Steepener Note provisions] [Inflation Linked Note provisions]
13. Automatic Interest Switch [Applicable] [Not Applicable]
- (i) Automatic Switch Date: [•]
- (ii) Original Interest Provisions [Fixed Rate Note provisions] [Floating Rate Note provisions] [Reverse Floating Rate Note provisions] [Digital Interest Rate Note provisions] [Steepener Note provisions] [Inflation Linked Note provisions]
- (iii) New Interest Provisions [Fixed Rate Note provisions] [Floating Rate Note provisions] [Reverse Floating Rate Note provisions] [Digital Interest Rate Note provisions] [Steepener Note provisions] [Inflation Linked Note provisions]
14. Fixed Rate Note Provisions: [Applicable]
- [Applicable subject to exercise of [Switch Option]
- [Applicable following Automatic Interest Switch]
- [Applicable in respect of the period from and including [the Issue Date/the Interest Payment Date falling in [•]] to but excluding [the Interest Payment Date falling in [•]][Switch Date][Automatic Switch Date]]
- [Not Applicable]
- (i) Rate of Interest: [•] per cent. [per annum] [•] payable in arrear on [each] [the first] [•] Interest Payment Date [[and] [•] per cent. per annum payable in arrear on [•] [the last] Interest Payment Date]
- (ii) Interest Payment Date(s): [•] [in each year] [•] [adjusted in accordance with the Business Day Convention] [not adjusted]



- (iii) Fixed Coupon Amount(s): [[•] per Calculation Amount] [Not Applicable]
- (iv) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [Actual/Actual (ICMA)] [30E/360] [30E/360 (ISDA)] [Not Applicable]
- (v) Range Accrual: [Applicable] [Not Applicable]
- Range Accrual Floating Rate
- (1) - Reference Rate: [•]
- Relevant Currency: [•]
- Relevant Screen Page: [•]
- Relevant Financial Centre: [•]
- Relevant Time: [•]
- Lower Barrier: [•] [Not Applicable]
- Upper Barrier: [•] [Not Applicable]
- Observation Period Cut-off Date: [•] [As specified in the Conditions]
- Range Accrual Floating Rate Fallback Redemption: [Applicable] [Not Applicable]
- Range Accrual Fallback Redemption Notice Period: [[•] Business Days] [As specified in the Conditions]
- (2) Observation Number of Business Days: [•] [As specified in the Conditions] [Not Applicable]
- (vi) Add On Interest: [Applicable] [Not Applicable]
- Add On Interest Rate: [[•] per cent. [per annum]] [Screen Rate Determination] [ISDA Determination] [CMS Rate Determination] [RMS Rate Determination]
- [- Screen Rate Determination: [Applicable] [Not Applicable]
- (1) Reference Rate: [BA] [BBR] [BUBOR] [CIBOR] [EIBOR] [EURIBOR] [HIBOR] [JIBAR] [LIBOR] [MOSPRIME] [NIBOR] [PRIBOR] [SAIBOR] [SIBOR] [SOR] [STIBOR]

- [TELBOR] [TIBOR] [TIIE] [TRLIBOR]  
[WIBOR]
- (2) Interest Determination Date: [•]
- (3) Relevant Screen Page: [•]
- (4) Relevant Financial Centre: [•]
- (5) Relevant Time: [•]
- (6) Relevant Currency: [AUD] [CAD] [CHF] [COP] [CZK] [DKK] [EUR] [GBP] [HKD] [HUF] [ILS] [JPY] [MXN] [NOK] [NZD] [PLN] [RUB] [SEK] [SGD] [TRY] [USD] [ZAR]
- (7) ISDA Determination for Fall-back provisions: [Applicable] [Not Applicable]
- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]
- Fewer than minimum number of Reference Banks quoting: [Applicable] [Not Applicable]
- ISDA Determination: [Applicable] [Not Applicable]
- (1) Floating Rate Option: [•]
- (2) Designated Maturity: [•]
- (3) Reset Date: [•]
- (4) ISDA Reference Banks Fallbacks: [Applicable] [Not Applicable]
- CMS Rate Determination:
- (1) Specified Swap Rate: [•]
- (2) Relevant Currency: [•]
- (3) Designated Maturity: [•]
- (4) Relevant Screen Page: [•]

(5) Relevant Time: [a.m.]/[p.m.] [•] time

(6) Interest Determination Date(s): [•]

- RMS Rate Determination: [Applicable] [Not Applicable]

(1) Specified Swap Rate: [•]

(2) Residual Designated Maturity:	Interest Period:	Residual Designated Maturity:
	[•]	[•]
	[•]	[•]

[(3) Relevant Currency: [•]

(4) Relevant Screen Page: [•]

(5) Relevant Time: [a.m.]/[p.m.] [•] time

(6) Interest Determination Date(s): [•]

- Add On Maximum Rate: [•]

- Add On Minimum Rate: [•]

- Add On Leverage [1] [•]

- Add On Spread [zero] [•%]

(vii) Business Day Convention: [Following Business Day Convention] [Modified Following Business Day Convention/Modified Business Day Convention] [Preceding Business Day Convention] [FRN Convention/Floating Rate Convention/Eurodollar Convention] [No Adjustment]

(viii) Business Centre(s): [•] [Not Applicable]

(ix) Interest Step-up: [Applicable] [Not Applicable]

[Relevant Interest Payment Date]	[Rate of Interest]
[•]	[•]

(x) Interest Step-down: [Applicable] [Not Applicable]

[Relevant Interest Payment Date]	[Rate of Interest]
[•]	[•]

15. Floating Rate Note Provisions: [Applicable]
- [Applicable subject to exercise of [Switch Option]
- [Applicable following Automatic Interest Switch]
- [Applicable in respect of the period from and including [the Issue Date/the Interest Payment Date falling in [•]] to but excluding [the Interest Payment Date falling in [•]][Switch Date][Automatic Switch Date]
- [Not Applicable]
- (i) Interest Period(s): [•] [Not Applicable]
- (ii) Specified Period: [•] [Not Applicable]
- (iii) Interest Payment Date(s): [•]
- (iv) First Interest Payment Date: [•]
- (v) Business Day Convention: [Following Business Day Convention] [Modified Following Business Day Convention/Modified Business Day Convention] [Preceding Business Day Convention] [FRN Convention/Floating Rate Convention/Eurodollar Convention] [No Adjustment]
- (vi) Business Centre(s): [•] [Not Applicable]
- (vii) Screen Rate Determination: [Applicable] [Not Applicable]
- (1) Reference Rate: [BA] [BBR] [BUBOR] [CIBOR] [EIBOR] [EURIBOR] [HIBOR] [JIBAR] [LIBOR] [MOSPRIME] [NIBOR] [PRIBOR] [SAIBOR] [SIBOR] [SOR] [STIBOR] [TELBOR] [TIBOR] [TIIE] [TRLIBOR] [WIBOR]
- (2) Interest Determination Date: [•]
- (3) Relevant Screen Page: [•]
- (4) Relevant Financial Centre: [•]
- (5) Relevant Time: [•]
- (6) Relevant Currency: [AUD] [CAD] [CHF] [COP] [CZK] [DKK] [EUR] [GBP] [HKD] [HUF] [ILS] [JPY] [MXN] [NOK] [NZD] [PLN] [RUB] [SEK]

- [SGD] [TRY] [USD] [ZAR]
- (7) ISDA Determination for Fall-back provisions: [Applicable] [Not Applicable]
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
  - Fewer than minimum number of Reference Banks quoting: [Applicable] [Not Applicable]
- (viii) ISDA Determination: [Applicable] [Not Applicable]
- (1) Floating Rate Option: [•]
  - (2) Designated Maturity: [•]
  - (3) Reset Date: [•]
  - (4) ISDA Reference Banks Fallbacks: [Applicable] [Not Applicable]
- (ix) CMS Rate Determination:
- Specified Swap Rate: [•]
  - [- Relevant Currency: [•]
  - Designated Maturity: [•]
  - Relevant Screen Page: [•]
  - Relevant Time: [a.m.]/[p.m.] [•] time
  - Interest Determination Date(s): [•]
- (x) RMS Rate Determination: [Applicable] [Not Applicable]
- Specified Swap Rate: [•]
  - Residual Designated Maturity:
 

Interest Period:	Residual Designated Maturity:
[•]	[•]
[•]	[•]
  - [- Relevant Currency: [•]
  - Relevant Screen Page: [•]

- Relevant Time: [a.m.]/[p.m.] [•] time
  - Interest Determination Date(s): [•]
  - (xi) Leverage: [1][•]
  - (xii) Spread: [zero][•%][Spread Applicable][Spread Applicable] Step-up is Step-down is
  - Spread Step-up:
    - [Relevant Interest Payment Date] [Spread]
    - [•] [•]
  - Spread Step-down:
    - [Relevant Interest Payment Date] [Spread]
    - [•] [•]
  - (xiii) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [Actual/Actual (ICMA)] [30E/360] [30E/360 (ISDA)] [Not Applicable]
  - (xiv) Minimum Interest Rate: [[•] per cent. per [•] [annum]] [Not Applicable]
  - (xv) Maximum Interest Rate: [[•] per cent. per [•] [annum]] [Not Applicable]
  - (xvi) Range Accrual: [Applicable] [Not Applicable]
- Range Accrual Floating Rate
- (1) - Reference Rate: [•]
  - Relevant Currency: [•]
  - Relevant Screen Page: [•]
  - Relevant Financial Centre: [•]
  - Relevant Time: [•]
  - Lower Barrier: [•] [Not Applicable]
  - Upper Barrier: [•] [Not Applicable]
  - Observation Period Cut-off Date: [•] [As specified in the Conditions]
  - Range Accrual Floating Rate Fallback: [Applicable] [Not Applicable]

- Redemption
- Range Accrual Fallback Redemption Notice Period [[•] Business Days] [As specified in the Conditions]
  - (2) Observation Number of Business Days: [•] [As specified in the Conditions] [Not Applicable]
  - (xvii) Add On Interest: [Applicable] [Not Applicable]
  - Add On Interest Rate: [[•] per cent. [per annum]] [Screen Rate Determination] [ISDA Determination] [CMS Rate Determination] [RMS Rate Determination]
  - [- Screen Determination: Rate [Applicable] [Not Applicable]
  - (1) Reference Rate: [BA] [BBR] [BUBOR] [CIBOR] [EIBOR] [EURIBOR] [HIBOR] [JIBAR] [LIBOR] [MOSPRIME] [NIBOR] [PRIBOR] [SAIBOR] [SIBOR] [SOR] [STIBOR] [TELBOR] [TIBOR] [TIIE] [TRLIBOR] [WIBOR]
  - (2) Interest Determination Date: [•]
  - (3) Relevant Screen Page: [•]
  - (4) Relevant Financial Centre: [•]
  - (5) Relevant Time: [•]
  - (6) Relevant Currency: [AUD] [CAD] [CHF] [COP] [CZK] [DKK] [EUR] [GBP] [HKD] [HUF] [ILS] [JPY] [MXN] [NOK] [NZD] [PLN] [RUB] [SEK] [SGD] [TRY] [USD] [ZAR]
  - (7) ISDA Determination for Fall-back provisions: [Applicable] [Not Applicable]
    - Floating Rate Option: [•]
    - Designated Maturity: [•]
    - Reset Date: [•]
    - Fewer than minimum number of Reference [Applicable] [Not Applicable]

Banks quoting:

- ISDA Determination: [Applicable] [Not Applicable]
  - (1) Floating Rate Option: [•]
  - (2) Designated Maturity: [•]
  - (3) Reset Date: [•]
  - (4) ISDA Reference Banks Fallbacks: [Applicable] [Not Applicable]

- CMS Rate Determination:

- (1) Specified Swap Rate: [•]
- [(2) Relevant Currency: [•]
- (3) Designated Maturity: [•]
- (4) Relevant Screen Page: [•]
- (5) Relevant Time: [a.m.]/[p.m.] [•] time
- (6) Interest Determination Date(s): [•]

- RMS Rate Determination: [Applicable] [Not Applicable]

- (1) Specified Swap Rate: [•]
- (2) Residual Designated Maturity:

Interest Period:	Residual Designated Maturity:
[•]	[•]
[•]	[•]

- [(3) Relevant Currency: [•]
- (4) Relevant Screen Page: [•]
- (5) Relevant Time: [a.m.]/[p.m.] [•] time
- (6) Interest Determination Date(s): [•]

- Add On Maximum Rate: [•]
- Add On Minimum Rate: [•]
- Add On Leverage [1] [•]
- Add On Spread [zero] [•%]
- (xvii) Details of any short or long Relevant Interest Period: [•] [Not Applicable]

Linear Interpolation: [Applicable] [Not



		Applicable]
16.	Reverse Floating Rate Note Provisions:	[Applicable]
		[Applicable subject to exercise of [Switch Option]
		[Applicable following Automatic Interest Switch]
		[Applicable in respect of the period from and including [the Issue Date/the Interest Payment Date falling in [•]] to but excluding [the Interest Payment Date falling in [•]][Switch Date][Automatic Switch Date]
		[Not Applicable]
(i)	Interest Period(s):	[•] [Not Applicable]
(ii)	Specified Period:	[•] [Not Applicable]
(iii)	Interest Payment Date(s):	[•]
(iv)	First Interest Payment Date:	[•]
(v)	Business Day Convention:	[Following Business Day Convention] [Modified Following Business Day Convention/Modified Business Day Convention] [Preceding Business Day Convention] [FRN Convention/Floating Rate Convention/Eurodollar Convention] [No Adjustment]
(vi)	Business Centre(s):	[•] [Not Applicable]
(vii)	Screen Rate Determination:	[Applicable] [Not Applicable]
(1)	Reference Rate:	[BA] [BBR] [BUBOR] [CIBOR] [EIBOR] [EURIBOR] [HIBOR] [JIBAR] [LIBOR] [MOSPRIME] [NIBOR] [PRIBOR] [SAIBOR] [SIBOR] [SOR] [STIBOR] [TELBOR] [TIBOR] [TIIE] [TRLIBOR] [WIBOR]
(2)	Interest Determination Date:	[•]
(3)	Relevant Screen Page:	[•]
(4)	Relevant Financial Centre:	[•]
(5)	Relevant Time:	[•]
(6)	Relevant	[AUD] [CAD] [CHF] [COP] [CZK] [DKK] [EUR] [GBP] [HKD] [HUF] [ILS] [JPY]

- Currency: [MXN] [NOK] [NZD] [PLN] [RUB] [SEK]  
[SGD] [TRY] [USD] [ZAR]
- (7) ISDA Determination for Fall-back provisions: [Applicable] [Not Applicable]
- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]
- Fewer than minimum number of Reference Banks quoting: [Applicable] [Not Applicable]
- (viii) ISDA Determination: [Applicable] [Not Applicable]
- (1) Floating Rate Option: [•]
- (2) Designated Maturity: [•]
- (3) Reset Date: [•]
- (4) ISDA Reference Banks Fallbacks: [Applicable] [Not Applicable]
- (ix) CMS Rate Determination:
- Specified Swap Rate: [•]
- [- Relevant Currency: [•]
- Designated Maturity: [•]
- Relevant Screen Page: [•]
- Relevant Time: [a.m.]/[p.m.] [•] time
- Interest Determination Date(s): [•]
- (x) RMS Rate Determination: [Applicable] [Not Applicable]
- Specified Swap Rate: [•]
- |                                 |                  |                               |
|---------------------------------|------------------|-------------------------------|
| - Residual Designated Maturity: | Interest Period: | Residual Designated Maturity: |
|                                 | [•]              | [•]                           |
|                                 | [•]              | [•]                           |
- [- Relevant Currency: [•]

- Relevant Screen Page: [•]
  - Relevant Time: [a.m.]/[p.m.] [•] time
  - Interest Determination Date(s): [•]
  - (xi) Leverage: [1][•]
  - (xii) Spread: [zero][•%]
  - (xiii) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360] [30/360] [Actual/Actual (ICMA)] [30E/360] [30E/360 (ISDA)] [Not Applicable]
  - (xiv) Minimum Interest Rate: [[•] per cent. per [•] [annum]] [Not Applicable]
  - (xv) Maximum Interest Rate: [[•] per cent. per [•] [annum]] [Not Applicable]
  - (xvi) Range Accrual: [Applicable] [Not Applicable]
- Range Accrual Floating Rate
- (1) - Reference Rate: [•]
    - Relevant Currency: [•]
    - Relevant Screen Page: [•]
    - Relevant Financial Centre: [•]
    - Relevant Time: [•]
    - Lower Barrier: [•] [Not Applicable]
    - Upper Barrier: [•] [Not Applicable]
    - Observation Period Cut-off Date: [•] [As specified in the Conditions]
    - Range Accrual Floating Rate Fallback Redemption: [Applicable] [Not Applicable]
    - Range Accrual Fallback Redemption Notice Period: [[•] Business Days] [As specified in the Conditions]
  - (2) Observation Number of Business Days: [•] [As specified in the Conditions] [Not Applicable]

- (xvii) Details of any short or long Relevant Interest Period: [•] [Not Applicable]
- Linear Interpolation: [Applicable] [Not Applicable]
17. Digital Interest Note Provisions: [Applicable]
- [Applicable subject to exercise of [Switch Option]
- [Applicable following Automatic Interest Switch]
- [Applicable in respect of the period from and including [the Issue Date/the Interest Payment Date falling in [•]] to but excluding [the Interest Payment Date falling in [•]][Switch Date][Automatic Switch Date]
- [Not Applicable]
- (i) Interest Period(s): [•] [Not Applicable]
- (ii) Specified Period: [•] [Not Applicable]
- (iii) Interest Payment Date(s): [•]
- (iv) First Interest Payment Date: [•]
- (v) Business Day Convention: [Following Business Day Convention] [Modified Following Business Day Convention/Modified Business Day Convention] [Preceding Business Day Convention] [FRN Convention/Floating Rate Convention/Eurodollar Convention] [No Adjustment]
- (vi) Business Centre(s): [•] [Not Applicable]
- (vii) Digital Rate 1:
- (1) Fixed Rate: [[•]%][Not Applicable]
- [Interest Payment Date:] [•]
- [Fixed Rate (%):] [•]
- (2) Screen Rate Determination: [Applicable] [Not Applicable]
- Reference Rate: [BA] [BBR] [BUBOR] [CIBOR] [EIBOR] [EURIBOR] [HIBOR] [JIBAR] [LIBOR] [MOSPRIME] [NIBOR] [PRIBOR] [SAIBOR] [SIBOR] [SOR] [STIBOR] [TELBOR] [TIBOR] [TIIE] [TRLIBOR] [WIBOR]

- Interest Determination Date: [•]
- Relevant Screen Page: [•]
- Relevant Financial Centre: [•]
- Relevant Time: [•]
- Relevant Currency: [AUD] [CAD] [CHF] [COP] [CZK] [DKK] [EUR] [GBP] [HKD] [HUF] [ILS] [JPY] [MXN] [NOK] [NZD] [PLN] [RUB] [SEK] [SGD] [TRY] [USD] [ZAR]
- ISDA Determination for Fall-back provisions: [Applicable] [Not Applicable]
- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]
- Fewer than minimum number of Reference Banks quoting: [Applicable] [Not Applicable]
- (3) ISDA Determination: [Applicable] [Not Applicable]
- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]
- ISDA Reference Banks Fallbacks: [Applicable] [Not Applicable]
- (4) CMS Rate Determination: [Applicable] [Not Applicable]
- Specified Swap Rate: [•]
- [- Relevant Currency: [•]
- Designated Maturity: [•]
- Relevant Screen Page: [•]
- Relevant Time: [a.m.]/[p.m.] [•] time
- Interest Determination Date(s): [•]
- (5) RMS Rate Determination: [Applicable] [Not Applicable]
- Specified Swap Rate: [•]
- Residual Designated Maturity:
- |                  |                               |
|------------------|-------------------------------|
| Interest Period: | Residual Designated Maturity: |
|------------------|-------------------------------|

[•]	[•]
[•]	[•]

- [- Relevant Currency: [•]
- Relevant Screen Page: [•]
- Relevant Time: [a.m.]/[p.m.] [•] time
- Interest Determination Date(s): [•]
- (6) Digital Leverage 1: [1] [•]
- (7) Digital Rate 1 Spread: [zero] [•%]
- (viii) Digital Rate 2:
- (1) Fixed Rate: [[•%][Not Applicable]
- [Interest Payment Date:] [•]
- [Fixed Rate (%):] [•]
- (2) Screen Rate Determination: [Applicable] [Not Applicable]
- Reference Rate: [BA] [BBR] [BUBOR] [CIBOR] [EIBOR] [EURIBOR] [HIBOR] [JIBAR] [LIBOR] [MOSPRIME] [NIBOR] [PRIBOR] [SAIBOR] [SIBOR] [SOR] [STIBOR] [TELBOR] [TIBOR] [TIIE] [TRLIBOR] [WIBOR]
- Interest Determination Date: [•]
- Relevant Screen Page: [•]
- Relevant Financial Centre: [•]
- Relevant Time: [•]
- Relevant Currency: [AUD] [CAD] [CHF] [COP] [CZK] [DKK] [EUR] [GBP] [HKD] [HUF] [ILS] [JPY] [MXN] [NOK] [NZD] [PLN] [RUB] [SEK] [SGD] [TRY] [USD] [ZAR]
- ISDA Determination for Fall-back provisions: [Applicable] [Not Applicable]
- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]
- Fewer than [Applicable] [Not Applicable]

- minimum number  
of Reference  
Banks quoting:
- (3) ISDA Determination: [Applicable] [Not Applicable]  
 -Floating Rate Option: [•]  
 -Designated Maturity: [•]  
 -Reset Date: [•]  
 -ISDA Reference Banks Fallbacks: [Applicable] [Not Applicable]
- (4) CMS Rate Determination: [Applicable] [Not Applicable]  
 - Specified Swap Rate: [•]  
 [- Relevant Currency: [•]  
 - Designated Maturity: [•]  
 - Relevant Screen Page: [•]  
 - Relevant Time: [a.m.]/[p.m.] [•] time  
 - Interest Determination Date(s): [•]]
- (5) RMS Rate Determination: [Applicable] [Not Applicable]  
 - Specified Swap Rate: [•]  
 - Residual Designated Maturity:
- |                  |                               |
|------------------|-------------------------------|
| Interest Period: | Residual Designated Maturity: |
| [•]              | [•]                           |
| [•]              | [•]                           |
- [- Relevant Currency: [•]  
 - Relevant Screen Page: [•]  
 - Relevant Time: [a.m.]/[p.m.] [•] time  
 - Interest Determination Date(s): [•]]
- (6) Digital Leverage 2: [1] [•]
- (7) Digital Rate 2 Spread: [zero] [•%]
- (ix) Digital Reference Rate:
- (1) Screen Rate Determination: [Applicable] [Not Applicable]  
 -Reference Rate: [BA] [BBR] [BUBOR] [CIBOR] [EIBOR] [EURIBOR] [HIBOR] [JIBAR] [LIBOR] [MOSPRIME] [NIBOR] [PRIBOR] [SAIBOR] [SIBOR] [SOR] [STIBOR]

- [TELBOR] [TIBOR] [TIIE] [TRLIBOR]  
[WIBOR]
- Interest Determination Date: [•]
- Relevant Screen Page: [•]
- Relevant Financial Centre: [•]
- Relevant Time: [•]
- Relevant Currency: [AUD] [CAD] [CHF] [COP] [CZK] [DKK] [EUR] [GBP] [HKD] [HUF] [ILS] [JPY] [MXN] [NOK] [NZD] [PLN] [RUB] [SEK] [SGD] [TRY] [USD] [ZAR]
- ISDA Determination for Fall-back provisions: [Applicable] [Not Applicable]
- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]
- Fewer than minimum number of Reference Banks quoting: [Applicable] [Not Applicable]
- (2) ISDA Determination: [Applicable] [Not Applicable]
- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]
- ISDA Reference Banks Fallbacks: [Applicable] [Not Applicable]
- (3) CMS Rate Determination: [Applicable] [Not Applicable]
- Specified Swap Rate: [•]
- [- Relevant Currency: [•]
- Designated Maturity: [•]
- Relevant Screen Page: [•]
- Relevant Time: [a.m.]/[p.m.] [•] time
- Interest Determination Date(s): [•]
- (4) RMS Rate Determination: [Applicable] [Not Applicable]
- Specified Swap Rate: [•]
-



- Residual Designated Maturity:	Interest Period:	Residual Designated Maturity:
	[•]	[•]
	[•]	[•]

[- Relevant Currency: [•]

- Relevant Screen Page: [•]

- Relevant Time: [a.m.]/[p.m.] [•] time

- Interest Determination Date(s): [•]

(x) Digital Strike:	<u>Relevant Interest Payment Date:</u>	<u>Digital Strike:</u>
	[•]	[•]%
	[•]	[•]%

(xi) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [Actual/Actual (ICMA)] [30E/360] [30E/360 (ISDA)] [Not Applicable]

(xii) Minimum Interest Rate: [[•] per cent. per [•] [annum]] [Not Applicable]

(xiii) Maximum Interest Rate: [[•] per cent. per [•] [annum]] [Not Applicable]

(xii) Range Accrual: [Applicable] [Not Applicable]

Range Accrual Floating Rate

(1) - Reference Rate: [•]

- Relevant Currency: [•]

- Relevant Screen Page: [•]

- Relevant Financial Centre: [•]

- Relevant Time: [•]

- Lower Barrier: [•] [Not Applicable]

- Upper Barrier: [•] [Not Applicable]

- Observation Period Cut-off Date: [•] [As specified in the Conditions]

- Range Accrual Floating Rate: [Applicable] [Not Applicable]

- Fallback  
 Redemption  
 - Range Accrual [[•] Business Days] [As specified in the  
 Fallback Redemption  
 Redemption  
 Notice Period Conditions]
- (2) Observation [•] [As specified in the Conditions] [Not  
 Number of Applicable]  
 Business Days:
- (xv) Details of any short or long [•] [Not Applicable]  
 Relevant Interest Period:
18. Steeper Note Provisions: [Applicable]
- [Applicable subject to exercise of [Switch  
 Option]
- [Applicable following Automatic Interest  
 Switch]
- [Applicable in respect of the period from  
 and including [the Issue Date/the Interest  
 Payment Date falling in [•]] to but  
 excluding [the Interest Payment Date falling  
 in [•]][Switch Date][Automatic Switch  
 Date]
- [Not Applicable]
- (i) Interest Period(s): [•] [Not Applicable]
- (ii) Specified Period: [•] [Not Applicable]
- (iii) Interest Payment Date(s): [•]
- (iv) First Interest Payment [•]  
 Date:
- (v) Business Day Convention: [Following Business Day Convention]  
 [Modified Following Business Day  
 Convention/Modified Business Day  
 Convention] [Preceding Business Day  
 Convention] [FRN Convention/Floating  
 Rate Convention/Eurodollar Convention]  
 [No Adjustment]
- (vi) Business Centre(s): [•] [Not Applicable]
- (vii) Spread Linked Rate 1: CMS Rate Determination
- Specified Swap Rate: [ICE Swap Rate]
- [- Relevant Currency: [•]
- Designated Maturity: [1 year] [2 year] [5 year] [10 year] [20 year]  
 [30 year]
- Relevant Screen Page: [•]

- Relevant Time: [a.m.]/[p.m.] [•] time
- Interest Determination Date(s): [•]
- (vii) Spread Linked Rate 2: CMS Rate Determination
  - Specified Swap Rate: [ICE Swap Rate]
  - [- Relevant Currency: [•]
  - Designated Maturity: [1 year] [2 year] [5 year] [10 year] [20 year] [30 year]
  - Relevant Screen Page: [•]
  - Relevant Time: [a.m.]/[p.m.] [•] time
  - Interest Determination Date(s): [•]
- (viii) Leverage: [1][•]
- (ix) Spread: [zero][•%]
- (x) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [Actual/Actual (ICMA)] [30E/360] [30E/360 (ISDA)] [Not Applicable]
- (xi) Minimum Interest Rate: [[•] per cent. per [•] [annum]] [Not Applicable]
- (xii) Maximum Interest Rate: [[•] per cent. per [•] [annum]] [Not Applicable]
- (xiii) Range Accrual: [Applicable] [Not Applicable]
 

Range Accrual Floating Rate

  - (1) - Reference Rate: [•]
  - Relevant Currency: [•]
  - Relevant Screen Page: [•]
  - Relevant Financial Centre: [•]
  - Relevant Time: [•]
  - Lower Barrier: [•] [Not Applicable]
  - Upper Barrier: [•] [Not Applicable]
  - Observation Period Cut-off Date: [•] [As specified in the Conditions]

- Range Accrual Floating Rate Fallback Redemption [Applicable] [Not Applicable]
- Range Accrual Fallback Redemption Notice Period [[•] Business Days] [As specified in the Conditions]
- (2) Observation Number of Business Days: [•] [As specified in the Conditions] [Not Applicable]
- (xiv) Details of any short or long Relevant Interest Period: [•] [Not Applicable]
19. Inflation Linked Note Provisions: [Applicable]
- [Applicable subject to exercise of [Switch Option]
- [Applicable following Automatic Interest Switch]
- [Applicable in respect of the period from and including [the Issue Date/the Interest Payment Date falling in [•]] to but excluding [the Interest Payment Date falling in [•]][Switch Date][Automatic Switch Date]
- [Inflation Index Change is applicable] / [Inflation Index Factor is applicable]
- [Not Applicable]
- (i) Interest Period(s): [•] [Not Applicable]
- (ii) Specified Period: [•] [Not Applicable]
- (iii) Interest Payment Date(s): [•]
- (iv) First Interest Payment Date: [•]
- (v) Business Day Convention: [Following Business Day Convention] [Modified Following Business Day Convention/Modified Business Day Convention] [Preceding Business Day Convention] [FRN Convention/Floating Rate Convention/Eurodollar Convention] [No Adjustment]
- (vi) Business Centre(s): [•] [Not Applicable]
- (vii) Inflation Index: [•]
- (viii) Inflation Index Sponsor: [•]
- (ix) Initial Reference Month: [Single Initial Reference Month: [•]]

- [Relevant Interest Reference Month:]  
 Payment Date:]
- [•] [•]  
 [•] [•]
- [Relevant Number of Calendar Months: [•]]
- (x) Related Bond: [Applicable. Related Bond is [•]] [Not Applicable]
- (xi) Leverage: [1][•]
- (xii) Spread: [zero][•%]
- (xiii) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [Actual/Actual (ICMA)] [30E/360] [30E/360 (ISDA)] [Not Applicable]
20. Zero Coupon Note provisions: [Applicable] [Not Applicable]
- (i) Condition 4J: [Applicable] [Not Applicable]
- (ii) Accrual Yield: [•] per cent. per annum
- (iii) Zero Coupon Note Reference Price: [•]
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payments: [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [Actual/Actual (ICMA)] [30E/360 (ISDA)] [[(Condition 4C(b) (*Interest – Zero Coupon Note Provisions*))] [and] [Condition 5(g) (*Redemption and Purchase – Early Redemption of Zero Coupon Notes*) apply]]]
- (v) Business Day Convention: [Following Business Day Convention] [Modified Following Business Day Convention/Modified Business Day Convention] [Preceding Business Day Convention] [FRN Convention/Floating Rate Convention/Eurodollar Convention] [No Adjustment]
- (vi) Business Centre(s): [•] [Not Applicable]

**PROVISIONS RELATING TO REDEMPTION**

21. Issuer's optional redemption (Call Option): [Applicable] [Not Applicable]
- (i) Redemption Amount (Call Option): [The percentage per Calculation Amount as specified in the table below] [Fair Market Value]

[Optional Redemption Date (Call Option)]	[Redemption Amount (Call Option)]
--	-----------------------------------

[•]	[•]
[•]	[•]
[•]	[•]
[•]	[•]

(ii) Series redeemable in part: [[•] per Calculation Amount] [Fair Market Value]

(iii) Optional Redemption Date (Call Option): [•]

<u>[Optional Redemption Date (Call Option):</u>
[•]
[•]
[•]
[•]

(iv) Minimum Redemption Amount (Call Option): [[•] per Calculation Amount] [Not Applicable]

(v) Maximum Redemption Amount (Call Option): [[•] per Calculation Amount] [Not Applicable]

(vi) Series Amount: [Applicable] [Not Applicable]

22. Noteholder's optional redemption (Put Option): [Applicable] [Not Applicable]

(i) Redemption Amount (Put Option): [[•] per Calculation Amount] [Fair Market Value]

(ii) Optional Redemption Date (Put Option): [•]

(iii) Minimum Redemption Amount (Put Option): [[•] per Calculation Amount] [Not Applicable]

(iv) Maximum Redemption Amount (Put Option): [[•] per Calculation Amount] [Not Applicable]

23. Inflation Linked Redemption provisions: [Applicable] [Not Applicable]

(i) Inflation Index: [•]

(ii) Inflation Index Sponsor: [•]

(iii) Initial Valuation Date: [•]

- (iv) Initial Redemption Reference Month: [•]
- (iv) Final Redemption Reference Month: [•]
- (v) Final Redemption Floor: [•] [Not Applicable]
- (vi) Related Bond: [•] [As specified in the Conditions]]
24. Final Redemption Type: [Fixed Redemption]  
[Inflation Linked Redemption]
25. Fixed Redemption provisions: [Applicable] [Not Applicable]  
[Final Redemption Amount of each Note:] [[•] per Calculation Amount]  
[[•] per cent. of the Calculation Amount]
26. Instalment Notes: [Applicable] [Not Applicable]
- | Instalment Date(s) and corresponding Instalment Amount(s): | <i>Instalment Date</i> | <i>Instalment Amount</i> |
|--|------------------------|--------------------------|
|  | [•]                    | [•]                      |
27. Early Redemption Amount:
- (i) Early Redemption Amount upon redemption for taxation reasons: [[•] per cent. of the Calculation Amount]  
[Fair Market Value]  
*(Condition 5(d))* [Zero Coupon Accrual Yield and Reference Price]
- (ii) Early Redemption Amount upon early redemption for illegality: [[•] per cent. of the Calculation Amount]  
[Fair Market Value]  
*(Condition 5(h))* [Zero Coupon Accrual Yield and Reference Price]
- (iii) Early Redemption Amount upon redemption following inflation index disruption events: [[•] per cent. of the Calculation Amount]  
[Fair Market Value]  
*(Condition 7(g))* [Zero Coupon Accrual Yield and Reference Price]  
[Not Applicable]
- (iv) Early Redemption Amount following an Event of Default: [[•] per cent. of the Calculation Amount]  
[Fair Market Value]  
*(Condition 9)* [Zero Coupon Accrual Yield and Reference Price]
- [- Fair Market Value Floor: [Applicable] [Not Applicable]
- Fair Market Value Percentage: [[•] per cent.][Not Applicable]]

28. Taxation: [Condition 6B (*Taxation – Gross-up*) is applicable] [Condition 6B (*Taxation – Gross-up*) is not applicable]  
(*Condition 6*)

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

29. Form of Notes:
- (i) Form of Notes: [Bearer Notes] [Registered Notes] [Uncertificated Registered Notes]
30. New Global Note: [Yes] [No] [Not Applicable]
31. New Safekeeping Structure: [Yes] [No] [Not Applicable]
32. If issued in bearer form: [Applicable] [Not Applicable]
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: [Temporary] [Permanent] Global Note
- (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes: [Yes] [No] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only in limited circumstances specified in the Permanent Global Note]
- (iii) Permanent Global Note exchangeable at the option of the Issuer in circumstances where the Issuer would suffer a material disadvantage following a change of law or regulation: [Yes] [No. The Issuer waives its right to elect to exchange a Permanent Global Note for Definitive Notes in the circumstances described in paragraph (c) of the Permanent Global Note]
- (iv) Coupons to be attached to Definitive Notes: [Yes] [No] [Not Applicable]
- (v) Talons for future Coupons to be attached to Definitive Notes: [Yes] [No] [Not Applicable]
- (vi) Receipts to be attached to Definitive Notes: [Yes] [No] [Not Applicable]
33. Exchange Date for exchange of Temporary Global Note: [•] [Not earlier than 40 days after the Issue Date]
34. If issued in registered form: [Applicable] [Not Applicable]
- Initially represented by: [Global Registered Note] [Definitive Registered Notes] [Regulation S Global Registered Note]
35. Payments:
- (i) Relevant Financial Centre Day: [•]
- (ii) Business Centre(s) [In respect of the [Final Redemption Amount] [Early Redemption Amount] [Redemption Amount (Call Option)]]



- [Redemption Amount (Put Option)]  
[Instalment Amount] [•]]
- (iii) Payment of Alternative Payment Currency Equivalent: [Applicable [ - The rate of exchange between the Settlement Currency and Alternative Payment Currency will be expressed as the number of units of [Alternative Payment Currency/Settlement Currency] per one unit of [Settlement Currency/Alternative Payment Currency].]]  
[Not Applicable]
- Cross Currency Exchange Rate: [•]
- Cross Currency: [•]
- Cross Currency Jurisdiction: [•]
- Settlement Currency Jurisdiction: [•]
- Alternative Payment Currency: [•]
- Alternative Payment Currency Jurisdiction: [•]
- Alternative Payment Currency Fixing Page: [•]
- Alternative Payment Currency Fixing Time: [•]
- Alternative Payment Currency Fixing Date: [•] [Condition 1 applies] [The relevant [jurisdictions/places] for the purposes of the Alternative Payment Currency Fixing Date are [•]]
- Alternate Payment Settlement Days: [•] local banking days
- Offshore RMB Centre: [Hong Kong] [Singapore] [Taiwan] [•] [Not Applicable]
- (iv) Conversion provisions: [Applicable. [The Conversion Rate is [•]] [ - The rate of exchange between the Denomination Currency and Settlement Currency will be expressed as the number of units of [Denomination Currency/Settlement Currency] per one unit of [Settlement Currency/Denomination Currency].]] [Not Applicable]
- Conversion Rate Business Days: [•] [the definition in Condition 1 (*Definitions*) applies]
- Conversion Rate Fixing Date: [•] [the definition in Condition 1 (*Definitions*) applies]

- Conversion Currency Exchange Rate: [Applicable] [Not Applicable]
- Cross Currency: [•]
- Cross Currency Jurisdiction: [•]
- Conversion Rate Fixing Page: [•]
- Conversion Rate Fixing Time: [•]
- Denomination Currency Jurisdiction: [•]
- Settlement Currency Jurisdiction: [•]
- (v) Price Source Disruption: [Applicable] [Not applicable]
- FX Cut-off Date: [•] [Condition 1 applies]
- Number of local banking days for the purpose of postponing Related Payment Dates pursuant to Condition 9(f): [3] [•]
- Dealer Poll: [Applicable] [Not applicable]
- Unscheduled Holiday and Deferral Period: [The number of Relevant Currency Business Days for the purpose of the definition of Unscheduled Holiday in Condition 1 is [•] [and the number of calendar days for the purposes of the Deferral Period is [•] [as per Condition 1]]
- Interest Adjustment: [Applicable] [Not applicable]
- (vi) Prevailing Spot Rate: [Applicable] [Not Applicable]
- 36. Redenomination: [Applicable] [Not Applicable]

**CONFIRMED**

**HSBC BANK PLC**

By: .....

*Authorised Signatory*

Date: .....

**PART B – OTHER INFORMATION****1. LISTING**

- (i) Listing: [Application [will be] [has been] made to admit the Notes to listing on [the Official List of the United Kingdom Financial Conduct Authority][and][the official list of the Borsa Italiana S.p.A.]. No assurance can be given as to whether or not, or when, such application will be granted.] [Not Applicable]
- (ii) Admission to trading: [The Original Issue was admitted to trading on the regulated market of the London Stock Exchange plc on [•].] [Application [will be] [has been] made for the Notes to be admitted to trading on [the regulated market of the London Stock Exchange plc][and][the Electronic Bond Market, being the regulated market of the Borsa Italiana S.p.A. ("MOT")]. No assurance can be given as to whether or not, or when, such application will be granted.] [Not Applicable]
- [(iii) Estimated total expenses of admission to trading: [•]]

**2. [RATINGS]**

- Ratings: [The Notes are not rated.] [The Notes [have been][are expected on issue to be] rated [•]]
- [Standard & Poor's Credit Market Services Europe Limited: [•]]
- [Moody's Investors Service Limited: [•]]
- [Fitch Ratings Limited: [•]]

**3. [REASONS FOR THE OFFER AND USE OF PROCEEDS, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES AND TAXES SPECIFICALLY CHARGED TO THE SUBSCRIBER OR PURCHASER]**

- (i) Reasons for the offer and use of proceeds: [•]
- (ii) Estimated net proceeds: [•]
- (iii) Estimated total expenses and taxes specifically charged to the subscriber or purchaser: [•]

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

[The Notes may be on-sold by the Dealers to the Initial Authorised Offerors at a discount to the Issue Price of [up to] [•%]. Such discount (the "re-offer spread") will be retained by the Initial Authorised Offerors.]

[Save for any fees payable to the [Dealer(s)] [[Lead] Manager(s)] [and] [[S/s]ave for the re-offer spread retained by the Initial Authorised Offerors], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the [issue/offer]. The [Dealer(s)] [[Lead] Manager(s)] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.] [Not Applicable]

5. **[Fixed Rate Notes only – YIELD]**

Indication of yield: [•]

6. **[Floating Rate Notes only – HISTORIC INTEREST RATES]**

Information on past and future performance and volatility of the [BA] [BBR] [BUBOR] [CIBOR] [EIBOR] [EURIBOR] [HIBOR] [JIBAR] [LIBOR] [MOSPRIME] [NIBOR] [PRIBOR] [SAIBOR] [SIBOR] [SOR] [STIBOR] [TELBOR] [TIBOR] [TIIE] [TRLIBOR] [WIBOR] interest rates can be obtained from [Reuters] [•].]

7. **[PERFORMANCE OF RATE[S] OF [CONVERSION] [EXCHANGE]]**

Information on past and future performance and volatility of the [•] [conversion] [exchange] rate[s] can be obtained from [Reuters] [•].]

8. **[PERFORMANCE OF INFLATION INDEX AND OTHER INFORMATION CONCERNING THE INFLATION INDEX]**

[•]

[[Bloomberg Screen [•]] [Reuters Screen [•] Page] [•]: "[•]" [and] [•]]

9. **DISTRIBUTION**

(i) If syndicated, name[s] and [•] address[es] of Dealers [and underwriting commitments]:

(ii) Date of subscription [•] agreement:

(iii) Indication of the overall [•] per cent. of the Aggregate Nominal amount of the underwriting Amount [of the Tranche]] [Not Applicable] commission and of the placing commission:

10. If non-syndicated, name and [•] address of Dealer:

11. TEFRA Rules applicable to Bearer Notes: [TEFRA C Rules] [TEFRA D Rules] [TEFRA Not Applicable]

12. Public Offer: [Applicable][Not Applicable]

(i) Details of the Public Offer: An offer of this Tranche of Notes may be made by the Dealers [and [•]] ([together with the Dealers,] the "**Initial Authorised Offeror[s]**") [and any other Authorised Offerors published on the Issuer's website [www.hsbc.com](http://www.hsbc.com) (*following links to 'Investor relations', 'Fixed income securities', 'Issuance programmes'*) other than pursuant to Article 3(2) of the Prospectus Directive

in [the United Kingdom] [Italy] (the "**Public Offer Jurisdiction[s]**") during the period from and including [•] until but excluding [•] (the "**Offer Period**").

- (ii) Conditions attached to the consent to use the Prospectus: [•] [Not Applicable]

#### OPERATIONAL INFORMATION

13. ISIN Code: [•] [Not Applicable]
14. Common Code: [•] [Not Applicable]
15. Valoren Number: [•] [Not Applicable]
16. SEDOL: [•] [Not Applicable]
17. WKN: [•] [Not Applicable]
18. Clearing System: [Euroclear] [Clearstream, Luxembourg] [CREST]
19. Delivery: Delivery [against] [free of] payment
20. Principal Agent/Registrar/Issue Agent/Transfer Agent: Paying [•] [HSBC Bank plc]
21. Additional Paying Agent(s) (if any): [•] [Not Applicable]
22. Common Depository: [HSBC Bank plc] [Not Applicable]
23. Common Safekeeper: [HSBC Bank plc] [Not Applicable]
24. Calculation Agent: [•] [HSBC Bank plc] [HSBC France]

#### TERMS AND CONDITIONS OF THE OFFER

25. Offer Price: [Issue Price] [•]
26. Total amount of the issue/offer; if the amount is not fixed, description of the arrangements and time for announcing to the public the definitive amount of the offer: [•] [Not Applicable]
27. The time period, including any possible amendments, during which the offer will be open: [•] [Not Applicable]
28. Conditions to which the offer is subject: [•] [Not Applicable]

29. Description of the application process: [•] [Not Applicable]
30. Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [•] [Not Applicable]
31. Details of the minimum and/or maximum amount of application: [•] [Not Applicable]
32. Details of the method and time limits for paying up the securities and delivering of the securities: [•] [Not Applicable]
33. Manner in and date on which results of the offer are to be made public: [•] [Not Applicable]
34. Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [•] [Not Applicable]
35. Whether tranche(s) have been reserved for certain countries: [•] [Not Applicable]
36. Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [•] [Not Applicable]
37. Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [•] [Not Applicable]
38. Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [•] [Not Applicable]
39. Name and address of any paying agents and depositary agents in each country: [•] [Not Applicable]
40. Name and address if the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment: [•] [Not Applicable]

**[SUMMARY]**

*(Issuer to annex form of issue-specific summary to the Final Terms)*

## **USE OF PROCEEDS**

*This section provides details of what the Issuer intends to do with the subscription monies it receives for the Notes it issues.*

Unless otherwise specified in the relevant Final Terms, the net proceeds from each issue of Notes will be used by the Issuer for profit making or risk hedging purposes.

## TAXATION

*This section provides a summary of the withholding tax position in relation to the Notes in the United Kingdom, Italy and also provides information in relation to the proposed financial transactions tax and a summary of the U.S. tax position in relation to the Notes.*

**Transactions involving the Notes may have tax consequences for investors which may depend, amongst other things, upon the status of the investor and laws relating to transfer and registration taxes. Investors who are in any doubt about the tax position of any aspect of transactions involving the Notes should consult their own tax advisers.**

### UNITED KINGDOM

#### United Kingdom Taxation – Notes

*The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest and certain other payments in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with any other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Noteholders should be aware that the particular terms of issue of any Series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other Series of Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

#### (A) United Kingdom Withholding Tax – Interest

1. Any payments made with respect to the Notes which are considered to be payments of interest for United Kingdom taxation purposes and where such Notes are issued for a term of less than one year (and which are not issued under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax.
2. Notes issued by the Issuer which carry a right to interest will constitute "**quoted Eurobonds**" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. Whilst the Notes are and continue to be quoted Eurobonds, payments on such Notes which are considered to be payments of interest for United Kingdom tax purposes may be made without withholding or deduction for or on account of United Kingdom income tax. Notes will be regarded as "listed on a recognised stock exchange" for this purpose if (and only if) they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part VI of the FSMA) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. The London Stock Exchange is a recognised stock exchange for these purposes, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the regulated market of the London Stock Exchange. The Borsa Italiana S.p.A. is also a recognised stock exchange for these purposes. The Issuer's understanding of current HMRC practice is that securities which are officially listed on the Borsa Italiana S.p.A. and are admitted to trading on the Electronic Bond Market, being the regulated market of the Borsa Italiana S.p.A.



(also known as the "MOT") may be regarded as "listed on a recognised stock exchange" for these purposes.

3. In addition to the exemptions set out in paragraphs 1 and 2 above, payments on the Notes which are considered to be interest for United Kingdom taxation purposes may be paid without withholding or deduction for or on account of United Kingdom income tax so long as the Issuer is a "bank" for the purposes of section 878 of the Income Tax Act 2007 and so long as such payments are made by the Issuer in the ordinary course of its business. In accordance with HMRC's Statement of Practice 4/96, such payments will be accepted as being made by the Issuer in the ordinary course of its business unless either:
  - (a) the borrowing in question conforms to any of the definitions of additional tier 1 or tier 2 capital adopted by the United Kingdom Prudential Regulation Authority whether or not it actually counts towards additional tier 1 or tier 2 capital for regulatory purposes; or
  - (b) the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid United Kingdom tax.

In a technical note published in December 2013 in connection with the introduction of an exemption from withholding for regulatory capital securities, HMRC announced that Statement of Practice 4/96 will be withdrawn in due course and guidance will be issued reflecting HMRC's views on certain matters described therein.

4. In all other cases, falling outside the exemptions described in paragraphs 1, 2 and 3 above, payments on the Notes which are considered to be interest for United Kingdom tax purposes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty or to any other exemption which may apply.
5. Any payments made by the Issuer under the Deed of Covenant may not qualify for the exemptions from United Kingdom withholding tax described above.

**(B) United Kingdom Withholding Tax – Other Payments**

Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment, a manufactured payment, rent or similar income or royalties for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to any exemption from withholding which may apply and to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double tax treaty.

**(C) Other Rules Relating to United Kingdom Withholding Tax**

1. Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements.
2. Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.
3. Where interest or any other payment has been paid under deduction of United Kingdom income tax, Noteholders or Couponholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

4. The references to "**interest**" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Noteholders or Couponholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.
5. The above summary under the heading of "*United Kingdom Taxation – Notes*" assumes that there will be no substitution of the Issuer pursuant to Condition 14 (*Meetings of Noteholders, Modification and Substitution*) of the Notes and does not consider the tax consequences of any such substitution.

## ITALY

### Italy Taxation - Notes

*The following is a general overview of certain tax consequences of acquiring, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to the decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. This section is based upon Italian tax laws and/or practice in force as at the date of this Base Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. The Issuer will not update this section to reflect changes in law and, if any such change occurs, the information in this section could be superseded.*

*Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.*

### General

Legislative Decree No. 239 of 1 April 1996, as subsequently amended ("**Decree No. 239**") sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") deriving from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by non-Italian resident issuers. The provisions of Decree No. 239 only apply to notes issued by the Issuer to the extent that they qualify as bonds or debentures similar to bonds pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented.

For these purposes, debentures similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation of the issuer to pay at maturity an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

Otherwise, Notes that do not qualify as debentures similar to bonds are characterised for Italian tax purposes as "atypical securities" and as such regulated by Law Decree No. 512 of 30 September 1983.

### Notes qualifying as debenture similar to bonds

#### Italian Resident Noteholders

Pursuant to Decree No. 239, where the Italian resident Noteholder, who is the beneficial owner of the Notes, is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the asset management regime ("*risparmio gestito*" regime)

pursuant to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended ("**Decree No. 461**"), or

- (b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or professional associations, or
- (c) a private or public institution (other than companies), trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or
- (d) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent., either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes. All the above categories are qualified as "net recipients".

Where the resident holders of the Notes described in (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Pursuant to Decree No. 239, the 26 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so called "SIMS"), fiduciary companies, *società di gestione del risparmio*, stockbrokers and other qualified entities resident in Italy ("**Intermediaries**", and each, an "**Intermediary**") or by permanent establishments in Italy of a non Italian resident Intermediary, that intervene, in any way, in the collection of Interest or, also as transferees, in transfers or disposals of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant notes or in a change of the Intermediary with which the notes are deposited.

Where the Notes and the relevant coupons are not deposited with an authorised Italian Intermediary (or with a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the holders of the Notes.

Payments of Interest in respect of Notes that fall within the definitions set out above are not subject to the 26 per cent. *imposta sostitutiva* if made to beneficial owners who are:

- (a) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;
- (b) Italian resident partnerships carrying out commercial activities ('*società in nome collettivo*' or '*società in accomandita semplice*');
- (c) Italian resident open-ended or closed-ended collective investment funds (together, the "**Funds**", and each, a "**Fund**"), SICAVs, Italian resident pension funds referred to in Legislative Decree No. 252 of 5th December, 2005 ("**Decree No. 252**"), Italian resident real estate investment funds, investment companies with fixed capital (SICAFs); and
- (d) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial Intermediary and have opted for the asset management regime ('*regime del risparmio gestito*').

Such categories are qualified as "gross recipients".

To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, gross recipients indicated above under (a) to (d) must:

- (a) be the beneficial owners of payments of Interest on the Notes, and

- (b) deposit the Notes in due time, together with the coupons relating to such Notes, directly or indirectly with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary).

Gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes would be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for purposes of regional tax on productive activities – IRAP) of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the asset management regime (*regime del risparmio gestito*) are subject to a 26 per cent. annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised Intermediary.

If the investor is resident in Italy and is a Fund, a SICAF or a SICAV and the relevant Notes are held by an authorised intermediary, Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the financial results of the Fund, SICAF or SICAV. The Fund, SICAF or SICAV will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the withholding tax was 20 per cent. with reference to any proceeds accrued by 30 June 2014) (the "**Collective Investment Fund Substitute Tax**").

Where a Noteholder is an Italian resident real estate investment fund, to which the provisions of Law Decree No. 351 of 25th September, 2001, as subsequently amended, apply, or a SICAF, Interest accrued on the Notes will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or SICAF. The income of the real estate fund or SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an Italian resident intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. annual substitute tax (the "**Pension Fund Tax**"). As of 1 January 2015, Italian pension funds benefit from a tax credit equal to 9 per cent. of the result of the relevant portfolio accrued at the end of the tax period, provided that such pension funds invest in certain medium long term financial assets as identified with the Ministerial Decree of 19 June 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.

#### **Non-Italian resident Noteholders**

Interest payments relating to Notes received by non-Italian resident beneficial owners are not subject to taxation in Italy.

If the Notes are deposited with an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign Intermediary) or are sold through an Italian Intermediary (or permanent establishment in Italy of foreign Intermediary) or in any case an Italian resident Intermediary (or permanent establishment in Italy of foreign Intermediary) intervenes in the payment of Interest on such Notes, to ensure payment of Interest without application of Italian taxation, a non-Italian resident Noteholder may be required to produce to the Italian bank or other intermediary a statement (*autocertificazione*) stating that he or she is not resident in Italy for tax purposes.

#### **Notes qualifying as atypical securities**

Notes that do not qualify as *obbligazioni* (bonds) or as *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44, paragraph 2, lett. c) of Decree No. 917 are characterised for Italian tax purposes as "atypical securities". Pursuant to Article 44 of Decree No. 917, securities can be qualified, for income tax purposes, as *titoli similari alle obbligazioni* (securities similar to bonds) only to the extent that they incorporate an unconditional obligation to pay at maturity or upon redemption (to the Noteholder) an amount not less than therein indicated without providing any right to the Noteholders to participate in, or to control, the activity carried on by the Issuer.

Income of any kind, including interest and any sum paid to Noteholders at maturity in excess over the issue price and relating to Notes characterised as "atypical securities" are subject to withholding tax levied at the rate of 26 per cent. (20 per cent. with reference to any Interest due and payable up to 30 June 2014) - final or in advance, depending on the "status" and tax residence of the Noteholder - pursuant to Article 5 of Law Decree no. 512 of 30 September 1983, converted into law with amendments by Law No 649 of 25 November 1983. More in details, where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity, (d) an Italian commercial partnership, or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax.

For the sake of completeness it is worth pointing out that non-Italian resident Noteholders may be entitled to claim, if certain relevant conditions are met, a reduction of such 26 per cent. (20 per cent. with reference to any Interest due and payable up to 30 June 2014) withholding tax under the double taxation treaty (generally, to 10 per cent. or to the other applicable rates, if more favourable), if any, entered into by Italy and its country of residence, subject to timely filing of required documentation.

### Capital Gains

Pursuant to Decree No. 461, a 26 per cent. substitute tax on capital gains referred to as "*imposta sostitutiva*" is applicable to capital gains realised by:

- (a) an Italian resident individual not engaged in entrepreneurial activities to which the Notes are connected;
- (b) an Italian resident partnership not carrying out commercial activities;
- (c) an Italian private or public institution not carrying out mainly or exclusively commercial activities; or
- (d) on any sale or transfer for consideration of the Notes or redemption thereof.

Under the so called "tax declaration regime" (*regime della dichiarazione*), which is the standard regime for taxation of capital gains, the 26 per cent. *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realised pursuant to all investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding fiscal year. Pursuant to Law Decree No. 66 of 24 April 2014, as subsequently amended, ("**Decree No. 66**"), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Alternatively to the tax declaration regime, holders of the Notes who are:

- (a) Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected;
- (b) Italian resident partnerships not carrying out commercial activities;

(c) Italian private or public institutions not carrying out mainly or exclusively commercial activities, may elect for the administered savings regime (*'risparmio amministrato'* regime) to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes. Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the administered savings regime being made in writing in due time by the relevant holder of the Notes. The Intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes. Where a sale or transfer or redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014. Under the administered savings regime, the realised capital gain is not required to be included in the annual income tax return of the Noteholder.

Special rules apply if the Notes are part of a portfolio managed in an asset management regime (*'risparmio gestito'* regime) by an Italian asset management company or an authorised intermediary. The capital gains realised upon sale, transfer or redemption of the Notes will not be subject to 26 per cent. *imposta sostitutiva* on capital gains but will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year end may be carried forward against appreciation accrued in each of the following years up to the fourth. Pursuant to Decree No. 66, depreciations of the managed assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of: (i) 48.08 per cent. of the relevant depreciations in value registered before 1 January 2012; (ii) 76.92 per cent. of the depreciations in value registered from 1 January 2012 to 30 June 2014. Also under the asset management regime the realised capital gain is not required to be included in the annual income tax return of the Noteholder.

In the case of Notes held by Funds, SICAFs and SICAVs, capital gains on Notes contribute to determinate the increase in value of the managed assets of the Funds, SICAFs or SICAVs accrued at the end of each tax year. The Funds, SICAFs or SICAVs will not be subject to taxation on such increase, but the Collective Investment Fund Substitute Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Any capital gains realised by a Noteholder that is an Italian real estate fund to which the provisions of Law Decree No. 351 of 25th September, 2001, as subsequently amended, apply, or a SICAF, shall not be subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund or SICAF. The income of the real estate fund or SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realised by a Noteholder that is an Italian pension fund (subject to the regime provided for by article 17 of the Decree No. 252) will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax. As of 1 January 2015, Italian pension funds benefit from a tax credit equal to 9 per cent. of the result of the relevant portfolio accrued at the end of the tax period, provided that the pension fund invests in certain medium long term financial assets as identified with the Ministerial Decree of 19 June 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non Italian resident corporations to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

The 26 per cent. *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23 of Presidential Decree No. 917 of 22 December 1986 (Decree No. 917), any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration (*autocertificazione*) of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

- (a) pursuant to the provisions of Decree No. 461 non Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes, in a state or territory listed in the Italian Ministerial Decree dated 4th September, 1996, as amended and supplemented by Italian Ministerial Decree dated 9 August, 2016 (the "**White List**"). According to Article 11, par. 4, let. c), of Decree 239, the White List will be updated every six months period. Under these circumstances, if non Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the asset management regime or are subject to the administrative savings regime, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies where the beneficial owners of the Notes are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, inter alia, the official reserves of a foreign State; and
- (b) in any event, non Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

### **Inheritance and Gift Tax**

The transfer of any valuable assets (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

- (a) 4 per cent. if the transfer is made to spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding euro 1,000,000 (per beneficiary);
- (b) 6 per cent. if the transfer is made to brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding euro 100,000 (per beneficiary);
- (c) 6 per cent. if the transfer is made to relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree;
- (d) 8 per cent. in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding euro 1,500,000.

Moreover, an anti-avoidance rule is provided by Law No. 383 of 18 October 2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to the substitute tax (*imposta sostitutiva*) provided for by Decree No. 461 of 21 November 1997. In particular, if the donee sells the Notes for consideration within five years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift has never taken place.

### **Stamp duty**

According to Article 13 par. 2/ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October, 1972, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to their clients in respect of any Notes which may be deposited with such financial intermediary in Italy. The stamp duty applies at a rate of 0.2 per cent. and it cannot exceed €14,000 for taxpayers which are not individuals. This stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable on a pro-rata basis.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

### **Wealth tax on financial assets deposited abroad**

According to Article 19 of Decree No. 201/2011, Italian resident individuals holding financial assets – including the Notes – outside of the Italian territory are required to pay a wealth tax at the rate of 0.2 per cent. This tax is calculated on the market value at the end of the relevant year or – if no market value figure is available – on the nominal value or redemption value, or in the case the nominal or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes) held outside of the Italian territory.

### **Tax monitoring obligations**

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended by Law No. 97 of 6 August 2013 and subsequently amended by Law No. 50 of 28 March 2014, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy who hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to Notes deposited for management with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries.

### **Implementation in Italy of the Council Directive 2003/48/EC**

Italy has implemented the Council Directive 2003/48/EC on the taxation of savings income (the EU Savings Directive) through Legislative Decree No. 84 of 18th April, 2005 ("**Decree No. 84**"). Under Decree 84, subject to a number of important conditions being met, Italian qualified paying agents shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.



On 10 November 2015, the Council of the European Union approved the Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) which has repealed the EU Savings Directive from 1 January 2016 in the case of Italy.

Council Directive 2015/2060/EU has been implemented in the Italian legislation by Art.28 of Law 7 July 2016, n.122 (published in the Official Journal of Italy on 8 July 2016) with effect from 1 January 2016, with the exception of the obligations provided for by art.1, paragraphs 1 and 3, of Legislative Decree 18 April 2005, n.84, which continue to apply until 30 April 2016.

#### **EU TAXATION – PROPOSED FINANCIAL TRANSACTIONS TAX ("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). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope. If introduced in the form proposed on 14 February 2013, it could apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the 14 February 2013 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.

However, the Commission's Proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

**Transactions involving the Notes may have tax consequences for purchasers which may depend, amongst other things, upon the status of the purchaser and laws relating to transfer and registration taxes. Purchasers who are in any doubt about the tax position of any aspect of transactions involving the Notes should consult their own tax advisers.**

#### **WITHHOLDING OF U.S. TAX ON ACCOUNT OF FATCA**

The United States has enacted rules, commonly referred to as "FATCA", that generally impose a new reporting and withholding regime with respect to certain U.S. source payments (including dividends and interest), gross proceeds from the disposition of property that can produce U.S. source interest and dividends and certain payments made by, and financial accounts held with, entities that are classified as financial institutions under FATCA.

The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with the United Kingdom (the "**IGA**"). Under the IGA, as currently drafted, the Issuer does not expect non-U.S. source payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future.

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 the Issuer, any paying agent or the common depositary, given that each of the entities in the payment chain beginning with the Issuer and ending with the ICSDs is a major financial institution whose business is dependent on compliance and participation with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the securities 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 withholding. However, definitive Notes will only be printed in remote circumstances. An investor should be aware that if any payments in relation to a Note were subject to withholding or deduction under FATCA, the Issuer would have no obligation to pay any additional amounts in relation to such withholding or deduction in accordance with Condition 6 (*Taxation*) of the Notes.

## SUBSCRIPTION AND SALE OF THE NOTES

*This section sets out details of the arrangements between the Issuer and the Dealer(s) as to the offer and sale of Notes and summarises selling restrictions that apply to the offer and sale of Notes in various jurisdictions.*

### General

- (1) The Dealer has, in a Master Note Issuance Agreement, agreed with the Issuer a basis upon which it may from time to time agree either as principal or agent of the Issuer to subscribe for or purchase, to underwrite or, as the case may be, to procure subscribers or purchasers for Notes. When entering into any such agreement to subscribe for or purchase, to underwrite, or as the case may be, to procure subscribers for or purchasers for any particular Series of Notes, the Issuer and the relevant Dealer(s) will agree details relating to the form of such Notes and the Conditions relating to such Notes, the price at which such Notes will be purchased by the relevant Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription or purchase. The Master Note Issuance Agreement contains provisions for the Issuer to appoint other Dealers from time to time either generally in respect of the Programme or in relation to a particular Tranche of Notes.
- (2) No action has been or will be taken in any country or jurisdiction by the Issuer or the relevant Dealer(s) that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required other than in the United Kingdom. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the relevant Dealer(s) 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 this Base Prospectus or any Final Terms or related offering material, in all cases at their own expense.

### Dubai International Financial Centre

The Notes have not been and may not be offered to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the "**DFSA**"); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module.

### European Economic Area

#### *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**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State may not be made except that, with effect from and including the Relevant Implementation Date, an offer of such Notes to the public in that Relevant Member State may be made:

- (a) **Approved prospectus**: if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus which is not a drawdown prospectus has subsequently been completed by the Final Terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period

beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

- (b) **Qualified investors:** at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) **Fewer than 150 offerees:** 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
- (d) **Other exempt offers:** 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 (b) to (d) 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 only, 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 measures implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including, by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

#### **Selling Restrictions Addressing Additional France Securities Laws**

Notes may not be offered or sold, directly or indirectly, nor may this Base Prospectus, any relevant Final Terms or any other offering material relating to the Notes be distributed or caused to be distributed to the public in France. An offer of Notes to the public in France will be made only in compliance with the Prospectus Directive and the applicable laws, regulations and procedures in France and formalities required by French laws and regulations to permit the offering and sale of Notes in France.

For the purposes of this provision only, the expression "**the public in France**" does not include (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, investing for their own account, all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier* and other applicable regulations.

#### **Selling Restrictions Addressing Additional Republic of Italy Securities Laws**

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly no Notes may be offered, sold or delivered, and no copies of this Base Prospectus and any other document relating to the Notes may be distributed, in the Republic of Italy except:

- (1) to "**qualified investors**", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended ("**Decree No. 58**"), and defined in article 34-ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**");
- (2) that Notes may be offered, sold or delivered, or copies of any prospectus relating to such Notes may be distributed, in an offer to the public in the period commencing on the date of publication of such prospectus, **provided that** such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Directive, as implemented in Italy under Decree No. 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of approval of such prospectus; and
- (3) in any other circumstances where an express exemption from compliance with the solicitation restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

*Provisions relating to the secondary market in Italy*

Investors should also note that, in any subsequent distribution of the Notes in the Republic of Italy (with a minimum denomination lower than EUR100,000 or its equivalent in another currency), Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Notes are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Notes were purchased, unless an exemption provided for under Decree No. 58 applies.

***Selling Restrictions Addressing Additional Netherlands Securities Laws***

Zero Coupon Instruments (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Instrument in global form, or (b) in respect of the initial issue of Zero Coupon Instruments in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Instruments in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Instruments within, from or into The Netherlands if all Zero Coupon Instruments (either in definitive form or as rights representing an interest in a Zero Coupon Instrument in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein, "**Zero Coupon Instruments**" are instruments that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

***Selling Restrictions Addressing Additional Norway Securities Laws***

Notes denominated in Norwegian Krone (NOK) may not be offered or sold, directly or indirectly, within the Kingdom of Norway or to or for the benefit of Norwegian purchasers. Each purchaser of Notes denominated in Norwegian Krone (NOK) will be deemed to have acknowledged, represented and agreed that such Notes may not be offered or resold within the Kingdom of Norway or to or for the benefit of Norwegian purchasers.

***Selling Restrictions Addressing Additional Kingdom of Spain Securities Laws***

Notes may not be offered, sold or distributed in the Kingdom of Spain save in accordance with the requirements of the consolidated text of the approved by legislative Royal Decree 4/2015 of 23 October Law approved by legislative Royal Decree 4/2015 of 23 October (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (the "**Securities Market Law**") as amended and restated, and Royal Decree 1310/2005, of 4 November 2005, partially developing Law 24/1988, of 28 July, on the Securities Market in connection with listing of securities in secondary official markets, initial purchase offers, rights issues and the prospectus required in these cases (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de Julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), as amended and restated, and the decrees and regulations made thereunder and by institutions authorised

under the Securities Market Law and Royal Decree 217/2008, of 15 February, on the legal regime applicable to investment services companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión y por el que se modifica parcialmente el Reglamento de la Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva, aprobado por el Real Decreto 1309/2005, de 4 de noviembre*), as amended and restated, to provide investment services in Spain.

#### ***Selling Restrictions Addressing Additional United Kingdom Securities Laws***

An invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) may only be communicated or caused to be communicated in connection with the issue or sale of Notes in circumstances in which section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer.

All applicable provisions of the FSMA must be complied with in respect of anything done in connection with the Notes in, from or otherwise involving the United Kingdom.

#### **Hong Kong**

Notes (except for Notes which are a "**structured product**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) may not be offered or sold in Hong Kong by means of any document other than:

- (a) to "**professional investors**" as defined in the Securities and Futures Ordinance of Hong Kong and any rules made under that Ordinance; or
- (b) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies (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.

No 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) may be issued or held in the possession of the Issuer or any Dealer or any other offeror nominated by the Issuer for the purpose of such issue of Notes, whether in Hong Kong or elsewhere, 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, accordingly, Notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

#### **Kingdom of Bahrain**

The Notes have not been and may not be offered or sold except on a private placement basis to persons in the Kingdom of Bahrain who are an "**accredited investor**".

For this purpose, an "**accredited investor**" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more; or
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or

- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

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

The Notes may only be invested in by PRC investors that are authorised to engage in investing in the Notes of the type being offered or sold. Investors are responsible for obtaining all relevant government approvals, verifications, licenses or registrations (if any) from all relevant PRC governmental authorities, including, but not limited to, the State Administration of Foreign Exchange and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/ or overseas investment regulations.

### **Russia**

The Notes have not been and will not be offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian law.

Notwithstanding the above, this Base Prospectus may be distributed to persons in the Russian Federation in a manner that does not constitute an advertisement or offering (each as defined under Russian law) of the Notes in the Russian Federation.

### **Singapore**

This Base Prospectus has not been registered and will not be registered as a prospectus with the Monetary Authority of Singapore. The Notes may not be offered or sold, nor may the Notes be the subject of an invitation for subscription or purchase, whether directly or indirectly, nor may this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore (the "SFA"))) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) 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; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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

1. to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person pursuant to an offer referred to in Section 275(1A) of the SFA or Section 276(4)(i)(B) of the SFA;
2. where no consideration is or will be given for the transfer;
3. where the transfer is by operation of law;
4. as specified in Section 276(7) of the SFA; or

5. as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

#### Switzerland

**The Notes do not constitute participations in a collective investment scheme within the meaning of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 ("CISA"). Therefore, the Notes are not subject to the approval of, or supervision by, the Swiss Financial Market Supervisory Authority FINMA ("FINMA"), and investors in the Notes will not benefit from protection under the CISA or supervision by FINMA.**

Neither this Base Prospectus nor any offering or marketing material relating to the Notes constitute a prospectus within the meaning of (i) Articles 652a or Article 1156 of the Swiss Federal Code of Obligations, (ii) Article 5 CISA and its implementing regulations or (iii) Article 21 of the Additional Rules for the Listing of Derivatives of SIX Swiss Exchange.

However, the Issuer reserves the right to set forth all information which may be required to be disclosed in a simplified prospectus pursuant to Article 5 CISA in a separate document referred to as "Final Terms" and/or "Simplified Prospectus" (the "**Simplified Prospectus**") for Notes distributed (such term including any offering and advertising) to qualified investors according to Article 10 Paras. 3 to 4 CISA ("**Qualified Investors**") or non-qualified investors within the meaning of Article 5 Para 1 CISA ("**Non-Qualified Investors**").

Except as described in this section, Notes constituting structured products within the meaning of Article 5 CISA ("**Structured Products**") may not be distributed to Non-Qualified Investors in or from Switzerland. They may only be distributed in or from Switzerland to Qualified Investors.

Any Notes constituting Structured Products which are intended to be distributed to Non-Qualified Investors in or from Switzerland may only be offered or advertised in accordance with the provisions of the CISA and its implementing regulations. In particular, Structured Products which are not listed on SIX Swiss Exchange ("**Unlisted Structured Products**") may only be distributed in or from Switzerland to Non-Qualified Investors if (i) they are issued, guaranteed or secured in an equivalent manner by (A) a Swiss bank, insurance company or securities dealer or (B) a foreign institution which is subject to equivalent standards of supervision and has a branch in Switzerland; and (ii) a Simplified Prospectus complying with Article 5 CISA, its implementing regulations and the Swiss Banking Guidelines on Informing Investors about Structured Products (as amended from time to time) is available. A provisional version of such Simplified Prospectus including indicative information must be made available free of charge to any interested person prior to subscribing for the Notes or prior to concluding an agreement to subscribe for the Notes. The definitive version must be made available free of charge to any interested person on issue or on concluding an agreement to subscribe for the Notes.

Notes constituting Unlisted Structured Products which are not intended to be distributed to Non-Qualified Investors in or from Switzerland may only be distributed in or from Switzerland to Qualified Investors and any Final Terms, Simplified Prospectuses, term sheets, fact sheets, or any other marketing material of products which are to be sold exclusively to Qualified Investors may not be distributed, copied, published or otherwise made public or available for Non-Qualified Investors.

Notes issued under this Programme which do not qualify as Structured Products may only be offered in or from Switzerland and Qualified Investors on a private placement basis.

#### Taiwan

Notes shall not be distributed, offered or sold in Taiwan but may be made available to Taiwan investors outside Taiwan for purchase by such investors either directly or through such financial institutions as may be authorized under the laws of Taiwan and only pursuant to the relevant laws, regulations and self-regulatory guidelines as may be applicable to them.



**United Arab Emirates (excluding the Dubai International Financial Centre)**

The Notes have not been and may not be offered, sold or publicly promoted or advertised in the United Arab Emirates (the "UAE") other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

**United States of America**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bearer Notes 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 a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Master Note Issuance Agreement, (a) it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes of a Tranche, as certified to the Principal 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 the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and (b) it will send to each dealer to which it sells Notes during the periods referred to in (a)(i) and (ii) above 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.

In addition, until 40 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.

## GENERAL INFORMATION

*This section provides additional, general disclosure in relation to the Programme.*

1. The continuation of the Programme and the issue of Notes under the Programme have been duly authorised by and pursuant to a resolution of the board of directors of the Issuer (the "**Board**") passed on 16 February 2016.
2. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg, and may also be accepted for clearance through CREST. The appropriate the International Securities Identification Number ("**ISIN**"), common code ("**Common Code**"), Valoren number ("**Valoren Number**"), Stock Exchange Daily Official List ("**SEDOL**") number and/or Wertpapierkennnummer ("**WKN**") in relation to the Notes of each Series will be set out in the relevant Final Terms. The address of Euroclear Bank SA/NV is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium. The address of Clearstream Banking, *société anonyme* is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of Euroclear UK and Ireland Limited is Watling House, 33 Cannon St, London EC4M 5SB, United Kingdom.
3. Settlement arrangements will be agreed between the Issuer, the relevant Dealers and the Registrar (where applicable) and the Principal Paying Agent.
4. In relation to the Issuer, any transfer of, or payment in respect of, a Note, Coupon or Receipt may be subject to restrictions under financial sanctions or other similar measures if any such action involves (i) any person or body, or the government of any country, who or which is at the relevant time the subject of United Nations, European Union, United Kingdom or United States financial sanctions or other similar measures, (ii) any person or body resident in, incorporated in or constituted under the laws of, or carrying on business in, any such country or exercising public functions in any such country, or (iii) any person or body owned or controlled by any of the foregoing or by any person acting on behalf of the foregoing.
5. Generally, any notice, document or information to be sent or supplied by the Issuer to its shareholder(s) may be sent or supplied in accordance with the Companies Act 2006 (the "**Act**") (whether authorised or required to be sent or supplied by the Act or otherwise) in hard copy form or in electronic form. If at any time by reason of the suspension or curtailment of postal services within the United Kingdom the Issuer is unable effectively to convene a general meeting by notices sent through the post, subject to the Act, a general meeting may be convened by a notice advertised in at least one United Kingdom national newspaper. Such notice shall be deemed to have been duly served on all members entitled thereto at noon on the day on which the advertisement first appears. In any such case the Issuer shall send confirmatory copies of the notice by post if at least seven days prior to the meeting the posting of notices to addresses throughout the United Kingdom again becomes practicable.
6. Notices to the Noteholders are made in accordance with the Conditions of the relevant Notes.
7. In relation to each Tranche of Notes, the indication of yield (if any) referred to in the relevant Final Terms will be calculated at the Issue Date of such Tranche on the basis of the Issue Price of such Tranche. It is not an indication of future yield.
8. Any tranche of Notes intended to be admitted to listing on the Official List of the FCA and admitted to trading on the regulated market of the London Stock Exchange will be so admitted to listing and trading upon submission to the FCA and the London Stock Exchange of the relevant Final Terms and any other information required by the FCA and/or the London Stock Exchange, subject in each case to the issue of the relevant Notes. Prior to listing and admittance to trading of Notes, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the date of the transaction.
9. Application may be made for a listing of Notes on Borsa Italiana S.p.A. and admission to trading on the Electronic Bond Market, being the regulated market of the Borsa Italiana S.p.A. ("**MOT**").
10. There has been no significant change in the financial or trading position of the Issuer and its

subsidiary undertakings (the "**Group**") since 30 June 2016 nor any material adverse change in the prospects of the Issuer since 31 December 2015.

11. Save as disclosed in Note 37 "*Legal proceedings and regulatory matters*" on pages 173 to 178 of the 2015 Annual Report and Accounts (incorporated by reference herein) and in Note 12 "*Legal proceedings and regulatory matters*" on pages 46 to 50 of the 2016 Interim Report and Accounts (incorporated by reference herein), there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12-month period before the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and/or the Issuer and its subsidiaries.
12. For so long as the Issuer may issue securities under this Base Prospectus, the physical form of the following documents may be inspected during normal business hours at the registered office of the Issuer:
  - (a) the articles of association of the Issuer;
  - (b) the 2016 unaudited consolidated interim report for the six month period ended 30 June 2016;
  - (c) the 2015 annual report and accounts and the additional information document for the year ended 31 December 2015; and
  - (d) the 2014 annual report and accounts and the additional information document for the year ended 31 December 2014 of the Issuer.
13. The Issuer or Dealer may pay to the distributor(s) (which may include affiliates of the Issuer or Dealer) of Notes issued under this Base Prospectus commissions or fees or may offer such Notes to the distributor(s) at a discount to the issue price of such Notes. Such commissions, fees or discounts will be as the Issuer or Dealer may agree with the distributor(s) from time to time.
14. S Assaf with effect from 27 April 2016 and R E S Smith with effect from 27 April 2016, stepped down from the Board of Directors.
15. As of the date of this Base Prospectus, the directors of the Issuer, each of whose business address is 8 Canada Square, London, E14 5HQ, United Kingdom, their functions in the Issuer and their principal activities (if any) outside the Issuer where these are significant with respect to the Issuer are as follows rather than as set out in the Registration Document (refer to page 82 of the 2015 Annual Report and Accounts (incorporated by reference herein) for more information):

<b>Name</b>	<b>Nationality</b>	<b>Function</b>	<b>Other principal activities outside of the Issuer</b>
J Symonds**	British	Chairman	Independent non-executive Director, HSBC Holdings plc  Chairman of the Group Audit Committee and a member of the Conduct and Values Committee  Chairman of Innocoll AG and a non-executive director of Genomics England Limited and Proteus Digital Health Inc.
A P Simoes	Portuguese	Chief Executive Officer	Group Managing Director, HSBC Holding plc  Director of HSBC France  Member of the Banking Standards Board, and Chair of the Financial Conduct Authority

Name	Nationality	Function	Other principal activities outside of the Issuer
			("FCA") Practitioner Panel
J Coyle**	British	Director	<p>Director of Marks and Spencer Financial Services plc, Marks and Spencer Savings and Investments Limited and Marks and Spencer Unit Trust Management Limited and Chairman of HSBC Trust Company (UK) Limited.</p> <p>Non-executive Director of Scottish Building Society</p> <p>Member of the Financial Reporting Council's Financial Review Reporting Panel and Monitoring Committee</p> <p>Member of the Board and chairman of the Audit Committee of Honeycomb Investment Trust Plc</p>
Dame Denise Holt**	British	Director	<p>Director and Chairman of Marks and Spencer Financial Services plc, Marks and Spencer Savings and Investments Limited and Marks and Spencer Unit Trust Management Limited</p> <p>Non-executive Director of Iberdrola SA and Nuffield Health</p> <p>Chairman of Alzheimer's Society Nominations Committee</p>
S W Leathes**	British	Director	<p>Member of the Supervisory Board and Risk Committee of HSBC Trinkaus &amp; Burkhardt AG</p> <p>Member of Commercial Banking Risk Committee</p> <p>Chairman of Assured Guaranty (Europe) Limited and Assured Guaranty (UK) Limited and a non-executive Director of Assured Guaranty Limited and HSB Engineering Insurance Limited</p>
D Lister**	British	Director	<p>Non-executive Director of CIS General Insurance, a mutual society, and Department for Work and Pensions</p> <p>Director of FDM Group Limited</p> <p>Member of the Board of Governors at Nuffield Health</p>
Dame Mary Marsh**	British	Director	<p>Member of the Governing Body of the London Business School.</p> <p>Director of Melcombe Court Management (Marylebone) Limited</p>

<b>Name</b>	<b>Nationality</b>	<b>Function</b>	<b>Other principal activities outside of the Issuer</b>
T B Moulouquet**	French	Director	Director of HSBC France and Chairman of its Audit Committee and a member of its Risk Committee  Director of Fimalac, Fimalac Developments, Groupe Lucien Barrière, Valéo and the Prodways Group
J F Trueman**	British	Deputy Chairman	Chairman of HSBC Asset Management Limited and HSBC Private Bank (UK) Limited  Director of XT Eastcombe Underwriting Limited  Advisor to Retail Banking and Wealth Management.

\* Non-executive Director

\*\* Independent non-executive Director

16. The Issuer's Executive Committee, whose business address is 8 Canada Square, London, E14 5HQ, United Kingdom, meets regularly and operates as a management committee under the direct authority of the board of directors of the Issuer. The members of the Executive Committee and their functions in the Issuer and their principal activities (if any) outside the Issuer where these are significant with respect to the Issuer are as follows rather than as set out in the Registration Document:

<b>Name</b>	<b>Function</b>	<b>Other principal activities outside the Issuer</b>
A P Simoes	Chief Executive Chairman of the Executive Committee	Group Managing Director, HSBC Holdings plc
C Allen	Head of Global Private Banking, UK and Channel Islands	-
J Beunardeau	Chief Executive, HSBC France	Group General Manager, HSBC Holdings plc
C Davies	Chief Executive, International	-
J Emmett	Chief Operating Officer, Europe	Group General Manager, HSBC Holdings plc
R J H Gray	General Counsel	Group General Manager, HSBC Holdings plc
A G Brandao	Head of Global Banking and Markets, Europe	Group General Manager, HSBC Holdings plc
A Hewitt	Head of Regulatory Compliance, Europe	-
T Kapilashramii	Head of Human Resources, Europe	Group General Manager, HSBC Holdings plc
M Lobner	Head of Strategy and Planning and Chief of Staff to the Chief Executive	-

<b>Name</b>	<b>Function</b>	<b>Other principal activities outside the Issuer</b>
	Officer	
F McDonagh	Head of Retail Banking and Wealth Management	Group General Manager, HSBC Holdings plc
P J Reid	Chief Risk Officer, Europe	-
C G von Schmettow	Chief Executive Officer, HSBC Trinkaus & Burkhardt AG	
I Stuart	Head of Commercial Banking, Europe	Group General Manager, HSBC Holdings plc
D Watts	Chief Financial Officer, Europe	-
S Kingsbury	Head of Financial Crime Compliance, RBWM	-
N Hinshelwood	Chief Operating Officer, Europe, Middle East and Africa and Deputy Chief Executive Officer	Group General Manager, HSBC Holdings plc

17. In relation to paragraphs 12 and 13 above, there are no existing or potential conflicts of interest between any duties owed to the Issuer by its directors and its Executive Committee (each as described above) and the private interests and/or external duties owed by these individuals.

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**REGISTERED AND HEAD OFFICE OF THE ISSUER**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**PRINCIPAL PAYING AGENT, ISSUE AGENT, REGISTRAR, TRANSFER AGENT AND  
PAYING AGENT**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**CALCULATION AGENT**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**HSBC France**  
15, rue Vernet  
75008 Paris  
France

**LEGAL ADVISERS TO THE ISSUER**

*as to English law*

**Clifford Chance LLP**  
10 Upper Bank Street  
London E14 5JJ  
United Kingdom

**CREST REGISTRAR**

**Computershare Investor Services PLC**  
The Pavilions  
Bridgewater Road  
Bristol BS13 8AE  
United Kingdom