

## INFORMATION MEMORANDUM



## HSBC Bank Middle East Limited

(a public company incorporated with limited liability in Jersey with registered number 85600)  
as Issuer

## U.S.\$ 7,000,000,000 DEBT ISSUANCE PROGRAMME

On 16 November 2004 HSBC Bank Middle East Limited (the "**Bank**" or the "**Issuer**") established a Debt Issuance Programme which is described in this document (the "**Programme**") under which notes (the "**Notes**") may be issued by the Issuer. This document (the "**Information Memorandum**", which expression shall include this document as amended and supplemented from time to time and all information incorporated by reference herein) has been prepared for the purpose of providing disclosure information with regard to the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its Global Exchange Market. The Irish Stock Exchange's Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). This Information Memorandum constitutes listing particulars for the purposes of listing on the Irish Stock Exchange's Official List and trading on its Global Exchange Market.

Investors should note that securities to be admitted to the Irish Stock Exchange's Official List and trading on its Global Exchange Market will, because of their nature, normally be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

In relation to any Notes, this Information Memorandum must be read as a whole and together also with the relevant pricing supplement (the "**Pricing Supplement**"). Any Notes issued under the Programme on or after the date of this Information Memorandum are issued subject to the provisions described herein. This does not affect any Notes already in issue.

**AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE PAGE 1 FOR RISK FACTORS.**

This Information Memorandum does not constitute a prospectus under Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). The securities issued under this Information Memorandum will not be admitted to trading on any market which is a regulated market for the purposes of the Markets in Financial Instruments Directive and, accordingly, no prospectus is required in connection with the issuance of the securities described in this document. Offerings or placements of the Notes under this Information Memorandum will not be made other than in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

The Notes have not been and will not be registered under the United States Securities Act of 1933 as amended (the "**Securities Act**") or any state securities laws and, unless so registered, may not be offered or sold within the United States or to, or for the benefit of U.S. persons as defined in Regulation S under the Securities Act. The Notes may include Notes in bearer form that are subject to U.S. tax law requirements.

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

Notes issued under the Programme may be rated. The rating assigned to an issue of Notes may not be the same as the Issuer's credit rating generally. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. The rating, if any, of a certain series of Notes to be issued under the Programme and/or details of credit ratings applicable to the Issuer generally may be specified in the relevant Pricing Supplement.

This Information Memorandum includes details of the long-term and short-term credit ratings assigned to the Issuer by Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Limited ("**Fitch**"). Each of Moody's and Fitch are established in the European Union and are registered as Credit Rating Agencies under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). Each of Moody's and Fitch are 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

15 July 2013

## IMPORTANT NOTICES

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

*The dealer named under "Subscription and Sale" below (the "**Dealers**", which expression shall include any additional dealers appointed under the Programme from time to time) and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include any successor to The Law Debenture Trust Corporation p.l.c. as trustee under the trust deed dated 16 November 2004 between, inter alios, the Issuer and the Trustee (such Trust Deed as last modified and restated by a supplemental trust deed dated 15 July 2013 and as further modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers or the Trustee as to the accuracy or completeness of this Information Memorandum or any document incorporated by reference herein or any further information supplied in connection with any Notes. The Dealers and the Trustee accept no liability in relation to this Information Memorandum or its distribution or with regard to any other information supplied by or on behalf of the Issuer.*

*No person has been authorised to give any information or to make any representation not contained in or not consistent with this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Trustee or any of the Dealers.*

*This Information Memorandum is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Trustee or any of the Dealers that any recipient of this Information Memorandum should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. No part of this Information Memorandum constitutes an offer or invitation by or on behalf of the Issuer, the Trustee or the Dealers or any of them to any person to subscribe for or to purchase any of the Notes.*

*This Information Memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering/placement contemplated in this Information Memorandum as completed by Pricing Supplement in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. For the purposes of this paragraph only, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.*

*A copy of this Information Memorandum (which includes the form of Pricing Supplement) has been delivered to the Jersey Registrar of Companies in accordance with Article 5 of the Companies (General Provisions)(Jersey) Order 2002, and he has given, and has not withdrawn, his consent to its circulation. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of notes by the Issuer.*

*It must be distinctly understood that, in giving these consents, neither the Jersey Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it. The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that law.*

*Neither the delivery of this Information Memorandum or any Pricing Supplement nor the offering, sale or delivery of any Notes shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof, or that the information contained in the Information Memorandum is correct at any time subsequent to the date hereof or that any other written information delivered in connection herewith or therewith is correct as of any time subsequent to the date indicated in such document. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or its subsidiary undertakings during the life of the Programme. Investors should review, inter alia, the most recent financial statements of the Issuer when evaluating the Notes or an investment therein.*

*It should be remembered that the price of securities and the income from them can go down as well as up. If you are in any doubt about the contents of this Information Memorandum you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.*

*The distribution of this Information Memorandum and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Information Memorandum or any Notes come must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Information Memorandum, see "Subscription and Sale" below.*

*In this Information Memorandum and in relation to any Notes, references to the "relevant Dealers" are to whichever of the Dealers enters into an agreement for the issue of such Notes as described in "Subscription and Sale" below and references to the "relevant Pricing Supplement" are to the Pricing Supplement relating to such Notes.*

*In this Information Memorandum, there are, in the "Risk Factors" section below, direct translations into English of characters in Chinese language. In the event of any discrepancy, the Chinese language version shall prevail.*

*All references in this Information Memorandum to "AED" or "Dirhams" are to the lawful currency of the United Arab Emirates, to "£", "pounds", "Pounds Sterling" and "Sterling" are to the lawful currency of the United Kingdom, to "\$", "dollars", "US\$", "USD" and "U.S. dollars" are to the lawful currency of the United States of America, to "€", "euro" and "EUR", are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended and to "Japanese Yen" and "¥" are to the lawful currency of Japan and to "Renminbi", "CNY" and "RMB" are to the lawful currency of the People's Republic of China (excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) ("PRC") or, in any such case, to any lawful successor currency from time to time.*

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

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

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;

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

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

#### **KINGDOM OF SAUDI ARABIA NOTICE**

**This Information Memorandum may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "Capital Market Authority").**

**The Capital Market Authority does not make any representations as to the accuracy or completeness of this Information Memorandum, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Information Memorandum. Prospective purchasers of Notes issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this Information Memorandum he or she should consult an authorised financial adviser.**

#### **KINGDOM OF BAHRAIN NOTICE**

**In relation to investors in the Kingdom of Bahrain, Notes issued in connection with this Information Memorandum may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain ("CBB") in the Kingdom of Bahrain where such investors make a minimum investment of at least US\$ 100,000.**

**This Information Memorandum does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). The offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Information Memorandum or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain.**

**The CBB has not reviewed or approved the offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document.**

**QATAR NOTICE**

**This Information Memorandum does not and is not intended to constitute an offer, sale or delivery of notes or other debt financing instruments under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority or Qatar Central Bank. The Notes are not and will not be traded on the Qatar Exchange.**

## HOW TO USE THIS DOCUMENT

This document gives information relating to the Programme and the Issuer and in relation to the various types of Notes issued under the Programme. Notes issued under the Programme may include, *inter alia*, Notes whose return is linked to currencies ("**Currency-Linked Notes**"); the credit of one or more entities ("**Credit-Linked Notes**"); interest rates ("**Interest Rate-Linked Notes**"); or a security, a basket of securities or one or more indices or the performance thereof over a defined period ("**Equity-Linked Notes**", "**Cash Equity Notes**" or "**Index-Linked Notes**"). Notes may also be linked to more than one of these variables above.

All investors and prospective investors should read the information contained in the sections of this Information Memorandum entitled "*Risk Factors*", "*Information Incorporated by Reference*", "*Terms and Conditions of the Notes*", "*Pro Forma Pricing Supplement*", "*Forms of Notes; Summary of Provisions Relating to the Notes While in Global Form*", "*Clearing and Settlement*", "*Use of Proceeds*", "*Taxation*", "*Subscription and Sale*" and "*General Information*" (the "**General Provisions**").

All investors and prospective investors in Currency-Linked Notes should read the General Provisions, the "Additional Terms and Conditions relating to Currency-Linked Notes" and the "Product Description relating to Currency-Linked Notes", together with the relevant Pricing Supplement for the particular series of Currency-Linked Notes.

All investors and prospective investors in Interest Rate-Linked Notes should read the General Provisions, and the "Product Description relating to Interest Rate-Linked Notes", together with the relevant Pricing Supplement for the particular series of Interest Rate-Linked Notes.

All investors and prospective investors in Credit-Linked Notes should read General Provisions, the "Additional Terms and Conditions relating to Credit-Linked Notes" and the "Product Description relating to Credit-Linked Notes", together with the relevant Pricing Supplement for the particular series of Credit-Linked Notes.

All investors and prospective investors in Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes should read General Provisions, the "Additional Terms and Conditions relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes" and the "Product Description relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes", together with the relevant Pricing Supplement for the particular series of Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes.

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## **RISK FACTORS**

*Prospective investors in the Notes should read the entire Information Memorandum (and where appropriate the relevant Pricing Supplement). The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks relating to the Notes issued under the Programme, but the value of the Notes may be affected by other factors which may not be considered significant risks by the Issuer based on the information currently available to it or which it may not currently be able to anticipate, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.*

*Investing in the debt or derivative securities of the Issuer also involves certain risks in relation to the Issuer and the principal risks in respect of the Issuer are also set out below.*

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Information Memorandum have the same meanings in this section. Investing in Notes involves certain risks. Prospective investors should consider, among other things, the following:*

### **RISKS RELATING TO THE ISSUER**

A description of the risk factors relating to the Issuer and its business and operations that may affect the ability of the Issuer to fulfil its obligations to the Noteholders in relation to the Notes issued under the Programme is set out below:

#### **Macroeconomic and geopolitical risk**

##### ***Current economic and market conditions may adversely affect the Issuer's results***

The Issuer's earnings are affected by global and local economic and market conditions. Following the global financial crisis in 2007, a difficult economic climate remains with continued pressures on household and corporate finances.

The adverse economic conditions continue to create a challenging operating environment for financial services companies such as the Issuer and the Issuer may face the following challenges to its operations and operating model in connection with these factors:

- the demand for borrowing from creditworthy customers may diminish if economic activity slows or remains subdued;
- as capital flows are increasingly disrupted, some emerging markets could be tempted to impose protectionist measures that could affect financial institutions and their clients;
- geopolitical risks might grow in different regions of the world, affecting directly the economies of the countries within these regions and their economic policies;
- a prolonged period of modest interest rates will constrain, for example, through margin compression and low returns on assets, the net interest income the Issuer earns from its investment in excess deposits;
- the Issuer's ability to borrow from other financial institutions or to engage in funding transactions may be adversely affected by market disruption, for example, in the event of contagion from stress in the eurozone and global sovereign and financial sectors; and
- market developments may continue to depress consumer and business confidence beyond expectations.



The occurrence of any of these events or circumstances could have a material adverse effect on the Issuer's business, its financial condition, prospects, customers and their operations and/or results of the Issuer's operations.

***The Issuer is subject to political and economic risks in the countries in which the Issuer operates, including the risk of government intervention***

The Issuer operates in several countries. The Issuer's results may be, therefore, subject to the risk of loss from unfavourable political developments, currency fluctuations, social instability and changes in government policies on such matters as expropriation, authorisations, international ownership, interest-rate caps, limits on dividend flows and tax in the jurisdictions in which the Issuer operates.

In 2011, 2012 and to the date of this Information Memorandum in 2013 the Middle East and North Africa region has witnessed sustained political and social unrest. There is limited visibility of the implications of this but, continued unrest in any single country will have an impact on the ability to do business in that country and potentially the wider region and this could have an adverse effect on the Issuer's business, financial condition and results of operations.

***Changes in foreign currency exchange rates may affect the Issuer's results***

The Issuer prepares its accounts in US dollars, but because a substantial portion of Issuer's assets, liabilities, assets under management, revenues and expenses are denominated in other currencies, changes in foreign exchange rates may have an effect on the Issuer's reported income, cash flows and shareholders' equity and may have a material adverse effect on the Issuer's business, prospects, financial condition and/or results of operations.

**Macro-prudential, regulatory and legal risks to the Issuer's business model**

***The Issuer is subject to certain legal and regulatory actions and investigations, the outcomes of which are inherently difficult to predict, but unfavourable outcomes could have a material adverse effect on the Issuer's operating results and brand. Unfavourable legislative or regulatory developments, or changes in the policy of regulators or governments, could generate model risk and could have a material adverse effect on the Issuer's operations, financial condition and prospects***

The Issuer is subject to a number of laws and regulations designed to maintain the safety and soundness of financial services institutions, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations include the Banking Business (Jersey) Law 1991, the Financial Services (Jersey) Law 1998 and the banking regulations of the countries in which the Issuer operates.

Changes in laws, rules or regulations, or in their interpretation or enforcement, or in how new laws, rules or regulations are implemented may adversely affect the Issuer's business, prospects, financial condition and/or results of operations. More stringent regulatory requirements governing the development of parameters applied and controls around models used for measuring risk can give rise to changes, including increases in capital requirements. Further, uncertainty and a lack of international coordination between regulators as enhanced supervisory standards are developed and implemented may adversely affect the Issuer's ability to engage in effective business, capital and risk management planning.

This is particularly so in the current environment, where the Issuer expects government and regulatory intervention in the banking sector to continue to increase for the foreseeable future. Since 2008, regulators and governments have focused on reforming both the prudential regulation of the financial services industry, to improve financial stability, and the ways in which business is conducted. Measures include enhanced capital, liquidity and funding requirements, the separation or prohibition of certain activities by banks, changes in the capital regime and the operation of capital markets activities, the introduction of tax levies and transaction taxes, changes in compensation practices and adjustments to how business is conducted.

These laws and regulations may limit the Issuer's activities and changes in these regulations may increase the Issuer's cost of doing business. Changes in these laws and regulations (such as pursuant to Basel II and Basel III) and the manner in which they are interpreted or enforced may have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects.

Areas where the Issuer is exposed to governmental policy and regulation include, but are not limited to:

- (a) expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership;
- (b) initiatives by local, state and national regulatory agencies or legislative bodies to revise practices, pricing or responsibilities of financial institutions serving their consumer markets;
- (c) changes in bankruptcy legislation in the principal markets in which the Issuer or any of its affiliates operate and the consequences thereof;
- (d) general changes in governmental policy that may significantly influence investor decisions in particular markets in which the Issuer or any of its affiliates operate; and
- (e) other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Issuer's products and services.

In addition, a breach of regulatory guidelines could expose the Issuer to potential liabilities and sanctions.

In December 2012, HSBC Holdings plc ("**HSBC**", and together with its subsidiaries the "**HSBC Group**"), the Issuer's ultimate parent company, entered into agreements to achieve a resolution with US and UK government agencies that have investigated HSBC's conduct related to inadequate compliance with anti money laundering ("**AML**"), US Bank Secrecy Act ("**BSA**") and sanctions laws. This was as a result of investigations by the US Department of Justice ("**DoJ**"), the Federal Reserve, the Office of the Comptroller of the Currency and the US Department of Treasury's Financial Crimes Enforcement Network in connection with AML/BSA compliance in various parts of the HSBC Group. As part of the resolution, HSBC and HSBC Bank USA, N.A. entered into a deferred prosecution agreement (the "**US DPA**") with the DoJ, the United States Attorney's Office for the Eastern District of New York, and the United States Attorney's Office for the Northern District of West Virginia, and a deferred prosecution agreement with the New York County District Attorney, and consented to a cease and desist order with the Federal Reserve.

HSBC also entered into an undertaking with the UK Financial Conduct Authority ("**FCA**") to comply with certain forward-looking obligations with respect to anti-money laundering and sanctions requirements over a five-year term. Under these agreements, HSBC will continue to cooperate fully with US and UK regulatory and law enforcement authorities and take further action to strengthen their compliance policies and procedures. Over the five-year term of the agreements with the DoJ and FCA, an independent monitor will evaluate HSBC's progress in fully implementing these and other measures it recommends, and will produce regular assessments of the effectiveness of HSBC's compliance function. If HSBC fulfils all of the requirements imposed by the US DPA and other agreements, the DOJ's charges against it will be dismissed at the end of the five-year period.

The above agreements cover the activities of all entities in the HSBC Group, including the Issuer and its subsidiaries. As at 31 December 2012, there has been no specific action taken against the Issuer or any of its subsidiaries in relation to the above investigations, and no financial penalties have been incurred and none are anticipated.

The Issuer is currently co-operating with the Jersey Financial Services Commission (the "**Commission**") in respect of its enquiry into the Issuer's adherence to Jersey anti-money laundering requirements and international sanctions legislation. Subject to the outcome of this enquiry, if deemed appropriate, the Commission may make recommendations to the Issuer, may exercise wide ranging powers of enforcement in respect of the Issuer, may apply to court for further enforcement orders and may refer criminal matters to the Attorney General to determine whether or not criminal prosecution is appropriate. The Commission does not currently have any power to impose civil penalties or fines in respect of regulatory breaches. The Issuer is unable to predict the outcome of the enquiry at this time.

***The Issuer is subject to tax-related risks in the countries in which the Issuer operates which could have a material adverse effect on the Issuer's operating results***

The Issuer is subject to the substance and interpretation of tax laws in all countries in which the Issuer operates and is subject to routine review and audit by tax authorities in relation thereto. The Issuer provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities. The amounts ultimately paid may differ materially from the amounts provided depending on the ultimate resolution of such matters. Changes to tax law, tax rates and penalties for failure to comply could have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

**Risks related to the Issuer's business operations, governance and internal control systems including compliance**

***The Issuer's risk management measures may not be successful***

The management of risk is an integral part of all the Issuer's activities. Risk constitutes the Issuer's exposure to uncertainty and the consequent variability of return. Specifically, risk equates to the adverse effect on profitability or financial condition arising from different sources of uncertainty including retail and wholesale credit risk, market risk, operational risk, non-traded market risk, insurance risk, concentration risk, liquidity and funding risk, litigation risk, reputational risk, strategic risk, pension obligation risk and regulatory risk. The Issuer seeks to monitor and manage its risk exposure through a variety of separate but complementary control and reporting systems such as financial, credit, market, operational, compliance and legal. While the Issuer employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and the judgements that accompany their application cannot anticipate every unfavourable event or the specifics and timing of every outcome. Failure to manage risks appropriately could have a significant effect on the Issuer's business, prospects, financial condition and/or results of operations.

***Operational risks are inherent in the Issuer's business***

The Issuer is exposed to many types of operational risk, that are inherent in banking operations including fraudulent and other criminal activities (both internal and external), breakdowns in processes or procedures and systems failure or non availability. These risks apply equally when the Issuer relies on outside suppliers or vendors to provide services to the Issuer and the Issuer's customers. Any manifestation of such risks may have a material adverse effect on the Issuer's business, prospects, financial condition and results of operation.

***The Issuer's operations are subject to the threat of fraudulent activity***

Fraudsters may target any of the Issuer's products, services and delivery channels including lending, internet banking, payments, cards services and account takeover. This may result in financial loss to the Issuer, an adverse customer experience, reputational damage and potential regulatory action depending on the circumstances of the event. Any manifestation of such risks may have a material adverse effect on the Issuer's business, prospects, financial condition and results of operations.

***The Issuer's operations are subject to disruption from the external environment***

The Issuer operates in a number of geographic locations, which are subject to events which are outside the Issuer's control. These events may be acts of god such as natural disasters and epidemics, geopolitical risks including acts of terrorism and social unrest and infrastructure issues such as transport or power failure. These risk events may give rise to disruption to the Issuer's services, result in physical damage and/or loss of life, and have an economic impact on the Issuer. Any manifestation of such risks would have a material adverse effect on the Issuer's business, prospects, financial condition and results of operation.

***The Issuer's operations utilise third party suppliers***

The Issuer also utilises third party firms for the supply of certain of its goods and services. The inadequate management of its significant third party suppliers of goods and services could lead to a failure to meet the Issuer's operational and business requirements which, in turn, may involve regulatory breaches, civil or monetary penalties or damage both to shareholder value and to the Issuer's reputation/brand image.

Any such failure may have a material adverse effect on the Issuer's business, prospects, financial condition and results of operation.

***The Issuer's operations are highly dependent on its information technology systems***

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. The proper functioning of the Issuer's payment systems, financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between the Issuer and other members of the HSBC Group and between the main data processing centres of the HSBC Group, are critical to the Issuer's operations.

Critical system failure, any prolonged loss of service availability or any material breach of data security, particularly involving confidential customer data, could cause serious damage to the Issuer's ability to service its clients, could breach regulations under which the Issuer operates and could cause long-term damage to the Issuer's business and brand that could have a material adverse effect on the Issuer's business, prospects, financial condition, reputation and/or results of operations. This includes the operation of the Issuer's key payments services.

The threat from cyber attacks is a concern for the Issuer's organisation and failure to protect the Issuer's operations from internet crime or cyber attacks may result in financial loss and loss of customer data or other sensitive information which could undermine the Issuer's reputation and its ability to attract and keep customers. This could have a material adverse effect on the Issuer's business, financial condition and/or results of its operations.

***The Issuer's operations have inherent reputational risk***

Reputational risk is the risk that illegal, unethical or inappropriate behaviour by the Issuer itself, members of staff, representatives of the Issuer or its clients act in a way that will damage the Issuer's reputation leading, potentially, to a loss of business, fines or penalties. Reputational risk could arise from negative public opinion about the actual, or perceived, manner in which the Issuer conducts its business activities, its financial performance, and actual or perceived practices in banking and the financial services industry generally.

Modern technologies, in particular online social networks and other broadcast tools which facilitate communication with large audiences in short time frames and with minimal costs, may significantly enhance and accelerate the impact of damaging information and allegations. Negative public opinion may adversely affect the Issuer's ability to keep and attract customers and, in particular, corporate and retail depositors and could have a material adverse effect on the Issuer's business, prospects, financial condition, reputation and/or results of operations.

***The Issuer may suffer losses due to employee misconduct***

The Issuer's businesses are exposed to risk from potential non-compliance with regulations and policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of 'rogue traders' or other employees. It is not always possible to deter employee misconduct and the precautions the Issuer takes to prevent and detect this activity may not always be effective.

***The Issuer relies on qualified personnel***

The Issuer's success will depend, in part, on its ability to continue to attract, retain and motivate qualified personnel. Competition in the banking industry for personnel with relevant expertise is intense due to the limited number of qualified individuals. The Issuer attempts to structure its compensation packages appropriately in order to attract and retain experienced personnel. The Issuer is not insured against damage that may be incurred in case of the loss of any of its key personnel. The Issuer's failure to manage its personnel needs successfully could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects.

***The Issuer's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results and financial position of the Issuer***

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Issuer's results and financial position, based upon materiality and significant judgements and estimates, include impairment of loans and advances, goodwill impairment, valuation of financial instruments, pensions and provisions for liabilities (see Note 2 (Summary of significant accounting policies) on page 15 of the 2012 Annual Report and Accounts and Note 3 (Use of assumptions, estimates and judgement) on page 29 of the 2012 Annual Report and Accounts for further details).

The valuation of financial instruments measured at fair value can be subjective, in particular where models are used which include unobservable inputs. Given the uncertainty and subjectivity associated with valuing such instruments it is possible that the results of operations and the financial position of the Group could be materially misstated if the estimates and assumptions used prove to be inaccurate. For further details, see Note 2 (Summary of significant accounting policies) on page 15 of the 2012 Annual Report and Accounts and Note 3 (Use of assumptions, estimates and judgement) on page 29 of the 2012 Annual Report and Accounts).

If the judgement, estimates and assumptions the Issuer uses in preparing its financial statements are subsequently found to be incorrect, this could materially affect its business, financial conditions, prospects, and/or results of operations and have a corresponding effect on the Issuer's funding requirements and capital ratios.

***Third parties may use the Issuer as a conduit for illegal activities without the Issuer's knowledge, which could have a material adverse effect on the Issuer***

The Issuer is required to comply with applicable anti-money laundering laws and regulations and has adopted various policies and procedures, including internal control and 'know-your-customer' procedures, aimed at preventing the Issuer being used for money laundering. A major focus of US governmental policy relating to financial institutions in recent years has been combating money laundering and enforcing compliance with US economic sanctions.

Where permitted by regulation, the Issuer may rely upon certain counterparties to maintain and properly apply their own appropriate anti-money laundering procedures. While permitted by regulation, such reliance may not be completely effective in preventing third parties from using the Issuer (and the Issuer's relevant counterparties) as a conduit for money laundering including illegal cash operations without the Issuer's (and its relevant counterparties') knowledge. If the Issuer is associated with, or even accused of being associated with, or become a party to, money laundering, the Issuer's reputation could suffer and the Issuer could become subject to fines, sanctions and/or legal enforcement (including being added to any 'blacklists' that would prohibit certain parties from engaging in transactions with the Issuer), any one of which could have a material adverse effect on the Issuer's business, prospects, financial condition and/or results of operations.

**Risks related to the Issuer's business**

***The Issuer has significant exposure to counterparty risk within the financial sector and to other risk concentrations***

The Issuer has exposure to virtually all major industries and counterparties, and the Issuer routinely executes transactions with counterparties in financial services, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose the Issuer to credit risk in the event of default by its counterparty or client. 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 institutions are necessarily interdependent because of trading, clearing, counterparty or other relationships. As a consequence, a default by, or decline in market confidence in, individual institutions, or anxiety about the financial services industry generally, can lead to further individual and/or systemic difficulties, defaults and losses. Where counterparty risk has been mitigated by taking collateral, the Issuer's credit risk may remain high if the collateral the Issuer holds cannot be realised or has to be liquidated at prices which are insufficient to recover the full amount of its loan or derivative exposure. There is a risk that a change in the law could affect the Issuer's ability to foreclose on collateral or otherwise enforce contractual rights.

This risk that collateral cannot be realised includes situations where this arises by change of law that may impact the Issuer's ability to foreclose on collateral or otherwise enforce contractual rights.

The Issuer also has credit exposure arising from mitigants such as credit default swaps ("CDSs"), and other credit derivatives, each of which is carried at fair value. The risk of default by counterparties to CDSs and other credit derivatives used as mitigants impacts on the fair value of these instruments depending on the valuation and the perceived credit risk of the underlying instrument against which protection has been purchased. Any such adjustments or fair value changes may have a material adverse effect and on the Issuer's financial condition and results of operations.

***Market fluctuations may reduce the Issuer's income or the value of its portfolios***

The Issuer's businesses are inherently subject to risks in financial markets and in the wider economy, including 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.

Market movements will continue to have a significant impact on the Issuer in a number of key areas. Banking and trading activities are subject to interest rate risk, foreign exchange risk, inflation risk and credit spread risk. Changes in interest rate levels, interbank spreads over official rates, yield curves and spreads affect the interest rate spread realised between lending and borrowing costs. The potential for future volatility and margin changes remains. Competitive pressures on fixed rates or product terms in existing loans and deposits sometimes restrict the Issuer's ability to change interest rates applying to customers in response to changes in official and wholesale market rates.

It is difficult to predict with any accuracy changes in market conditions, and such changes may have a material adverse effect on the Issuer's business, operating results, financial condition and prospects.

***Liquidity, or ready access to funds, is essential to the Issuer's businesses***

The Issuer's ability to borrow on a secured or unsecured basis and the cost of so doing can be affected by increases in interest rates or credit spreads, the availability of credit, regulatory requirements relating to liquidity or the market perceptions of risk relating to the Issuer or the banking sector, including the Issuer's perceived or actual creditworthiness.

Current accounts and savings deposits payable on demand or at short notice form a significant part of the Issuer's funding, and the Issuer places considerable importance on maintaining their stability. For deposits, stability depends upon preserving investor confidence in the Issuer's capital strength and liquidity, and on comparable and transparent pricing. Although deposits have been, over time, a stable source of funding, this may not continue.

The Issuer also accesses wholesale markets in order to align asset and liability maturities and currencies and to maintain a presence in local markets. An inability to obtain financing in the unsecured long-term or short-term debt capital markets, or to access the secured lending markets, could have a substantial adverse effect on the Issuer's liquidity. Unfavourable macroeconomic developments, market disruptions or regulatory developments may increase the Issuer's funding costs or challenge its ability to raise funds to support or expand its businesses, materially adversely affecting its business, prospects, financial condition and/or results of operations.

If the Issuer is unable to raise funds through deposits and/or in the capital markets, the Issuer's liquidity position could be adversely affected and the Issuer might be unable to meet deposit withdrawals on demand or at their contractual maturity, to repay borrowings as they mature, to meet the Issuer's obligations under committed financing facilities and insurance contracts, or to fund new loans,

investments and businesses. The Issuer may need to liquidate unencumbered assets to meet its liabilities. In a time of reduced liquidity, the Issuer may be unable to sell some of its assets, or it may need to sell assets at depressed prices, which in either case could materially adversely affect the Issuer's business, prospects, results of operations and/or financial condition.

Any reduction in the credit rating assigned to the Issuer, any subsidiaries of the Issuer or any of their respective debt securities could increase the cost or decrease the availability of the Issuer's funding and adversely affect the Issuer's liquidity position and interest margins

Credit ratings affect the cost and other terms upon which the Issuer is able to obtain market funding. Rating agencies regularly evaluate the Issuer and certain of its subsidiaries, as well as their respective debt securities. Their ratings are based on a number of factors, including their assessment of the relative financial strength of the Issuer or of the relevant entity, as well as conditions affecting the financial services industry generally. There can be no assurance that the rating agencies will maintain the Issuer's current ratings or outlook, especially in light of the difficulties in the financial services industry and the financial markets. 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 and, consequently, materially adversely affect the Issuer's interest margins and/or the Issuer's liquidity position.

***Risks concerning borrower credit quality are inherent in the Issuer's businesses***

Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties (e.g. reinsurers and counterparties in derivative transactions) are inherent in a wide range of the Issuer's businesses. Adverse changes in the credit quality of the Issuer's borrowers and counterparties arising from a general deterioration in economic conditions or systemic risks in the financial systems could reduce the recoverability and value of the Issuer's assets and require an increase in the Issuer's loan impairment charges.

The Issuer estimates and recognises impairment allowances for credit losses inherent in the Issuer's credit exposure. This process, which is critical to the Issuer's results and financial condition, requires difficult, subjective and complex judgements, including forecasts of how these economic conditions might impair the ability of the Issuer's borrowers to repay their loans and the ability of other counterparties to meet their obligations. As is the case with any such assessments, the Issuer may fail to estimate accurately the effect of factors that the Issuer identifies or fails to identify relevant factors. Further, the information the Issuer uses to assess the creditworthiness of its counterparties may be inaccurate or incorrect. Any failure by the Issuer to accurately estimate the ability of the Issuer's counterparties to meet their obligations may have a material adverse effect on the Issuer's business, prospects, financial conditions and/or results of operations.

***The Issuer operates in a competitive environment***

All sectors of the Middle East and North Africa market for financial and banking services are highly competitive. The competitive nature of the market may adversely impact on the Issuer's business and may lead some of the Issuer's customers to start using competitors instead.

**RISKS RELATING TO THE NOTES**

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

***Dual Currency Notes***

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be very volatile;

- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected; and
- (iv) they may lose all or a substantial portion of their principal.

#### ***Subordinated Notes***

Subordinated Notes are unsecured and subordinated obligations of the Issuer. In the event that a particular Tranche of Notes is specified as subordinated in the relevant Pricing Supplement and the Issuer is declared insolvent and a winding up is initiated, the Issuer will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of subordinated debt) in full before it can make any payments on the relevant Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the relevant Subordinated Notes.

Any obligation of the Issuer to pay interest on Subordinated Notes may be suspended in certain circumstances.

Where any Subordinated Notes form part of the regulatory capital of the Issuer, no repayment of such Notes will be made without the prior consent of the Jersey Financial Services Commission and the United Kingdom Prudential Regulation Authority (or any successor authority/ies in its/their function as the supervisor of authorised institutions).

#### ***Fixed/Floating Rate Notes***

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

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

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

#### ***In certain circumstances a portion of payments made on or with respect to Notes may be subject to U.S. reporting obligations which, if not satisfied, may require U.S. tax to be withheld***

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 Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "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 bearer, book-entry or registered holder (as applicable) of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

#### ***Partly-paid Notes***

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of their investment.

#### **Risks relating to Notes generally**

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

Any Series of Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently 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 of Notes 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 and the financial condition of the Issuer. Although application has been made for the Notes issued under the Programme to be admitted to the Official List of the Irish Stock Exchange and to trading on its Global Exchange Market, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

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

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

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

The Issuer shall have the right to terminate its obligations under the Notes in case of illegality and force majeure as set out in the Conditions and the Notes may also be terminated in other circumstances as specified in the relevant Pricing Supplement.

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

#### ***Form of Notes***

Because the Global Notes (as defined below) may be held by or on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") or lodged with a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority ("**CMU**", and together with Euroclear and Clearstream, Luxembourg, the "**Clearing Systems**"), investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg or, as the case may be, CMU for transfer, payment and communication with the Issuer.

Notes issued under the Programme may be represented by one or more temporary global notes (each, a "**Temporary Global Note**"), permanent global notes (each, a "**Permanent Global Note**" and, together with a Temporary Global Note, the "**Global Bearer Notes**"), registered notes in global form ("**Global Registered Notes**" and together with the Global Bearer Notes, the "**Global Notes**"). Such Global Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or, as the case

may be, lodged with a sub-custodian for CMU. As set out in the circumstances described in this Information Memorandum, interests in the Global Notes may be exchangeable for definitive Notes. The Clearing Systems will maintain records of the interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their interests only through the Clearing Systems.

While Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under such Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg or, as the case may be, the sub-custodian for CMU, for distribution to their account holders. A holder of an interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg or, as the case may be, CMU, to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Notes.

Holders of interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take action against the Issuer in the event of a default under the relevant Notes but will have to rely upon the exercise by the Trustee of the rights arising under the Trust Deed.

Definitive Notes may not in all circumstances be printed from engraved steel plates. If they are not to be so printed, a statement to that effect will be made in the relevant Pricing Supplement.

### ***Credit Rating***

Tranches of Notes issued under the Programme may be rated or unrated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

Where an issue of Notes is rated, the rating will be specified in the Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**") will be disclosed in the Pricing Supplement. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the Regulation) unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued or endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided or endorsed by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is still pending.

### ***No Third-Party Guarantees***

Investors should be aware that no guarantee is or will be given in relation to the Notes by the shareholders of the Issuer (including, without limitation, any member of the HSBC group of companies) or any other person.

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

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

regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

***Exchange rate risks and exchange controls***

The Issuer will pay principal and profit in respect of the Notes in the Specified Currency (as referred to in the applicable Pricing Supplement). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***Difficulties in enforcing foreign judgments in Dubai***

Under the terms and conditions of the Notes, the courts of England have exclusive jurisdiction to settle any dispute arising from the Notes. Under current Dubai law, the courts of Dubai are unlikely to enforce an English judgment without re-examining the merits of the claim. Accordingly, investors should be aware that they may encounter difficulties in enforcing an English judgment against the Issuer in Dubai.

***Risks relating to enforcement proceedings in the United Arab Emirates***

Under the terms and conditions of the Notes, the courts of England have exclusive jurisdiction to settle any dispute arising from the Notes. Where proceedings to enforce an English judgment in the United Arab Emirates are contemplated, under current United Arab Emirates law, the courts of the United Arab Emirates are unlikely to enforce such a judgment without re-examining the merits of the claim. Investors should be aware that there could be practical difficulties in bringing enforcement proceedings against the Issuer in the United Arab Emirates.

***United Nations sanctions***

In relation to the Issuer, any transfer of, or payment in respect of, a Note or Coupon involving the government of any country which is at the relevant time the subject of United Nations sanctions, any person or body resident in, incorporated in or constituted under the laws of any such country or exercising public functions in any such country or any person or body controlled by any of the foregoing or by any person acting on behalf of the foregoing may be subject to restrictions pursuant to such sanctions.

***Modification, waiver and substitution***

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

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

***Change of law***

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

***Value of Baskets***

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

***The volatility of the Reference Assets or Relevant Factors***

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

***Fluctuations in the value of the Underlying***

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

***Certificates and reports from the Auditors***

The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) and/or any other expert in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors or such other expert in connection therewith contains any limit on liability (monetary or otherwise) of the Auditors or such other expert.

***Capital risks relating to Notes***

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

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

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

Unlike a savings account or similar investment with a low return and little or no capital risk, Notes issued under the Programme may potentially have a greater return but there is a greater risk of loss of capital. An investor should take advice from an investment professional before purchasing such types of Notes.

***Disclosure of information about UK resident Noteholders***

On 20 March 2013, the States of Jersey announced that Jersey, in common with Guernsey and the Isle of Man, was in the final stages of agreeing a package of measures with the UK government to enhance its

existing tax information exchange arrangements. That package of measures will include an inter-governmental agreement in relation to the automatic exchange of tax information in respect of UK residents similar to the inter governmental agreement that Jersey is negotiating with the government of the United States of America for the purposes of FATCA. The terms of the inter-governmental agreement with the UK (the "IGA") are still subject to negotiation. However, it is expected that once the IGA has been concluded, the Issuer will, on an annual basis, be required to provide certain information specified in the IGA in relation to UK resident Noteholders and their holding of the Notes to the Comptroller of Taxes in Jersey for onward transmission to HMRC in the UK. It is expected that the IGA will include an alternative reporting mechanism in respect of UK resident non-domiciled Noteholders. Although the IGA is expected to have effect from calendar year 2013, the Issuer will not be required to provide the specified information to the Comptroller for that year before September 2016.

#### **Risks relating to Currency Linked-Notes**

This section must be read in conjunction with the sections of this Information Memorandum entitled "*Risks relating to the Notes*" and "*Risks relating to the Notes generally*".

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

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

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

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

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

#### **Risks relating to Interest Rate-Linked Notes**

This section must be read in conjunction with the sections of this Information Memorandum entitled "*Risks relating to the Notes*" and "*Risks relating to the Notes generally*".

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

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

**Interest income risk** — (i) In relation to certain types of Interest Rate-Linked Notes including, without limitation, Range Accrual Notes (as defined below), interest only accrues on days on which the Interest Related Variable fixes within a predetermined range set out in the Pricing Supplement. If the Interest-Related Variable does not fix within such range on one or more days during the term of the Notes, then the return on the Notes may be lower than traditional fixed-rate securities, or even zero. Noteholders should note that no interest accrues on days when the Interest-Related Variable fixes outside of the range. (ii) Noteholders should also note that Interest Rate-Linked Notes may be subject to other criteria to determine the rate, if any, at which interest accrues on the Notes. For example, there may be different tiers of calculation whereby interest would only accrue for each day that the specified Interest-Related Variable remains (a) above the relevant trigger level, (b) within the range or (c) below the relevant trigger level, in each case as set out in the Pricing Supplement. Interest payable on the Notes would therefore be linked to the volatility of the Interest-Related Variable.

Interest Rate-Linked Notes may therefore not be suitable for investors who require regular income payments.

**Risk of early termination (Knock-out risk)** — (i) In relation to certain types of Interest Rate-Linked Notes including, without limitation Target Accrual Redemption Notes or Accumulator Notes, the Notes will be mandatorily redeemed prior to their maturity if the sum of the cumulative interest paid in relation to the Notes reaches the predetermined Lifetime Cap, as specified in the Pricing Supplement. Noteholders should note that there is increased uncertainty of the maturity date of the Note, which would be the earlier of the pre-specified maturity date or the interest payment date when the cumulative interest amount has reached its Lifetime Cap. If the Interest Related Variable performs poorly, Noteholders may receive little or no interest during the term of the Notes and then receive the balance of the Lifetime Cap at maturity. (ii) Certain types of Notes including, without limitation, Trigger Redemption Notes, may also be mandatorily redeemed early if a specified trigger is breached during a specified period or on a specified date.

**Call risk** — In relation to certain types of Interest Rate-Linked Notes, the Notes may be callable by the Issuer, but not the Noteholder, prior to maturity exposing Noteholders to reinvestment risk. Noteholders should note that a call option creates uncertainty for investors, as to whether the Notes will remain outstanding until maturity.

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

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

**Fluctuations in interest rates and Steepener Notes** — The market value of Steepener Notes will be affected by, among other things, the amount of interest payable in each interest period. Save for any interest period during the term of such Notes in respect of which interest is to be determined by reference to fixed rates of interest, the interest rate on Steepener Notes is obtained by taking the amount (if any) by which a designated swap rate (the "**First Swap Rate**") exceeds another designated swap rate (the

"**Second Swap Rate**") and multiplying that amount by the factor (the leverage factor) (all as specified in the applicable Pricing Supplement), subject to any maximum and minimum rate of interest. Subject to any minimum and maximum rate of interest, as the difference between the First Swap Rate and the Second Swap Rate decreases the rate of interest payable will fall by the amount of that decrease multiplied by the relevant leverage factor. In the event that the First Swap Rate does not exceed the Second Swap Rate on a date which is relevant to the calculation of interest for an interest period, the interest rate on the Notes for that period will equal zero or, if any minimum rate of interest has been specified in the applicable Pricing Supplement and applies, will equal that minimum rate of interest.

### **Risks relating to Credit-Linked Notes**

This section must be read in conjunction with the sections of this Information Memorandum entitled "*Risks relating to the Notes*" and "*Risks relating to the Notes generally*".

#### ***General factors relating to Credit-Linked Notes***

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

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

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

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

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

defined in the relevant Pricing Supplement). During this period there could be a substantial decrease in the value of such obligations.

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

- (i) In respect of Credit-Linked Notes that are redeemed following the occurrence of a Credit Event, the amount payable in respect of the Notes may be determined by reference to the Auction Final Price determined according to an auction procedure set out in the applicable Credit Derivatives Auction Settlement Terms. There is a possibility that the Calculation Agent (or one of its affiliates) would act as a participating bidder in any such auction. In such capacity, it may take certain actions which may influence the Auction Final Price including (without limitation) submitting bids, offers and physical settlement requests with respect to the obligations that form part of such Auction. In deciding whether to take any such action (or whether to act as a participating bidder in any auction), the Calculation Agent (or an affiliate of it) will be under no obligation to consider the interests of any Noteholder.
- (ii) In respect of a Credit Event relating to Credit-Linked Notes, a Credit Event may not be triggered unless either (i) a request is submitted to ISDA within 60 calendar days of the occurrence of such potential Credit Event for the relevant Credit Derivatives Determinations Committee to consider whether the relevant event constitutes a Credit Event (and the Credit Derivatives Determinations Committee subsequently Resolves that such event does constitute a Credit Event) or (ii) a Credit Event Notice (and, if applicable copies of relevant Publicly Available Information) is delivered by the Issuer to the Noteholders within 60 calendar days of the occurrence of such Credit Event and is effective during the Notice Delivery Period. For Succession Events, the look-back mechanics operate in a similar way to the above to provide a cut-off date for any Succession Event to apply to the relevant Credit Linked Notes. The actual look-back period for a Succession Event is either (i) 90 calendar days from the date on which a request is given to a Credit Derivatives Determinations Committee regarding a Succession Event (if the Credit Derivatives Determinations Committee subsequently Resolves that a Succession Event has occurred) or (ii) 90 calendar days from the date on which the Calculation Agent determines that a Succession Event has occurred. These provisions mean that both (i) there is a time limit on the ability to act on a Credit Event or Succession Event and (ii) it is possible that the Notes could be affected by a Credit Event or Succession Event that took place prior to the Trade Date.
- (iii) If the Fallback Settlement Method applies, under the terms of the Notes, the Issuer will be free to select for the purposes of constituting the Portfolio any obligations of the reference entity in respect of which such Credit Event has occurred (whether as principal, guarantor or otherwise) which would satisfy the requirements for a deliverable obligation in respect of a credit default swap on market standard terms in respect of the Reference Entity ("**Portfolio Obligations**"). Such obligations are likely to be in default at the time of delivery. Furthermore, in selecting such obligations the Issuer will not be required to consider the interests of the Noteholders or mitigate their losses. The Issuer will have complete discretion to select the cheapest, most illiquid obligations of the reference entity so long as such obligations satisfy the requirements for a Portfolio Obligation under the terms of the Notes.

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

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



of the reference entity or entities in question based upon such investigations and not in reliance on any information given in the Pricing Supplement.

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

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

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

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

***No representation by Issuer or Calculation Agent***

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

***Dealings by Issuer, Calculation Agent and affiliates***

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

***No disclosure of information***

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

***Potential conflict of interest***

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

***Amendments by Calculation Agent***

The Calculation Agent may from time to time amend any provision of the Conditions to incorporate and/or reflect further or alternative documents from time to time published by ISDA with respect to the settlement of credit derivative transactions (including without limitation with respect to settlement by reference to auctions following a Restructuring Credit Event) and/or the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees which the Calculation Agent and the Issuer determine in a commercially reasonable manner are necessary to reflect market practice for credit derivative transactions.

***No post-issuance information***

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

**Risks relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes**

This section must be read in conjunction with the sections of this Information Memorandum entitled "*Risks relating to the Notes*" and "*Risks relating to the Notes generally*".

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

**Information** — No investigation has been made of the financial condition or creditworthiness of any issuer of any Reference Asset(s) or Reference Asset Components in connection with the issue of any Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes. Prospective investors in the Notes should obtain and evaluate the same information concerning the Reference Asset(s), each Reference Asset Component and each such issuer as they would if they were investing directly in the Reference Asset Components. In addition, prospective investors should understand that the historical performance of the Reference Asset(s) or any Reference Asset Component should not be viewed as predictive of future results.

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

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

economic and other developments that affect the Reference Asset may also affect the value of the Reference Asset.

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

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

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

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

*No ownership rights* — An investment in the Notes is not the same as an investment in the Reference Asset and does not (prior to settlement of any exchange of Notes for the Reference Asset, where applicable) confer any legal or beneficial interest in the Reference Asset or any Reference Asset Component or any voting rights, rights to receive dividends or other rights that a holder of the Reference Asset or any Reference Asset Component would have. The Notes are unsubordinated and unsecured obligations of the Issuer.

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

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

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

#### **Risks relating to Notes denominated in Renminbi**

Notes denominated and/or settled in Renminbi 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.

***Renminbi is not freely convertible; Restrictions on Renminbi conversion through Hong Kong banks may adversely affect the liquidity of the Notes***

Renminbi is currently not freely convertible. For instance, there is a daily limit on the amount of Renminbi that may be converted by Hong Kong identity card holders through Hong Kong banks and investors where Hong Kong identity card holders may have to allow more time to convert Renminbi from/to another country. As a result of the restrictions imposed by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited, which may adversely affect the liquidity of Notes and thus the value of the Notes.

***Renminbi interest rate risk***

Interest rates are government controlled in the PRC and it is uncertain whether full liberalisation of interest rates may occur. Further liberalisation (if any) may or may not influence the Renminbi interest rate. However, should the prevailing Renminbi interest rate fluctuate as a result, the value of the Notes may fluctuate as well.

***Renminbi exchange rate risk***

Renminbi outside the PRC represents a market which is different from that of Renminbi deliverable in the PRC. The exchange rate of Renminbi outside the PRC against the U.S. Dollar, Hong Kong dollar or other foreign currencies may be different from the exchange rate of Renminbi deliverable in the PRC against such currencies. Apart from its own supply and demand, the exchange rate for Renminbi outside the PRC 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 the PRC and further progress on Renminbi internationalisation may or may not occur, and even if it does occur, it may or may not influence the Renminbi exchange rate. Should the prevailing Renminbi exchange rate fluctuate as a result, the value of the Notes may fluctuate as well. If the value of Renminbi 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.

***Renminbi payment risk***

If 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 (each, as defined in the Conditions), the Issuer shall be entitled, on giving not less than five or more than 30 calendar days' irrevocable notice to the investors prior to the due date for payment, to settle any such payment in U.S. dollars or another currency on the due date at the US Dollar Equivalent (as defined in the Conditions) of any such amounts. In this case, the risk factors in the section entitled "Risks relating to the Notes – Exchange rate risks and exchange controls" would apply as if U.S. dollars were the Specified Currency.

***Gains on the transfer of Notes denominated or settling in Renminbi may become subject to income taxes under PRC tax laws***

Under the PRC New Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of Notes by holders who are deemed under the PRC New Enterprise Income Tax Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the PRC New Enterprise Income Tax Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. Enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, holders of the Notes who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of such Notes.

If a holder of Notes, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of Notes, the value of the relevant holder of Notes' investment in such Notes may be materially and adversely affected.

***Payments with respect to the Notes may be made only in the manner through Renminbi bank accounts maintained at banks in Hong Kong***

Investors in the Notes should be aware that all Renminbi payments under the Notes will be made solely by credit to Renminbi bank accounts maintained at banks in Hong Kong in accordance with the law and applicable regulations and guidelines issued by relevant authorities in Hong Kong.

## INFORMATION RELATING TO THE ISSUER

### History and Development of the Issuer

The Issuer is a public limited company incorporated in Jersey under registration number 85600. The liability of its members is limited. It has its registered office and head office at HSBC House, Esplanade, St. Helier, Jersey JE4 8UB, Channel Islands and the telephone contact number is +44 (0) 1534 606512.

The Issuer was originally established as The Imperial Bank of Persia in the United Kingdom in September 1889. In the early 1940s, the Issuer pioneered banking in the Gulf States, with the sector going on to play a vital role in the development of the oil industry in the Middle East. Branches were opened in Kuwait (1942), Bahrain (1944), Dubai (1946), Muscat (1948) and elsewhere in the Middle East. In 1959, the Issuer became a member of the HSBC Group when it was acquired by The Hongkong and Shanghai Banking Corporation Limited.

The Issuer relocated its place of incorporation to Jersey, Channel Islands on 1 July 2003 where it was incorporated as a private limited company. The shareholder of the Issuer passed a special resolution on 5 October 2004 to re-register it as a public company with limited liability under the Companies (Jersey) Law 1991, as amended, for an unlimited duration. This re-registration took effect on 5 October 2004.

The Issuer's head office is located in Jersey. It is a wholly owned, indirectly held (via intermediate holding entities in the United Kingdom and the Netherlands), subsidiary of HSBC Holdings plc, and thereby a member of the HSBC Group. The Issuer is widely represented in the Middle East and North Africa region and has branches throughout the United Arab Emirates (the "UAE"), Bahrain (including an offshore banking unit), Qatar, Kuwait, Jordan, Lebanon, Pakistan, Algeria and the Palestinian Autonomous Area. In addition, the Issuer has a representative office in Tripoli, Libya and 2 branches in Oman held through a majority owned subsidiary, HSBC Bank Oman S.A.O.G. The Issuer's equity shares are not listed. As at 31 December 2012, the Issuer employed approximately 5,562 staff.

### Ratings

The Issuer has been assigned the following long-term credit ratings:

- A1 by Moody's Investors Service Limited ("**Moody's**"). This means that Moody's is of the opinion that the obligations of the Issuer are upper-medium grade and are subject to low credit risk; and
- AA- by Fitch Ratings Limited ("**Fitch**"). This means that Fitch is of the opinion that the Issuer has very strong capacity to meet policyholder and contract obligations. This capacity is not significantly vulnerable to foreseeable events.

The Issuer has also been assigned the following short-term credit ratings:

- P-1 by Moody's. This means that Moody's is of the opinion that the Issuer (or supporting institutions) have a superior ability to repay short-term debt obligations; and
- F1+ by Fitch. This means that Fitch is of the opinion that the Issuer has very strong capacity to meet near-term obligations.

Each of Moody's and Fitch are established in the European Union and are registered as Credit Rating Agencies under Regulation (EU) No. 1060/2009. As such, each of Moody's and Fitch is included in the list of credit rating agencies published by the European Union Securities and Markets Authority on its website in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities issued by the Issuer (or beneficial interests therein), does not address the likelihood of timing of repayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisations.

## **Legislation**

Both in its jurisdiction of incorporation and generally, the Issuer is governed by, and is subject to, the Companies (Jersey) Law 1991, as amended and the Financial Services (Jersey) Law 1998, as amended.

In relation to securities issued under its debt issuance programme, the Issuer is subject to primary and secondary legislation relating to financial services and banking regulation in the Republic of Ireland, including, *inter alia*, the listing rules of the Irish Stock Exchange.

## **Principal activities**

The Issuer, through its branch network and subsidiary undertakings, provides a range of banking and related financial services in the Middle East, North Africa and Pakistan.

The Issuer's principal business activities are as follows:

### ***Personal Banking***

The Issuer offers a full range of banking and personal financial services, from current and savings accounts to time deposits, credit cards, mortgages, financial planning services, loans to expatriates and nationals, and diverse payment services.

### ***Corporate Banking***

The Issuer offers a wide range of traditional products and services tailored to help corporate customers with all their banking needs, local as well as international, effectively and efficiently. Based on relationship banking blended with innovative new ideas, the Issuer works closely with customers to understand their business and develop practical, cost effective solutions. Through ready access to an extensive team of product specialists and dedicated relationship managers, the Issuer can provide customers including, Sovereigns, large corporates and small and medium enterprises, with the tailored solutions, such as trade finance, they need to assist them in achieving their business goals.

### ***Global Markets***

The Issuer's Regional Treasury Centre is based in Dubai, UAE providing services to the dealing rooms of Jordan, Egypt, Algeria, Lebanon, Oman, Bahrain, Kuwait, Qatar and Pakistan. The Issuer's Global Markets division offers the full spectrum of treasury services to its customers, ranging from basic foreign exchange products to complex derivative and structured products.

### ***Global Banking***

As part of the HSBC Group's regional investment banking arm in the Middle East and North Africa, the Issuer has one of the most significant investment banking operations in the region.

The Issuer offers a full spectrum of investment banking services for corporate and institutional clients. By drawing on local commercial market knowledge and international product expertise, the investment banking and markets business is able to provide an excellent combination of global coverage and local market penetration.

Investment banking services offered include: debt capital markets, corporate finance and advisory, asset management, securities dealing services and private equity.

### ***Private Banking***

Offshore private banking services are provided through many of the Issuer's offices within the Middle East and North Africa. Working with dedicated HSBC Private Bank offices around the world, the Issuer provides advice and guidance on deposits, securities portfolios, asset protection (through the formation of trusts and offshore companies) and other investments such as the purchase of international real estate.

### ***HSBC Group Operations in the Middle East and North Africa***

The HSBC Group operates in the Middle East and North Africa through the following consolidated subsidiaries: the Issuer, HSBC Financial Services (Middle East) Limited, HSBC Insurance Services

(Lebanon) S.A.L., HSBC Bank Egypt S.A.E, HSBC Securities (Egypt) S.A.E., The Hongkong and Shanghai Banking Corporation Limited, HSBC Middle East Finance Company Limited, HSBC Middle East Securities LLC, HSBC Bank International Limited and HSBC Middle East Leasing Partnership. An associate company of the HSBC Group, The Saudi British Bank, and its subsidiaries, and a joint venture, HSBC Saudi Arabia Limited, also have operations in the Middle East.

The Issuer provides a wide range of banking services for both corporate and personal customers in Bahrain, Jordan, Lebanon, Oman, Qatar, Kuwait, Pakistan, the Palestinian Autonomous Area, Algeria and the UAE.

The Issuer also plays an important role in the community by supporting a wide range of charitable and community projects, principally through the HSBC in the Community Committee, MENA Region a U.S.\$ 3.3 million sponsorship initiative.

### ***HSBC Amanah***

Following a strategic review of its Islamic finance business, HSBC will focus its Islamic finance offering on customers in Malaysia and Saudi Arabia, and maintain a limited presence in Indonesia. The Issuer will continue to offer wholesale Islamic financing/Sukuk products to its global client base through its operations in Malaysia and Saudi Arabia. Following the restructuring, HSBC will retain 83% of the HSBC Group's Islamic business revenues.

In Saudi Arabia, Islamic financial products will be offered through The Saudi British Bank ('SABB'), in which HSBC Holdings plc indirectly holds a 40% shareholding. HSBC Saudi Arabia Limited, in which HSBC Holdings plc indirectly holds a 49% shareholding, will offer Islamic investments and wholesale Islamic financing/Sukuk products to customers globally.

The HSBC Group will cease to offer Shari'ah compliant products and services in the UK, the UAE, Bahrain, Bangladesh, Singapore and Mauritius, with the exception of wholesale Islamic financing/Sukuk products that will continue to be offered in these jurisdictions and globally through HSBC Saudi Arabia Limited.

### **Organisational Structure**

HSBC Holdings plc and its subsidiaries is one of the largest banking and financial services organisations in the world with a market capitalisation of USD 194 billion at 31 December 2012.

As at 31 December 2012, the HSBC Group had total assets of USD 2,692,538 million, and total shareholders' equity of USD 175,242 million. For the year ended 31 December 2012, the HSBC Group's operating profit was USD 17,092 million on total operating income of USD 82,545 million. The HSBC Group had a tier 1 capital ratio of 13.4 per cent. and a core tier 1 capital ratio of 12.3 per cent. as at 31 December 2012.

Headquartered in London, the HSBC Group operates through long-established businesses and has an international network of some 6,600 offices in 81 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Within these regions, a comprehensive range of financial services is offered to personal, commercial, corporate, institutional, investment and private banking clients.

The HSBC Group's products and services are delivered to clients through four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking.

Since the establishment in 1999 of HSBC as a uniform, international brand name, the HSBC Group's hexagon corporate symbol has become a familiar sight across the world.

The Issuer is the HSBC Group's principal operating subsidiary undertaking in the Middle East and North Africa. It is a wholly-owned, indirectly held (via intermediate holding entities in the United Kingdom and the Netherlands) subsidiary of HSBC Holdings plc.



As at the date of this document, the Issuer's principal subsidiary undertakings are:

	<b>Country of Incorporation or registration</b>	<b>HBME's interest in equity capital</b>
		<i>(per cent.)</i>
HSBC Bank Middle East Nominees W.L.L. ....	Bahrain	95
HSBC Financial Services (Middle East) Limited.....	Dubai, UAE	100
HSBC Middle East Finance Company Limited .....	Dubai, UAE	80
HSBC Insurance Services (Lebanon) S.A.L. ....	Lebanon	100
HSBC Bank Oman S.A.O.G.....	Oman	51

### **Acquisitions / Disposals**

The Issuer completed the following transactions during 2012:

#### ***Lloyds Banking Group onshore assets in the United Arab Emirates***

On 25 October 2012, the Issuer acquired the onshore retail and commercial banking business of Lloyds Banking Group in the United Arab Emirates.

#### ***Oman International Bank***

On 3 June 2012, the HBME merged the operations of HSBC Bank Middle East Limited Oman branch with Oman International Bank ('**OIB**'), an Omani joint stock company listed on the Muscat Securities Market and operating as a commercial bank in the Sultanate of Oman. Following the merger, HBME acquired 51% of the combined entity for a total consideration of US\$201.2 million.

#### ***Pakistan***

The Issuer announced its intention to sell its operations in Pakistan on 10 April 2012. The transaction is expected to be completed in 2013 however it is currently awaiting approval of the Central Bank of Pakistan.

### **Authorised share capital**

As at the date of this document:

- a. The authorised share capital of the Issuer is U.S.\$ 1,500,000,000, divided into 1,500,000,000 ordinary shares of U.S.\$ 1.00 each per share, of which 931,055,000 shares have been issued; and
- b. The authorised non-equity preference share capital of the Issuer is (i) 1,350,000 cumulative redeemable preference shares of U.S.\$ 1.00 each per share, of which 825,000 shares have been issued; and (ii) 1,150,000 non-cumulative redeemable preference shares of U.S.\$1.00 each per share, of which 225,000 shares have been issued.

### **Financial Trend Information**

There are no known financial trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for the current financial year.

## Management

At the date of this document, the Directors of the Issuer, their functions and their principal outside activities (if any) of significance to the Issuer, are as follows:

<b>Name</b>	<b>Function within the Issuer</b>	<b>Principal Outside Activity</b>
David Gordon Eldon	Chairman and Non-Executive Director	
Simon Nigel Cooper	Director, Deputy Chairman and Chief Executive Officer until 1 October 2013.	HSBC Holdings plc Group General Manager. Director HSBC Bank Egypt S.A.E, and The Saudi British Bank
Mohammad Al Tuwajiri	Executive Director and, effective from 1 October 2013, Deputy Chairman and Chief Executive Officer of HSBC Middle East and North Africa	Regional Head of Global Banking and Markets
Robert Blackburn Gray	Non-Executive Director	Chairman HSBC Saudi Arabia Limited, Director HSBC Bank Egypt S.A.E.
Christopher John Meade Keirle	Executive Director	
Anthony Robin Dominic Monro-Davies	Independent Non-Executive Director	
Abdul Hakeem Mohdtayyeb Hashim Bin Mostafawi	Non-Executive Director	Chief Executive Officer, Qatar
Sir William Charters Patey	Independent Non-Executive Director	
Abdulfattah Sayed Mansoor Sharaf	Non-Executive Director	Chief Executive Officer, UAE
Thomas Lindsay Slattery	Independent Non-Executive Director	
Nicholas Gary Winsor	Non-Executive Director	Chief Executive Officer HSBC Channel Islands and Isle of Man

The business address for the purposes of correspondence for all the Directors of the Issuer is located at HSBC House, Esplanade, St. Helier, Jersey JE4 8UB, Channel Islands.

The Company Secretary of the Issuer is John Alan Tothill, whose business address for the purposes of correspondence is located at HSBC House, Esplanade, St. Helier, Jersey JE4 8UB, Channel Islands.

There are no conflicts of interest between any duties owed to the Issuer by its management or by its Company Secretary (as described above) and their private interests and/or other duties, and no such potential conflicts of interest to the knowledge of the Issuer as at the date of this document, and the Issuer has procedures in place to manage any such potential conflicts of interest which arise from time to time.

## Major Shareholders

The whole of the ordinary issued share capital of the Issuer and the majority of the issued preference share capital of the Issuer is beneficially owned by HSBC Middle East Holdings B.V., the Issuer's

immediate parent shareholder, which is incorporated in The Netherlands, and which is a wholly-owned, indirectly-held, subsidiary of HSBC Holdings plc. Shareholders of the Issuer have elected in accordance with the provisions of the Companies (Jersey) Law 1991, as amended, to dispense with the requirement for the holding of annual general meetings. The appointment of Auditors, and any changes to the Memorandum and Articles of Association of the Issuer, require the approval of Shareholders in general meeting.

**Material Contracts**

There are no material contracts that have been entered into in the ordinary course of the Issuer's business, which could result in any HSBC Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to security holders in respect of the securities being issued.

### INFORMATION INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum, **provided that** any documents incorporated by reference in any of the documents set forth below do not form part of this Information Memorandum:

- The audited and consolidated Annual Report and Accounts of the Issuer and its subsidiary undertakings and auditor's report for the years ended 31 December 2011 and 2012;
- the Terms and Conditions of the Notes contained in each of the previous base prospectuses of the Issuer dated 28 September 2006, 17 January 2008, 5 February 2009, 22 April 2010, 17 May 2011 and 17 May 2012; and
- the Terms and Conditions of the Notes contained in the information memorandum dated 16 November 2004,

save that any statement contained in this Information Memorandum or any information incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

The Issuer will, at its registered office and at the specified offices of the Paying Agents, make available for inspection during normal business hours and free of charge, upon oral or written request, a copy of this Information Memorandum and each document incorporated by reference in this Information Memorandum. Written or oral requests for inspection of such documents should be directed to the specified office of any Paying Agent.

## OVERVIEW OF PROGRAMME PARTIES

*The following is an overview of the roles of certain of the parties involved in the Programme. This overview does not contain all of the information that an investor should consider before investing in the Notes and is qualified in its entirety by the remainder of this Information Memorandum, the applicable Pricing Supplement and the documents relating to the Programme referred to herein. Each investor should read the entire Information Memorandum and the applicable Pricing Supplement carefully, especially the risks of investing in the Notes issued under the Programme discussed under "Risk Factors".*

The Trustee acts as trustee in relation to the Notes pursuant to the Terms and Conditions of the Notes and the Trust Deed. The Trustee is entitled to exercise certain rights, duties, powers, trusts, authorities and discretions as set out in the Terms and Conditions of the Notes and the Trust Deed.

The Principal Paying Agent is appointed under the Agency Agreement for the purposes of, among other things, making payments on behalf of the Issuer to the Noteholders, dealing with replacements of Bearer Notes and Coupons and performing various other administrative functions in relation to the Notes (see further Condition 8 (*Payments*), Condition 12 (*Paying Agents, Transfer Agents, Agent Bank and Registrar*) and Condition 13 (*Replacement, Exchange and Transfer*)).

The ICSD Registrar is appointed under the Agency Agreement for the purposes of, among other things, maintaining the register of the names and addresses of the Noteholders for Registered Notes and dealing with transfers of Registered Notes (see further Condition 12 (*Paying Agents, Transfer Agents, Agent Bank and Registrar*) and Condition 13 (*Replacement, Exchange and Transfer*)).

The Issuer may, from time to time, appoint a CMU Registrar under the Agency Agreement for the purposes of, among other things, maintaining the register of the names and addresses of the Noteholders for Registered Notes in the CMU system and performing various other administrative functions (see further Condition 12 (*Paying Agents, Transfer Agents, Agent Bank and Registrar*) and Condition 13 (*Replacement, Exchange and Transfer*)).

References to Registrars in this Information Memorandum mean the ICSD Registrar and/or the CMU Registrar, as the case may be, and any successor or additional persons appointed as such (each a "**Registrar**").

The Transfer Agent is appointed under the Agency Agreement for the purposes of, among other things, dealing with any transfers of Notes and performing various other administrative functions, including, providing replacement Notes (see further Condition 1 (*Form, Denomination and Title*), Condition 12 (*Paying Agents, Transfer Agents, Agent Bank and Registrar*) and Condition 13 (*Replacement, Exchange and Transfer*)).

The Agent Bank is appointed under the Agency Agreement for the purposes of, among other things, calculating and publishing the rate of interest and the interest amount from time to time payable under the Notes (see further Condition 4 (*Interest on Floating Rate Notes*)).

A Calculation Agent, or in the case for Notes held in the CMU system, a Renminbi Calculation Agent may be appointed to calculate the interest payable on the Notes by, among other things, obtaining quotes and performing determinations and calculations. The identity of such Calculation Agent and/or Renminbi Calculation Agent shall be specified in the relevant Pricing Supplement.

The Issuer may, from time to time, appoint a CMU Lodging and Paying Agent under the Agency Agreement for the purposes of, among other things, making payment of principal and interest on behalf of the Issuer to the Noteholders in the CMU system and performing various other administrative functions in relation to the issue of the Notes (see further Condition 12 (*Paying Agents, Transfer Agents, Agent Bank and Registrar*)).

References to Paying Agents in this Information Memorandum mean the Principal Paying Agent and/or the CMU Lodging and Paying Agent, as the case may be, and any successor or additional persons appointed as such (each a "**Paying Agent**"). The identity of such CMU Lodging and Paying Agent and any additional Paying Agents, if any, shall be specified in the relevant Pricing Supplement.

The Dealers are appointed under the Dealer Agreement for the purposes of subscribing for Notes; procuring a third party to purchase or subscribe for Notes; agreeing to procure the purchase or subscription for Notes by a third party and, in default thereof, themselves subscribing for Notes.

The Arranger or Arrangers (if applicable) act in an administrative capacity to facilitate the establishment and/or maintenance of the Programme.

## TERMS AND CONDITIONS OF THE NOTES

*The following (disregarding any sentences in italics) is the text of the terms and conditions applicable to the Notes, which, as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement(s), will be incorporated by reference into each Global Note and which will be endorsed on the Notes in definitive form (if any) issued in exchange for Global Notes representing each Tranche, details of the relevant Tranche being as set out in the relevant Pricing Supplement. The Pricing Supplement in relation to any Tranche may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with such terms and conditions, replace or modify the following terms and conditions for the purpose of such Tranche.*

This Note is one of a Series of Notes (the "**Notes**") issued pursuant to the debt issuance programme (the "**Programme**") established by HSBC Bank Middle East Limited (the "**Bank**" or the "**Issuer**") and is constituted by a Trust Deed dated 16 November 2004 (such Trust Deed as last modified and restated by a modified and restated trust deed dated 15 July 2013 and as further modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") made between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**" which expression shall wherever the context so admits include its successors) and has the benefit of an Agency Agreement dated 16 November 2004 (such Agency Agreement as last modified and restated on 15 July 2013 and as further modified and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between, amongst others, the Issuer, the Principal Paying Agent (the "**Principal Paying Agent**" which expression shall wherever the context so admits include its successors as such in respect of the Notes), any CMU Lodging and Paying Agent (as defined below) and any successor or additional paying agents appointed in respect of the Notes (together with the Principal Paying Agent and any CMU Lodging and Paying Agent (as defined below), the "**Paying Agents**"), the ICSD Registrar (the "**ICSD Registrar**" which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes), the Transfer Agent (the "**Transfer Agent**", which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes), any CMU Registrar (as defined below) (together with the ICSD Registrar, the "**Registrars**" and each, a "**Registrar**"), the Agent Bank (the "**Agent Bank**" which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes) each named therein and the Trustee. The initial Principal Paying Agent, the initial ICSD Registrar and the initial Agent Bank are named below. In addition, the Issuer may from time to time, in relation to any Notes denominated in Renminbi, appoint a CMU Lodging and Paying Agent (the "**CMU Lodging and Paying Agent**" which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes, as appointed from time to time). In relation to any Notes denominated in Renminbi, a CMU Registrar (the "**CMU Registrar**" which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes) may also be appointed. Details of any such CMU Lodging and Paying Agent and CMU Registrar shall be given in the relevant Pricing Supplement (as defined below).

The Trustee shall exercise the duties, power, trusts, authorities and discretions vested in it by the Trust Deed separately in relation to each Series of Notes in accordance with the provisions of the Trust Deed. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office for the time being of the Trustee and at the specified office of each of the Principal Paying Agent, the CMU Lodging and Paying Agent, the other Paying Agents (if any), the Registrars and the Transfer Agents appointed from time to time pursuant to the terms of the Agency Agreement. The Holders (as defined below) for the time being of Notes (the "**Noteholders**") and of any coupons ("**Coupons**") or talons ("**Talons**") (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

References in these terms and conditions (the "**Conditions**") to "**Notes**" shall, where the context so requires include the temporary global Notes, the permanent global Notes, subordinated Notes ("**Subordinated Notes**"), Notes which are not subordinated and such other Notes as may from time to time be issued under the Programme, as the case may be, and the term "**Notes**" includes debt instruments, by whatever name called, issued under the Programme. References to the "**Bank**" or the "**Issuer**" means the Bank in its capacity as issuer of Notes under the Programme. All Notes will be issued in series (each, a "**Series**") and each Series may comprise one or more tranches (each, a "**Tranche**") of Notes. Each Tranche will be the subject of a Pricing Supplement (the "**Pricing Supplement**"), a copy of which will be attached to or incorporated by reference in each Note of such Tranche. Subject as set out in the relevant

Pricing Supplement, all Notes issued pursuant to the Programme on the same date, denominated in the same currency, having the same maturity date, bearing interest, if any, on the same basis and issued on identical terms will constitute one Tranche of Notes.

Capitalised terms used but not defined herein shall have the meaning given to them in the relevant Pricing Supplement.

## 1. **FORM, DENOMINATION AND TITLE**

### (a) **Form**

Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") as set out in the relevant Pricing Supplement.

### (b) **Form of Bearer Notes**

Bearer Notes will be in substantially the relevant form (subject to amendment and completion) scheduled to the Trust Deed or in such other form as from time to time may be agreed. Interest-bearing Bearer Notes will, if so specified in the relevant Pricing Supplement, have attached 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 Bearer Notes will also, if so specified in the relevant Pricing Supplement, have attached at the time of their initial delivery a Talon exchangeable for further Coupons and the expression "**Coupons**" shall, where the context so requires, include Talons.

### (c) **Form of Registered Notes**

Registered Notes will be in substantially the relevant form (subject to amendment and completion) scheduled to the Trust Deed or in such other form as may from time to time be agreed.

### (d) **Instalment Notes**

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

### (e) **Partly Paid Notes**

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

### (f) **Denomination**

Subject to Condition 9, Bearer Notes will be in the denomination(s) set out in the relevant Pricing Supplement. Bearer Notes of one denomination will not be exchangeable after their initial delivery for Notes of any other denomination. Registered Notes will be in the denomination(s) and multiples set out in the relevant Pricing Supplement.

### (g) **Title**

Title to Bearer Notes, Coupons and Talons will pass by delivery. Title to Registered Notes passes by registration in the register which is kept by the relevant Registrar. References herein to the "**Holders**" of Bearer Notes or of Coupons are to the bearers of such Bearer Notes or such Coupons and references herein to the "**Holders**" of Registered Notes are to the persons in whose names such Registered Notes are so registered in the register.



To the extent permitted by law and subject to the provisions of the fourth paragraph of Condition 14(a) while the Notes of any Series are represented by a Note or Notes in global form, the Issuer, the Principal Paying Agent, the CMU Lodging and Paying Agent (as the case may be), any other Paying Agents, the Transfer Agents, the Agent Bank and the relevant Registrar may deem and treat the Holder of any Bearer Note or of any Coupon and the Holder of any Registered Note (and, if more than one, the first named thereof) as the absolute owner thereof (whether or not such Note shall be 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.

(h) **Transfer of Registered Notes**

Subject as provided in the final sentence of this Condition 1(h), a Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (**provided that** each of such part transferred and the balance not transferred is, or is an integral multiple of, the minimum denomination specified in the relevant Pricing Supplement) upon the surrender of the Registered Note to be transferred, together with the form of transfer (including, without limitation, any certification as to compliance with restrictions on transfer included in such form of transfer) endorsed on it duly completed and executed, at the specified office of the relevant Registrar or any of the Transfer Agents together with such evidence as such Registrar, or as the case may be, such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the form of transfer. 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. No Holder may require the transfer of a Registered Note to be registered during the period of 15 calendar days ending on the due date for any payment (whether of principal, redemption amount, interest or otherwise) in respect of such Note.

(i) **Delivery**

Each new Registered Note to be issued upon the transfer of a Registered Note will, within five Relevant Banking Days (as defined in Condition 19) of the Transfer Date (as defined in Condition 19), be available for delivery at the specified office of the relevant Registrar or, as the case may be, the relevant Transfer Agent or (at the request and risk of the Holder of such Registered Note) be mailed by uninsured post to such address as may be specified by such Holder. For these purposes, a form of transfer received by the relevant Registrar or any of the Transfer Agents after the Record Date (as defined in Condition 8(b)) in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by such Registrar or such Transfer Agent until the day following the due date for such payment.

(j) **No charge**

The issue of new Registered Notes on transfer will be effected without charge to the Holder or the transferee by or on behalf of the Issuer, the relevant Registrar or the relevant Transfer Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the relevant Registrar or, as the case may be, the relevant Transfer Agent may require in respect of) any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfers or exchanges.

(k) **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 Agency Agreement. The Regulations may be amended, supplemented or replaced by the Issuer with the prior written approval of the relevant 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 relevant Registrar and the Transfer Agents.

## 2. STATUS

The Notes of each Series (other than Subordinated Notes) constitute direct, unsecured obligations of the Issuer, ranking *pari passu* without any preference among themselves and, at their date of issue, ranking *pari passu* with all other unsecured and unsubordinated obligations of the Issuer other than any such obligations preferred by law.

The Notes of each Series of Subordinated Notes constitute direct, unsecured obligations of the Issuer ranking *pari passu* without any preference among themselves. The rights of Holders of Subordinated Notes will, in the event of the winding up of the Issuer or a declaration of the property of the Issuer "*en désastre*", be subordinated in right of payment to the claims of depositors and all other creditors of the Issuer other than claimants in respect of Subordinated Indebtedness (as defined in the Trust Deed) in the manner provided in the Trust Deed.

Claims in respect of any Notes or Coupons may not be set off, or be the subject of a counterclaim, by the Holder against or in respect of any obligations of his to the Issuer, the Trustee or any other person, and every Holder waives, and shall be treated for all purposes as if he had waived, any right that he might otherwise have to set off, or to raise by way of counterclaim any claim of his in respect of any Notes or Coupons, against or in respect of any obligations of his to the Issuer, the Trustee or any other person. If, notwithstanding the preceding sentence, any Holder receives or recovers any sum or the benefit of any sum in respect of any Note or Coupon by virtue of any such set off or counterclaim, he shall hold the same on trust for the Issuer and shall pay the amount thereof to the Issuer or, in the event of the winding up of the Issuer, to the liquidator of the Issuer.

## 3. INTEREST ON FIXED RATE NOTES

### (a) Application

This Condition 3 is applicable to the Notes only if the Fixed Rate Note provisions are specified in the relevant Pricing Supplement as being applicable.

### (b) Accrual of interest

Fixed Rate Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the redemption amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 3 (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 Principal Paying Agent or the Trustee 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

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one denomination (as specified in the relevant Pricing Supplement), shall be the relevant Fixed Coupon Amount in respect of the relevant denomination.

### (d) Calculation of interest amount

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction,

rounding the resulting figure to the nearest sub-unit of the Specified Currency (as defined in Condition 19 (*Definitions*)) (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the principal outstanding amount of such Note (as specified in the relevant Pricing Supplement) 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.

#### 4. **INTEREST ON FLOATING RATE NOTES**

##### (a) **Application**

This Condition 4 is applicable to the Notes only if the Floating Rate Note provisions, the Index-Linked Interest Note provisions or other variable-linked interest Note provisions are specified in the relevant Pricing Supplement as being applicable.

##### (b) **Accrual of interest**

Floating Rate Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the redemption amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (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 Principal Paying Agent or the Trustee 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) **Screen Rate Determination**

If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Agent Bank on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Agent Bank will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Agent Bank will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (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, the Agent Bank will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate 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;
  - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Agent Bank will determine the arithmetic mean of the rates (being the nearest to the

Reference Rate, as determined by the Agent Bank) quoted by major banks in the principal financial centre of the Specified Currency, selected by the Agent Bank, at approximately 11.00 a.m. (local time in the principal financial centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified 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 Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Agent Bank 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 Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and 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.

(d) **ISDA Determination**

If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Agent Bank under an interest rate swap transaction if the Agent Bank 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 Pricing Supplement;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.

(e) **Index-Linked Interest and other variable-linked interest**

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

(f) **Maximum or Minimum Rate of Interest**

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

(g) **Calculation of Interest Amount**

The Agent Bank will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the principal outstanding amount of the relevant Note 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.

(h) **Calculation of other amounts**

If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Agent Bank, the Agent Bank will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Agent Bank in the manner specified in the relevant Pricing Supplement.

(i) **Publication**

The Agent Bank 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 as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Agent Bank will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum denomination, the Agent Bank 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.

(j) **Notifications etc.**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank 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 Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(k) **Determination or Calculation by the Trustee**

If the Agent Bank does not at any time for any reason determine the Rate of Interest or calculate the Interest Amount, the Trustee shall do so and such determination or calculation shall be deemed to have been made by the Agent Bank. In doing so, the Trustee shall apply the foregoing provisions of this Condition 4, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

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

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

5. **VARIABLE COUPON AMOUNT NOTES AND ZERO COUPON NOTES**

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

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

6. **REDEMPTION AND PURCHASE**

(a) **Final Redemption**

Unless previously redeemed or purchased and cancelled and subject as otherwise set out in the relevant Pricing Supplement, Notes will be redeemed at their principal amount or such other redemption amount as may be set out in or determined in accordance with the relevant Pricing Supplement on the Maturity Date specified in the relevant Pricing Supplement (or, in the case of Instalment Notes, in such number of instalments and in such amounts ("**Instalment Amounts**") as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement).

(b) **Redemption for Taxation Reasons**

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that:

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

the Issuer may, having given not less than 30 nor more than 45 days' notice (ending, in the case of Floating Rate Notes, on an Interest Payment Date) to the Noteholders in respect of such Series of Notes, redeem all, but not some only, of the Notes, at their principal amount or such other redemption amount as may be set out in the relevant Pricing Supplement together with interest accrued and unpaid, if any, to the date fixed for redemption **provided that** no such notice of redemption shall be given earlier than 90 days (or in the case of Floating Rate Notes or Variable Coupon Amount Notes a number of days which is equal to the aggregate of the number of days in the then current Interest Period plus 60 days **provided that** such aggregate number of days shall not be greater than 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 of its option to require the redemption of such Note under paragraph (d) below, if the due date for redemption under this paragraph (b) would occur prior to that under paragraph (d) but not otherwise and, in such circumstances, the exercise of the option under paragraph (d) shall be rendered ineffective.

Subject only to the obligation of the Issuer to use such endeavours as aforesaid, it shall be sufficient, to establish the circumstances required to be established pursuant to this Condition 6(b), if the Issuer shall deliver to the Trustee a certificate of an independent legal adviser or accountant satisfactory to the Trustee to the effect either that such circumstances do exist or that, upon a change in or amendment to the laws (including any regulations pursuant thereto), or in the interpretation or administration thereof, of Jersey or the United Arab Emirates (as the case may be), which at the date of such

certificate is proposed and in the opinion of such legal adviser or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal or interest in respect of the Notes would otherwise be made, becoming so effective, such circumstances would exist.

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

Where so set out in the relevant Pricing Supplement, Notes shall be redeemable at the option of the Issuer. In such case, the Issuer may at any time (in the case of Fixed Rate Notes or Zero Coupon Notes), on any Interest Payment Date (in the case of Floating Rate Notes or Variable Coupon Amount Notes) or otherwise as set out in the relevant Pricing Supplement, on giving (in accordance with Condition 14) not less than 30 nor more than 60 days' notice (or such other period as set out in the relevant Pricing Supplement) to the Noteholders (such notice being irrevocable) specifying the date fixed for such redemption, on the date so fixed, redeem all of such Notes (or, if so specified in the relevant Pricing Supplement and subject as therein specified, some only of the Notes) at their principal amount or such other early redemption amount as set out in the relevant Pricing Supplement together with interest accrued thereon to the date fixed for redemption.

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

- in the case of Bearer Notes (other than a temporary global Note or permanent global Note), the Notes to be redeemed shall be drawn by lot in such European city as the Principal Paying Agent may specify or, as the case may be, a city as the CMU Lodging and Paying Agent may specify, or identified in such other manner or in such other place as the Principal Paying Agent or the CMU Lodging and Paying Agent (as the case may be) and the Trustee may approve and deem appropriate and fair; and
- in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, **provided always that** the amount redeemed in respect of each Note shall be equal to the minimum denomination thereof or an 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 relevant Notes may have been admitted to listing, trading and/or quotation.

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

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

Where so set out in the relevant Pricing Supplement, Notes shall be redeemable at the option of the Noteholders. In such case, upon any Noteholder giving to the Issuer notice of redemption (such notice being irrevocable) the Issuer will, in accordance with the provisions set out in the relevant Pricing Supplement, redeem in whole (but not in part) the Note(s) specified in such notice at their principal amount or such other amount as may be set out in or determined in accordance with the relevant Pricing Supplement together with interest accrued thereon to the date fixed for redemption.

In order to give such notice, the Holder must, not less than 45 days before the date for redemption as set out in the relevant Pricing Supplement (or such other period as may be set out in the Pricing Supplement), deposit the relevant Note (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 relevant Registrar or any Transfer Agent 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 relevant Registrar or any Transfer Agent. The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under Condition 6(b) or (c).

(e) **Purchases**

The Issuer or any holding or subsidiary company of it or any subsidiary of any such holding company may at any time purchase Notes at any price in the open market or otherwise and may resell the same.

(f) **Cancellation**

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

(g) **Zero Coupon Notes**

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

(h) **Other Redemption Provisions**

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

(i) **Illegality and Force Majeure**

The Issuer shall have the right to terminate its obligations under the Notes, if the Issuer shall have determined in its absolute discretion, that the performance of such obligations shall have become unlawful or impracticable in whole or in part for any reason whatsoever, including (without prejudice to the generality of the foregoing) as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. In such circumstances the Notes shall be redeemable at the option of the Issuer in accordance with Condition 6(c) (*Redemption at the Option of the Issuer*) even if Condition 6(c) (*Redemption at the Option of the Issuer*) is specified as "Not Applicable" in the relevant Pricing Supplement.

*For Notes which are specified as Credit-Linked Notes, please also refer to the section entitled "Additional Terms and Conditions relating to Credit-Linked Notes" which includes additional redemption and purchase circumstances relating to such Notes.*

*For Notes which are specified as Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes, please also refer to the section entitled "Additional Terms and Conditions relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes" which includes additional redemption and purchase circumstances relating to such Notes.*

7. **TAXATION**

Except as otherwise set out in the relevant Pricing Supplement, 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 Jersey or the United Arab Emirates (or any authority or political subdivision therein or thereof having power to tax) unless the Issuer is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges.

In that event, the Issuer 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 received in respect of the Notes and/or, as the case may be, Coupons in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) to, or to a third party on behalf of, a Holder of a Note or Coupon who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with Jersey or the United Arab Emirates other than the mere holding of such Note or Coupon; or
- (b) unless it is proved, in the case of Bearer Notes, to the satisfaction of the Principal Paying Agent, the CMU Lodging and Paying Agent (as the case may be) or the Paying Agent to whom the same is presented, or, in the case of Registered Notes, to the satisfaction of the relevant 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 a Paying Agent or the relevant tax authorities (as applicable) or by notifying (and/or presenting evidence of such notification) 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 (whether within or outside the European Union); or
- (c) more than 30 days after the Relevant Date (defined below) except, in the case of Bearer Notes, to the extent that the Holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (d) in the case of Registered Notes, unless the Holder, immediately upon becoming the Holder, is otherwise entitled to a complete exemption from withholding taxes on payments under the Notes; or
- (e) 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; or
- (f) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th – 27th November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

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, the CMU Lodging and Paying Agent (as the case may be) or the Trustee 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 Noteholders in accordance with Condition 14.

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

- (i) any additional amounts which may be payable under this Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the principal amount payable on the relevant Notes on the Maturity Date specified in the relevant Pricing Supplement;
- (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 US 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.

## 8. PAYMENTS

### (a) Bearer Notes

Payments of principal and interest (if any) in respect of Bearer Notes will (subject as provided below) be made against presentation and (save in the case of partial payment or payment of an Instalment Amount (other than the final Instalment Amount)) surrender of the relevant Note or, in the case of payments of interest, surrender of the relevant Coupon at the specified office of any Paying Agent outside the United States (subject to the next paragraph).

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 (as defined in the United States Internal Revenue Code of 1986 and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Notes when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law, in which case the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

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

Payment of Instalment Amounts (other than the final Instalment Amount) in respect of an Instalment Note which is a Definitive Bearer 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 Bearer Note other than a Fixed Rate Note all unmatured Coupons and Talons (if any) relating to such Definitive Bearer Note (whether or not attached) shall become void and no payment shall be made in respect of them. Definitive Bearer Notes which are Fixed Rate Notes should be presented for payment with all unmatured Coupons appertaining thereto, failing which the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, that portion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Any amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon within a period of ten years from the Relevant Date (as defined in Condition 7) for the payment of such principal, whether or not such Coupon has become void pursuant to Condition 11 or, if later, five years from the date on which such Coupon would have become due.

Notwithstanding the above, if any Definitive Bearer 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 Bearer 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 Bearer Note to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates. Upon any Definitive Bearer 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 Bearer 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 11. 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 Definitive Bearer Note is not the due date for the payment of a Coupon appertaining thereto, interest accrued in respect of such Note from (and including) the last preceding due date for the payment of a Coupon (or from the Issue Date or the Interest Commencement Date, as the case may be) will be paid only against surrender of such Bearer Note and all unmatured Coupons appertaining thereto.

(b) **Registered Notes**

Payment of the amount due on final redemption (the "**Redemption Amount**") in respect of Registered Notes will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Notes at the specified office of the relevant Registrar. If the due date for payment of the Redemption Amount 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 Pricing Supplement so specify, a Local Banking Day (each as defined below), then the Holder thereof will not be entitled to

payment thereof until the next day which is such a day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 3, 4 or 5, as appropriate.

Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the relevant Registrar at the close of business (local time in the place of the specified office of the relevant 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 relevant Registrar and such Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency, in each case as specified in paragraph 8(c) below.

(c) **General Provisions**

The following provisions apply to both Bearer Notes and Registered Notes. Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due either (a) by cheque, or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee, **provided that** payments in respect of Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Bearer Note or, as the case may be, Registered Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Trust Deed) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Trust Deed) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment. For the avoidance of doubt, so long as any Note or Coupon is held by the CMU Service, presentation thereof to the CMU Lodging and Paying Agent shall not be required as a precondition of its making payments in respect thereof.

Payments of principal, interest and other amounts (if any) in respect of Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment but without prejudice to the provisions of Condition 7.

Without prejudice to the generality of the foregoing, the Issuer reserves the right to require any person receiving payment of principal, interest and/or other sums 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 to comply with the requirements of the United States Federal Income Tax laws or such other laws as the Issuer may be required to comply with.

(d) **Payment of US Dollar Equivalent**

The following provisions apply to both Bearer Notes and Registered Notes denominated in Renminbi only. Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest in respect of Notes denominated in Renminbi when due in Renminbi in Hong Kong, the Issuer may, on giving not less than five or more than 30 calendar days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment in US Dollars on the due date at the US Dollar Equivalent of any such Renminbi denominated amount.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 8(d) above by the Renminbi Calculation Agent, will (in the absence of manifest error) be binding on the Issuer, the Agents and all Noteholders.

## 9. REDENOMINATION

### (a) General

Where redenomination is specified in the relevant Pricing Supplement as being applicable, and in respect of Notes denominated in a National Currency Unit (as defined below) (the "**Relevant Currency**") the Issuer may, without the consent of the Trustee or the Noteholders, on giving at least 30 days' prior notice to the Noteholders in accordance with Condition 14, designate a Redenomination Date in respect of such Notes.

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 an 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 Relevant Currency converted into euro at the rate for the conversion of the Relevant Currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to roundings in accordance with EC regulations); **Provided, however, that**, if the Issuer determines, with the prior approval of the Trustee, that the market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;
- (ii) if Notes are in definitive form:
  - (A) all unmatured Coupons denominated in the Relevant 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 Relevant Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 9(a)(ii)) shall remain in full force and effect; and
  - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Relevant Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Relevant 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 Relevant Currency were to euro. Such payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a

bank in the principal financial centre of any member state of the European Communities; and

- (iv) such other changes will be made to the Programme as the Issuer may decide, with the prior written approval of the Trustee, to conform such Notes to conventions then applicable to instruments denominated in euro. Any such other changes will not take effect until after they have been notified to the Noteholders in accordance with Condition 14.

None of the Issuer, the Trustee, or 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 any 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 9(a) above:

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

Period divided by 360 and rounding the resulting figure down to the nearest euro 0.01; and

- (v) in respect of Floating Rate Notes, the Rate of Interest for any subsequent Interest Period shall be determined by the Agent Bank on the basis of provisions which it determines, in its sole and absolute discretion, reflects the market practice in respect of internationally offered euro denominated securities.

## 10. ENFORCEMENT

- (a) In the case of any Series of Notes other than Subordinated Notes, if default is made for a period of 14 days or more 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, then the Trustee may at its discretion, and if so requested by the Holders of at least one-fifth in principal amount of such Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders of such Notes (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) shall, give written notice to the Issuer that the Notes of such Series are immediately due and repayable, whereupon the principal amount of such Notes or such other amount as set out in the relevant Pricing Supplement shall become immediately due and repayable together with interest accrued to (but excluding) the date of actual repayment;

**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 Trustee as to such validity or applicability.

- (b) In the case of any Series of Subordinated Notes:
  - (i) if default is made for a period of 7 days or more in the repayment of any principal due on the Notes of such Series or any of them or for a period of 14 days or more in the payment of any interest due in respect of the Notes of such Series or any of them, then the Trustee may, in order to enforce payment, at its discretion and without further notice, in the case of a Series of Subordinated Notes, institute proceedings for the declaration of the property of the Issuer "*en désastre*" in Jersey,
 

**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 7 or 14 days, as the case may be, by independent legal advisers acceptable to the Trustee as to such validity or applicability;
  - (ii) the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit and may, subject as hereinafter provided, institute proceedings for the declaration of the property of the Issuer "*en désastre*" in Jersey to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed in relation to such Series of Subordinated Notes or under such Notes or the Coupons appertaining thereto (other than any obligation for the payment of any principal or interest in respect of such Notes or Coupons or any other payment obligation in respect thereof) **provided that** the Issuer shall not by virtue of the institution of any such proceedings other than proceedings for the declaration of the property of the Issuer "*en désastre*" be obliged to pay any sum or sums (whether in respect of principal or interest or other sums in respect of the relevant Notes or the Coupons appertaining thereto or by way of damages in respect of any breach of any such obligation, condition

or provision or otherwise howsoever). The Trustee may only institute proceedings for the declaration of the property of the Issuer "*en désastre*" to enforce the obligations above referred to in this paragraph if a default by the Issuer thereunder is not remedied to the satisfaction of the Trustee within 60 days (or such longer period as the Trustee may permit) after notice of such default has been given to the Issuer by the Trustee requiring such default to be remedied.

*NB: The restriction on the payment of damages would have the effect of limiting the remedies available to the Trustee in the event of a breach of certain covenants by the Issuer.*

- (c) In the case of any Series of Notes, in the event of an order being made or an effective resolution being passed for the winding up of the Issuer in Jersey or the declaration of the property of the Issuer "*en désastre*" in Jersey (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved in writing by the Trustee or by an Extraordinary Resolution of the Holders of the relevant Series of Notes) the Trustee may declare the Notes of the relevant Series to be due and redeemable immediately (and such Notes shall thereby become so due and redeemable) at their principal amount together with accrued interest as provided in the Trust Deed and the relevant Pricing Supplement or at such other amount, or at such amount calculated in accordance with such other formula, as is set out in the relevant Pricing Supplement.
- (d) The Trustee shall not in any event be bound to take any of the actions referred to in Condition 10(b)(i) or (ii) or Condition 10(c) above in respect of any Series of Notes unless (i) it shall have been so requested in writing by the Holders of at least one-fifth of the principal amount of the Notes of the relevant Series then outstanding or it shall have been so directed by an Extraordinary Resolution of the Holders of the Notes of the relevant Series and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.
- (e) No remedy against the Issuer other than as specifically provided by this Condition 10 or the Trust Deed shall be available to the Trustee, the Noteholders or Couponholders in respect of any Series of Notes whether for the recovery of amounts owing in respect of such Notes or the Coupons appertaining thereto or under the Trust Deed or in respect of any breach by the Issuer of any obligation, condition or provision under the Trust Deed or such Notes or Coupons or otherwise, and no Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure shall be continuing in which case any such Holder may, upon giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings against the Issuer for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

## 11. **PRESCRIPTION**

Notes and Coupons will become void unless presented for payment within a period of ten (10) years and five (5) years, respectively, from the Relevant Date (as defined in Condition 7) in respect thereof. Any monies paid by the Issuer to the Principal Paying Agent, CMU Lodging and Paying Agent (as the case may be) or the Trustee 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, the CMU Lodging and Paying Agent (as the case may be) or the Trustee 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 11 or Condition 8.



## 12. **PAYING AGENTS, TRANSFER AGENTS, AGENT BANK AND REGISTRAR**

The Agency Agreement contains provisions indemnifying the Principal Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents and Transfer Agents (if any), the Agent Bank and the Registrars and absolving them from responsibility in connection with certain matters. The Agency Agreement may be amended by the parties thereto in relation to any Series of Notes if, in the opinion of the Issuer and the Trustee, the amendment will not materially adversely affect the interests of the relevant Holders.

The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, the CMU Lodging and Paying Agent, any Paying Agent or Transfer Agent, the Agent Bank or any Registrar and to appoint additional or other Paying Agents and/or Transfer Agents or a substitute Agent Bank or a substitute Registrar, **provided that** it will, so long as any Notes are outstanding, maintain (i) an Agent Bank, (ii) a Paying Agent, (iii) in the case of any Registered Notes, a Registrar with a specified office in England or such City as may be specified in the relevant Pricing Supplement and (iv) a paying agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive. Notice of all changes in the identities or specified offices of any Paying Agent, Agent Bank or Registrar will be given by the Issuer to Noteholders in accordance with Condition 14.

## 13. **REPLACEMENT, EXCHANGE AND TRANSFER**

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office (in the case of a Bearer Note or Coupon) of the Principal Paying Agent, the CMU Lodging and Paying Agent (as the case may be) or such other Paying Agent or office as the Trustee may approve or (in the case of Registered Notes) of the relevant Registrar upon payment by the claimant of the expenses 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 Agency Agreement and the relevant Pricing Supplement, 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 relevant Registrar, together with a written request for the exchange.

Upon the terms and subject to the conditions set out in the Agency Agreement, a Registered Note 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 Pricing Supplement) by the Holder or Holders surrendering the Registered Note for registration of transfer at the office of the relevant Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the relevant Registrar, 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 Pricing Supplement, the Holder of Bearer Notes may exchange the same for the same aggregate principal amount of Registered Notes upon the terms and subject to the conditions set forth in the 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, the CMU Lodging and Paying Agent (as the case may be) or of the relevant Registrar together with a written request for the exchange. Each Bearer Note so surrendered must be accompanied by all unmatured Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the Exchange Date (as defined below) where the Exchange Date would, but for the provisions of this paragraph, occur between the Record Date (as defined in Condition 8(b)) for such payment of interest and the date on which such payment of interest falls 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 relevant Registrar or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder.

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 thereto, shall be borne by the Issuer.

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

#### 14. NOTICES

- (a) All notices to the Holders of Notes or the Coupons appertaining thereto will be valid if published in one leading daily newspaper with general circulation in London (which is expected to be the Financial Times), Asia (as the case may be) or if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe or Asia (as the case may be). Any such notice shall be deemed to have been given on the date of such 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.

Notwithstanding the foregoing, any notices to Holders of Registered Notes will be deemed to have been validly given if mailed to their registered addresses (as advised by the relevant Registrar) or to that of the first named of them in the case of joint Holders.

Notwithstanding the foregoing, while the Notes of any Series are represented by a Note or Notes in global form ("**Global Notes**") and such Global Notes are deposited with, or with a depositary for or on behalf of, Euroclear and/or Clearstream, Luxembourg and/or any other clearing system or depositary, each person who has for the time being a particular principal amount of the Notes credited to his securities account in the records of Euroclear or Clearstream, Luxembourg or such other clearing system or depositary shall be treated as the Holder in respect of that principal amount of the Notes for all purposes other than for the purposes of payment of principal and interest on such Notes, and in such case notices to the Holders may be given by delivery of the relevant notice to the relevant clearing system or depositary and such notices shall be deemed to have been given to the Holders holding through the relevant clearing system or depositary on the date of delivery to the relevant clearing system or depositary.

Notwithstanding the foregoing, while the Notes of any Series are represented by a Global Note, and such Global Notes are deposited with a sub-custodian for and registered in the name of The Hong Kong Monetary Authority ("**HKMA**"), as operator of the CMU, notices to Holders may be given by delivery of the relevant notice to persons shown in the CMU Instrument Position Report (as defined in the Agency Agreement) issued by the HKMA on the business day prior to the date of despatch of such notice. Any such notice shall be deemed to have been given to the Holders on the second day after the day on which such notice is delivered to the persons shown in the relevant CMU Instrument Position Report.

- (b) Notices given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent, the CMU

Lodging and Paying Agent (as the case may be) or other Paying Agent (if any) at its specified office.

15. **MODIFICATION OF TERMS, WAIVER AND SUBSTITUTION**

The Trust Deed contains provisions for convening meetings of the Holders of the Notes of any Series to consider any matter affecting their interests, including, subject to the agreement of the Issuer, the modification by Extraordinary Resolution of the terms and conditions of such Notes or the provisions of the Trust Deed with respect to such Notes except, *inter alia*, certain terms concerning the amount and currency and the postponement of the due date of payment of the Notes and the Coupons appertaining thereto or interest or other amount payable in respect thereof, the modification of which may only be effected if passed at a meeting the quorum at which is persons holding or representing not less than two thirds, or at any adjourned such meeting not less than one third, in principal amount of the Notes of such Series for the time being outstanding.

An Extraordinary Resolution passed at any meeting of the Holders of the Notes of any Series will be binding on all Holders of Notes of that Series, whether or not they are present at the meeting, and on the Holders of Coupons appertaining to the Notes of that Series.

Subject to certain exceptions, the Trustee may agree, without the consent of the Holders of Notes of any Series or the Holders of the Coupons appertaining thereto (if any) to making any modification to the Conditions or to the provisions of the Trust Deed or to the relative Notes or Coupons if in the opinion of the Trustee such alteration:

- (i) is of a formal, minor or technical nature; or
- (ii) is made to correct a manifest error; or
- (iii) is not materially prejudicial to the interests of such Noteholders and/or Couponholders.

Any such modification shall be binding on the Holders of Notes of that Series and the Holders of the Coupons appertaining thereto and, unless the Trustee agrees otherwise, shall be notified to the Holders of Notes of that Series as soon as practicable thereafter.

Subject to certain exceptions, the Trustee may, in relation to each Series of Notes, without prejudice to its rights in respect of any subsequent breach or event, from time to time and at any time, but only if and insofar as in its opinion the respective interests of the Holders of Notes of such Series and the Holders of the Coupons appertaining thereto shall not be materially prejudiced thereby, waive or authorise any breach or prospective breach by the Issuer of any of the covenants or provisions contained in the Trust Deed or such Notes or Coupons or determine that any Default or any event which with the lapse of time and/or giving of notice would be a Default, but for such determination, shall not be treated as such.

For the purposes of this Condition, "**Default**" means any of the defaults set out in Condition 10 paragraph (a) and (b)(i) and any failure to meet any obligation, condition or provision referred to in paragraphs (b)(ii) or (c) of Condition 10.

Any such waiver, authorisation or determination may be given or made on such terms and subject to such conditions as shall seem fit and proper to the Trustee and shall be binding on the Holders of Notes of that Series and the Holders of the Coupons appertaining thereto and if, but only if, the Trustee shall so reasonably require, shall be notified by the Issuer to the Holders of Notes of that Series as soon as practicable thereafter.

Subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Holders of Notes of any Series or the Holders of the Coupons appertaining thereto (if any), the Trustee may also agree, subject to such Notes and the Coupons appertaining thereto being irrevocably guaranteed by the Issuer (on a subordinated basis in the case of Subordinated Notes), to the substitution of a subsidiary or holding company of the Issuer or any subsidiary of any such holding company in place of the Issuer as principal debtor under such Notes and the Coupons appertaining thereto (if any) and the Trust Deed insofar as it relates to such Notes.

In connection with the exercise of its powers, trusts, authorities or discretions (including, but not limited to those in relation to any proposed modification, waiver, authorisation, or substitution as aforesaid) the Trustee shall have regard to the interests of the Holders of the Notes of the relevant Series as a class and in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from the individual Noteholders or Couponholders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

16. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Holders of Notes of any Series or Holders of the Coupons appertaining thereto (if any) to create and issue further notes ranking equally in all respects (or in all respects save as specified in the relevant Pricing Supplement) 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.

17. **LAW AND JURISDICTION**

The Trust Deed, the Notes and the Coupons (if any) and all non-contractual obligations arising out of or in connection with them are governed by English law. The courts of England have exclusive jurisdiction to settle any dispute ("**Dispute**") arising out of or in connection with the Notes (including a Dispute relating to the existence, validity or termination of the Trust Deed, the Notes and the Coupons (if any) or any non-contractual obligation arising out of or in connection with the Trust Deed, the Notes and the Coupons (if any)) or the consequences of their nullity.

The Issuer agrees that the documents which start any proceedings and any other documents required to be served in relation to those proceedings may be served on it by being delivered to Deputy Head of Corporate Trust and Loan Agency, HSBC Bank plc, 8 Canada Square, London E14 5HQ or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of the Trustee addressed and delivered to the Issuer or to the specified office of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Trustee shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent. Nothing in this paragraph shall affect the right of the Trustee to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

In the case of a substitution under Condition 15, the Trustee may agree, without the consent of the Holders of the Notes of any Series or of the Coupons appertaining thereto, to a change of the law governing the Notes of any Series or the Coupons appertaining thereto and/or the Trust Deed insofar as it relates to such Series of Notes **provided that** such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Holders of the Notes of such Series, but the Trustee shall, in giving such agreement, have regard to the interests of the Holders of the Notes of such Series as a class and in particular, but without limitation, shall not have regard to the consequences of such change for individual Noteholders or Couponholders 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 the Trustee shall not be entitled to require, nor shall any Holders of the Notes of any Series or of the Coupons appertaining thereto be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequences of any such substitution upon individual Holders of the Notes of any Series or of the Coupons appertaining thereto.

18. **THIRD PARTY RIGHTS**

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

19. **DEFINITIONS**

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

**"Business Day"** means, unless otherwise specified in the relevant Pricing Supplement:

- (i) in relation to any sum payable in euro, a Euro Business Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the relevant currency and in each (if any) Business Centre;

**"Business Day Convention"**, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, 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 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 Pricing Supplement 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"** has the meaning given in the relevant Pricing Supplement;

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

relevant Pricing Supplement in which Notes of the relevant Series are for the time being held, or, in relation to an individual Note, in which that Note is for the time being held;

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme, Luxembourg;

"**CMU**" means the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority;

"**CMU Service**" means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

"**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 Pricing Supplement 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 so 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/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;
- (v) 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:

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

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" 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 D1 is greater than 29, in which case D2 will be 30;

- (vi) 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:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" 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 D2 will be 30;

- (vii) 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:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" 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 D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30;

"**Determination Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and in New York City;

"**Determination Date**" means the day which is two Determination Business Days before the due date for any payment of the relevant amount under these Conditions;

"**euro**" and "**EUR**" means 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 TARGET2 is open for settlement of payments in euro;

"**Euroclear**" means Euroclear Bank S.A./N.V.;

"**Exchange Date**" shall be the Relevant Banking Day following the day on which the relevant Bearer Note shall have been surrendered for exchange in accordance with the provisions set out in Condition 13 (*Replacement, Exchange and Transfer*);

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Hong Kong 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) of Hong Kong;

"**Hong Kong**" means the Hong Kong Special Administrative Region;

"**Illiquidity**" means where the general Renminbi exchange market in Hong Kong becomes illiquid and, as a result of which, the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers;

"**Inconvertibility**" means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in Hong Kong, 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 Hong Kong Governmental Authority (unless such law, rule or regulation is enacted after date of the relevant Pricing Supplement and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"**Interest Determination Date**" means the day determined by the Agent Bank, in its sole and absolute discretion, to be customary for fixing the Reference Rate applicable to deposits in the relevant currency for the relevant Interest Period; **provided that** where so specified in the relevant Pricing Supplement, 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 (as defined in Condition 20(i) (*Effects of European Monetary Union*)) and the Notes have been redenominated into euro pursuant to Condition 9 (*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 Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (i) as the same may be adjusted 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 Pricing Supplement 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 (formerly the International Swap Dealer Association, Inc.);

**"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;

**"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;

**"Non-transferability"** means the occurrence of any event that makes it impossible for the Issuer to transfer Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong and outside the PRC or from an account outside Hong Kong and outside the PRC to an account inside Hong Kong, 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 Hong Kong Governmental Authority (unless such law, rule or regulation is enacted after date of the relevant Pricing Supplement and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

**"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 which, for the purpose of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

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

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

**"Reference Bank"** has the meaning ascribed thereto in the relevant Pricing Supplement or, if none, four major banks selected by the Agent Bank in the market that is most closely connected with Reference Rate;

**"Reference Rate"** has the meaning given in the relevant Pricing Supplement;

**"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;

**"Relevant Banking Day"** means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the relevant 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, as the case may be, the CMU Lodging and Paying Agent, in the place where the specified office of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent, is located;

**"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 9 (*Redenomination*), the former principal financial centre or centres) and in any other place set out in the Pricing Supplement. 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 9 (*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 Pricing Supplement;

**"Relevant Financial Centre"** has the meaning given in the relevant Pricing Supplement;

**"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 Pricing Supplement, 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"** has the meaning given in the relevant Pricing Supplement;

**"Renminbi"** means the lawful currency of the PRC;

**"Renminbi Calculation Agent"** has the meaning given in the relevant Pricing Supplement;

**"Renminbi Dealer"** means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong;

**"Restricted Global Registered Note"** means a Registered Note in global form issued and sold solely within the United States or to US Persons (as defined in Regulation S under the Securities Act) in reliance on Rule 144A of the Securities Act;

**"Specified Currency"** has the meaning given in the relevant Pricing Supplement;

**"Specified Period"** has the meaning given in the relevant Pricing Supplement;

**"Spot Rate"** means the spot CNY/US dollar exchange rate for the purchase of US dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Renminbi Calculation Agent at or around 11 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, by reference to Reuters Screen Page CNHFIX01. If neither rate is available, the Renminbi Calculation Agent will determine the Spot Rate at or around 11 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate;

**"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;

**"Transfer Date"** shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with the foregoing provisions;

**"Treaty"** means the Treaty establishing the European Communities, as amended;

**"US Dollar Equivalent"** means the Renminbi amount converted into US Dollars using the Spot Rate for the relevant Determination Date; and

**"US Dollars"** means the lawful currency of the United States of America.

## ADDITIONAL TERMS AND CONDITIONS OF THE NOTES

### ADDITIONAL TERMS AND CONDITIONS RELATING TO CURRENCY-LINKED NOTES

The following additional conditions shall be deemed to be added as Condition 20 to the terms and conditions set out in the section headed "*Terms and Conditions of the Notes*" of this Information Memorandum in respect of any issue of Currency-Linked Notes:

#### 20. Provisions relating to Currency-Linked Notes

Each of the following Conditions 20A, 20B and 20C shall apply to any Tranche of Notes which are Currency-Linked Notes, unless the Pricing Supplement specify otherwise.

##### A *Additional Disruption Event*

Following the occurrence of any Additional Disruption Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the formula for the final redemption amount set out in the relevant Pricing Supplement and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion. If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Noteholders to receive the relevant final redemption amount (or any other payment to be made by the Issuer) shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Notes.

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

- (i) "**Change in Law**" means that, on or after the Issue Date, (A) due to the adoption of or any change in any applicable law or regulation (including without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (x) it has become illegal for the Issuer to hold, acquire or dispose of the currency of such Notes, (y) it has become illegal for the Issuer to hold, acquire, purchase, sell or maintain one or more (i) positions or contracts in respect of any securities, options, futures, derivatives or foreign exchange in relation to such Notes or (ii) other instruments or arrangements (howsoever described) held by the Issuer in order to hedge, individually or on a portfolio basis, such Notes or (z) the Issuer will incur a materially increased cost in performing its obligations under the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);
- (ii) "**Hedging Disruption**" means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the currency exchange rate risk of issuing and performing its obligations with respect to the Notes or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s);
- (iii) "**Increased Cost of Hedging**" means that the Issuer would incur a materially increased cost (as compared with circumstances existing on the Issue Date), amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish,

substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the currency exchange rate risk of entering into and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), **provided that** any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging;

- (iv) "**FX Disruption**" means the occurrence of any event or condition (including any change in law or any government action) which in the determination of the Calculation Agent, acting in good faith and in a commercially reasonable manner, makes it impossible, illegal or impractical (i) to convert any Reference Currency into the Specified Currency through customary legal channels, (ii) for non-residents of any Reference Currency Jurisdiction to convert the related Reference Currency into the Specified Currency on terms as favourable as those generally available to residents of such Reference Currency Jurisdiction, or (iii) for residents or non-residents of such Reference Currency Jurisdiction to transfer funds, including any non-Reference Currency funds, from accounts inside such Reference Currency Jurisdiction to accounts outside such Reference Currency Jurisdiction or between accounts in such Reference Currency Jurisdiction or by or to non-residents of such Reference Currency Jurisdiction.

For the purposes hereof, "**Reference Currency**" and "**Reference Currency Jurisdiction**" have the respective meanings given to them in the relevant Pricing Supplement.

- B "**Non-deliverability of Specified Currency**" at the time any payment of principal, premium, interest and/or additional or other amounts, if any, in respect of the Notes is due (each a "**Required Payment**"), the Specified Currency is no longer (i) used by the government of the Specified Currency Jurisdiction for the payment of public and private debts or (ii) used for settlement of transactions by public institutions in the Specified Currency Jurisdiction or within the international banking community, or (iii) expected to be available, when any Required Payment is due as a result of circumstances beyond the control of the Issuer, the Issuer shall be entitled to satisfy its obligations in respect of such Required Payment by making such Required Payment in the Alternative Payment Currency, converted from the Specified Currency, on the basis of the Relevant Screen Rate (the "**Alternative Payment Amount**"). Any payment made under such circumstances in the Alternative Payment Currency will constitute valid payment and will not constitute a default in respect of the Notes. The Issuer's communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained by the Issuer hereunder shall be at its sole discretion and shall (in the absence of manifest error, wilful default or bad faith) be conclusive for all purposes and binding on the Issuer, the Paying Agents, and the holders of the Notes or Coupons. By acceptance thereof, purchasers of the Notes will be deemed to have acknowledged and agreed and to have waived any and all actual or potential conflicts of interest that may arise as a result of the calculation of the Alternative Payment Amount by the Issuer.

For the purposes hereof, "**Alternative Payment Currency**", "**Relevant Screen Rate**" and "**Specified Currency Jurisdiction**" have the respective meanings given to them in the relevant Pricing Supplement.

C ***Screen Rate Unavailability***

Where the Screen Rate is unavailable, for any reason, at the specified time on any date on which an exchange rate is required to be determined, the Calculation Agent will, if a Screen Rate Fall-Back is specified in the relevant Pricing Supplement, determine the relevant exchange rate in accordance with the Screen Rate Fall-Back provisions specified in the Pricing Supplement. If the Calculation Agent is unable to determine the exchange rate in accordance with such Fall-Back provisions or no such Screen Rate Fall-Back provisions are so specified, then the Calculation Agent shall determine the exchange rate in its sole and absolute discretion, acting in good faith.

For the purposes hereof, "**Screen Rate**" and "**Screen Rate Fall-Back**" have the respective meanings given to them in the relevant Pricing Supplement.

## ADDITIONAL TERMS AND CONDITIONS RELATING TO CREDIT-LINKED NOTES

The section headed "*Terms and Conditions of the Notes*" of this Information Memorandum shall be supplemented and modified by the addition of the following "*Additional Terms and Conditions Relating to Credit-Linked Notes*" in respect of any issue of Credit-Linked Notes as amended or supplemented by the terms of each Tranche of Notes set out in the Pricing Supplement (the "**Pricing Supplement**"). In the event of any inconsistency between the "*Terms and Conditions of the Notes*" and the "*Additional Terms and Conditions Relating to Credit-Linked Notes*", such "*Additional Terms and Conditions Relating to Credit-Linked Notes*" shall prevail and the "*Terms and Conditions of the Notes*" shall be amended accordingly.

### (1) Interest

Condition 4 (*Interest on Floating Rate Notes*) will apply with the following amendments:

- (i) existing Condition 4(b) (*Accrual of Interest*) shall be amended by the substitution of "*Interest conditionally payable*" for "*Accrual of Interest*" in the heading and by the insertion of the words "Subject to Condition 4(m) below," at the beginning;
- (ii) existing Conditions 4(c) (*Screen Rate Determinations*) and 4(d) (*ISDA Determinations*) shall be amended by the insertion of the words "Subject to Condition 4(m) below," at the beginning; and
- (iii) the following provision shall be included as Condition 4(m):

"4(m) *Condition precedent to interest entitlement*

The Issuer's obligation to make any payment of interest in accordance with Conditions 4(b), (c) and (d) is subject to the condition precedent that no Credit Event Notice has been given on or before the relevant Interest Payment Date and subsists only so long as a Credit Event Notice has not been given. Accordingly, the Issuer shall have no obligation to pay interest on the Notes in respect of all or any part of the Interest Period current on the date that is the earlier to occur of (I) the Credit Event Notice Date and (II) the Valid Credit Event Resolution Request Date **provided that** a Credit Event Notice Date subsequently occurs or in respect of any subsequent period; **provided, however, that**, if "Interest until Credit Event Notice Date" is specified then the Issuer shall pay the interest accrued to, but excluding, the earliest to occur of (i) the Credit Event Notice Date; (ii) the Valid Credit Event Resolution Request Date **provided that** a Credit Event Notice Date subsequently occurs; (iii) the Scheduled Maturity Date; and (iv) the Maturity Date."

Condition 3 (*Interest on Fixed Rate Notes*) will apply with the following amendments:

- (i) existing Condition 3(b) (*Accrual of Interest*) shall be amended by the substitution of "*Interest conditionally payable*" for "*Accrual of Interest*" in the heading; and
- (ii) the following provision shall be included as Condition 3(e):

"3(e) *Condition precedent to interest entitlement*

The Issuer's obligation to make any payment of interest in accordance with Condition 3(b) is subject to the condition precedent that no Credit Event Notice has been given on or before the relevant Interest Payment Date and subsists only so long as a Credit Event Notice has not been given. Accordingly, the Issuer shall have no obligation to pay interest on the Notes in respect of all or any part of the Interest Period current on the date that is the earlier to occur of (I) the Credit Event Notice Date and (II) the Valid Credit Event Resolution Request Date **provided that** a Credit Event Notice Date subsequently occurs or in respect of any subsequent period; **provided, however, that**, if "Interest until Credit Event Notice Date" is specified then the Issuer shall pay the interest accrued to, but excluding, the earliest to occur of (i) the Credit Event Notice Date; (ii) the Valid Credit Event Resolution Request Date **provided that** a Credit Event Notice Date subsequently occurs; (iii) the Scheduled Maturity Date; and (iv) the Maturity Date."

(2) **Redemption and Purchase**

Condition 6 (*Redemption and Purchase*) shall apply with the following amendments:

(a) The following provision shall be substituted for the existing Condition 6(a):

"6(a) *Final Redemption*

- (i) Subject to Condition 6(a)(ii) below and subject as otherwise set out in the Conditions, the Notes will, unless previously redeemed or purchased and cancelled, be redeemed at their principal amount or such other redemption amount as may be set out in or determined in accordance with the Conditions on the Maturity Date specified in the relevant Conditions.
- (ii) The Issuer's obligation to redeem the Notes in accordance with Condition 6(a)(i) above is subject to the condition precedent that no Credit Event Notice has been given on or before the Maturity Date and subsists only so long as a Credit Event Notice has not been given. Accordingly, the Issuer shall have no obligation to redeem the Notes in accordance with Condition 6(a)(i) above if, on or before the Maturity Date, a Credit Event Notice has been given. In such circumstances, the only obligations of the Issuer with regard to redemption of the Notes shall be to redeem the Notes in accordance with the provisions set out in the Pricing Supplement and subject to the following provisions of this Condition 6.

The following Conditions 6(i), (j), (k), (l), (m), and (n) shall be added to Condition 6 (Condition 6(h) being omitted):

"6(i) *Redemption following the occurrence of a Credit Event*

- (i) Following the occurrence of a Credit Event on or after the Credit Event Backstop Date (determined by reference to Greenwich Mean Time) and on or prior to the Scheduled Maturity Date, the Issuer may at any time on or before the Notice Delivery Period End Date, and irrespective of whether such Credit Event is continuing and/or any other Credit Event has occurred, give notice thereof to the Noteholders (such notice the "**Credit Event Notice**" and the date on which such notice is given, the "**Credit Event Notice Date**") in accordance with Condition 14 (*Notices*) and Part B of the Conditions. The Issuer shall be under no obligation to give notice of any Credit Event and no delay in giving, or omission to give, notice of any Credit Event shall prejudice the Issuer's right to give notice with respect to such (or any other) Credit Event provided such notice is given no later than on or prior to the Notice Delivery Period End Date.

For the avoidance of doubt, the Issuer may give a Credit Event Notice whether or not it has already taken any steps to exercise its option under Condition 6(b) (*Redemption for Taxation Reasons*), and any giving of a Credit Event Notice shall supersede and override any earlier exercise of such option.

- (ii) If the Issuer gives a Credit Event Notice, and subject as provided in (iii) below:
  - (a) the Issuer shall be obliged to redeem the Notes (and shall be obliged to redeem the Notes only) by payment on the Credit Event Redemption Date of the Credit Event Redemption Amount; and
  - (b) the Issuer shall not be liable to pay interest on the Notes in respect of all or any part of the Interest Period current at the earlier to occur of (A) the relevant Credit Event Notice Date; (B) the relevant Valid Credit Event Resolution Request Date **provided that** a Credit Event Notice Date subsequently occurs (or, in either case, if such date is on or after the Scheduled Maturity Date, the Interest Period to (but excluding) the Scheduled Maturity Date) nor in respect of any subsequent period, and interest shall be treated as having ceased to accrue accordingly; **provided, however, that**, if "Interest until Credit Event Notice Date "

is specified then the Issuer shall pay the interest accrued to, but excluding, the earlier to occur of (I) the Credit Event Notice Date; (II) the Valid Credit Event Resolution Request Date **provided that** a Credit Event Notice Date subsequently occurs; (III) the Scheduled Maturity Date; and (IV) the Maturity Date.

- (iii) This Condition 6(i)(iii) applies if the Calculation Amount is required to be allocated as contemplated in paragraph (e) of the definition of Successor in Condition 6(n). In such circumstances:
- (a) the Issuer shall be entitled under this Condition 6(i) to give multiple Credit Event Notices, one with respect to each Successor, and where any Credit Event Notice is so given, the conditions precedent to the obligations of the Issuer to pay interest on, and principal of, the Notes shall be treated as unsatisfied only in relation to an amount (the "**Successor Partial Redemption Amount**") of the outstanding principal amount of the Notes equal to the proportion of the Calculation Amount allocated to the relevant Successor;
  - (b) where any Reference Entity (a "**Surviving Reference Entity**") (other than the Reference Entity the subject of the Succession Event) is a Successor to any Reference Entity (the "**Legacy Reference Entity**"), then such Surviving Reference Entity shall be deemed to be specified as a Reference Entity once only and the Calculation Amount in respect of such Reference Entity shall be the sum of the Calculation Amount applicable to that Reference Entity immediately prior to the Succession Event and the relevant portion of the Calculation Amount of the Legacy Reference Entity as provided in paragraph (e) of the definition of Successor;
  - (c) where a Credit Event Notice is so given the provisions of this Condition 6 will apply so as to require the Issuer to redeem the Notes in part only on the relevant Cash Settlement Date, by payment of an amount equal to whichever is the greater of (1) the Successor Partial Redemption Amount minus the Cash Settlement Amount and (2) zero, and on payment of such amount (or, if such amount is zero, on the Cash Settlement Date) the outstanding principal amount of the Notes shall be deemed to have been repaid in an amount equal to the Successor Partial Redemption Amount (which shall be the amount on which interest shall be treated as having ceased to accrue or to accrue (as applicable) as contemplated in (ii) above); and
  - (d) save where the full principal amount of the Notes has been so redeemed, the Issuer shall remain entitled notwithstanding any such partial redemption to give one or more further Credit Event Notices with respect to any such Successor or any other Reference Entity in respect of which no Credit Event Notice has been effectively given.
- (iv) This Condition 6(i)(iv) applies if one or more Restructuring Credit Events occurs on or prior to the Scheduled Maturity Date (and whether or not such event is continuing). In such circumstances:
- (a) the Issuer shall be entitled to redeem the Notes in part only by giving a Credit Event Notice with respect to the relevant Restructuring Credit Event and specifying in such notice (A) that partial redemption only of the Notes is required and (B) the portion of the Calculation Amount (being an amount which is (x) less than the outstanding principal amount of the Notes and (y) at least 1,000,000 units of the currency (or if Japanese Yen, 100,000,000 units) in which the Calculation Amount is denominated or an integral multiple thereof) in respect of which such partial redemption is required (the proportion of such portion of the



Calculation Amount being the "**Partial Redemption Portion**" applicable with respect to such Credit Event Notice); and

- (b) where a Credit Event Notice is given as contemplated in (a) above:
- (i) the Calculation Amount in respect of the relevant Reference Entity shall thereafter be deemed reduced by an amount equal to the Partial Redemption Portion of the Calculation Amount immediately preceding the giving of the Credit Event Notice; and
  - (ii) the provisions of this Condition 6 will apply so as to require the Issuer to redeem the Notes in part only on the relevant Cash Settlement Date, by payment of an amount in aggregate equal to whichever is the greater of (1) the Partial Redemption Portion minus the relevant Cash Settlement Amount and (2) zero, and on payment of such amount (or, if such amount is zero, on the relevant Cash Settlement Date) the outstanding principal amount of the Notes shall be deemed to have been repaid in an amount equal to the Partial Redemption Portion.

The Issuer shall be entitled to require such a partial redemption (or a redemption in full of the Notes) with respect to each Restructuring Credit Event which may occur and whether or not a partial redemption has been required in respect of another Restructuring Credit Event. For the avoidance of doubt, the Issuer shall, notwithstanding any such partial redemption having been required in connection with a Restructuring Credit Event, remain entitled to give a Credit Event Notice with respect to any other Credit Event and redeem the Notes in accordance with the provisions of this Condition 6 applicable where a Credit Event Notice has been given.

6(j) *Method for Determining Obligations*

- (i) For the purposes of the definition of Obligation in Condition 6(n) the term "**Obligation**" may be defined as each obligation of each Reference Entity described by the specified Obligation Category, and having the specified Obligation Characteristics, if any, in each case, as of the date of the event which constitutes the Credit Event which is the subject of the Credit Event Notice. The following terms shall have the following meanings:
  - (1) "**Obligation Category**" means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified, and:
    - (A) "**Payment**" means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
    - (B) "**Borrowed Money**" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);
    - (C) "**Reference Obligations Only**" means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
    - (D) "**Bond**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered

pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;

- (E) "**Loan**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and
  - (F) "**Bond or Loan**" means any obligation that is either a Bond or a Loan.
- (2) "**Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance, and:
- (A) (aa) "**Not Subordinated**" means an obligation that is not Subordinated to (i) the most senior Reference Obligation in priority of payment or (ii) if no Reference Obligation is specified, any unsubordinated Borrowed Money obligations of the Reference Entity; **provided that**, if any of the events set forth under the definition of "Substitute Reference Obligation" has occurred with respect to all of the Reference Obligations or if, pursuant to the definition of "Successor" a Substitute Reference Obligation will be determined in accordance with the definition of "Substitute Reference Obligation" with respect to the Reference Obligation (each, in each case, a "**Prior Reference Obligation**") and no Substitute Reference Obligation has been identified for any of the Prior Reference Obligations at the time of the determination of whether an obligation satisfies the "**Not Subordinated**" Obligation Characteristic or Valuation Obligation Characteristic, as applicable, "**Not Subordinated**" shall mean an obligation that would not have been Subordinated to the most senior such Prior Reference Obligation in priority of payment. For purposes of determining whether an obligation satisfies the "**Not Subordinated**" Obligation Characteristic or Valuation Obligation Characteristic, the ranking in priority of payment of each Reference Obligation or each Prior Reference Obligation, as applicable shall be determined as of the date as of which the relevant Reference Obligation or Prior Reference Obligation, as applicable, was issued or incurred and shall not reflect any change to such ranking in priority of payment after such date;
  - (bb) "**Subordination**" means, with respect to an obligation (the "**Subordinated Obligation**") and another obligation of the Reference Entity to which such obligation is being compared (the "**Senior Obligation**"), a contractual, trust or similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. "**Subordinated**" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated

with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;

- (B) "**Specified Currency**" means an obligation that is payable in the currency or currencies specified as such (or, if Specified Currency is specified and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be specified collectively as the "**Standard Specified Currencies**");
  - (C) "**Not Sovereign Lender**" means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as "Paris Club debt";
  - (D) "**Not Domestic Currency**" means any obligation that is payable in any currency other than the Domestic Currency;
  - (E) "**Not Domestic Law**" means any obligation that is not governed by the laws of (1) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (2) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;
  - (F) "**Listed**" means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
  - (G) "**Not Domestic Issuance**" means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.
- (ii) If the Obligation Characteristic "Listed" is specified, the Conditions shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if bonds are covered by the selected Obligation Category.
  - (iii) In the event that an Obligation is a Qualifying Guarantee, the following will apply:
    - (1) For purposes of the application of the Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.
    - (2) For purposes of the application of the Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the specified applicable Obligation

Characteristics, if any, from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall be a Not Domestic Law.

- (3) For purposes of the application of the Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the specified applicable Obligation Characteristics, if any, from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
- (4) For purposes of the application of the Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.

6(k) *Method for Determining Valuation Obligations*

- (i) For the purpose of the definition of Valuation Obligation in Condition 6(n) the term "**Valuation Obligation**" may be defined as each obligation of each Reference Entity described by the specified Valuation Obligation Category, and having each of the specified Valuation Obligation Characteristics, if any, as of the Valuation Date subject as provided below. The following terms shall have the following meanings:
  - (1) "**Valuation Obligation Category**" means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan (each as defined in Condition 6(j)(i)(1), except that, for the purpose of determining Valuation Obligations, Condition 6(j)(i)(1)(C) shall be amended to state that no Valuation Obligation Characteristics shall be applicable to Reference Obligations Only).
  - (2) "**Valuation Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer, and:
    - (A) "**Not Contingent**" means any obligation having as of the Valuation Date and all times thereafter an outstanding principal balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy the Not Contingent Valuation Obligation Characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (1) to convert or exchange such obligation or (2) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has

not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date;

If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Valuation Obligation only if the rights referred to in (1) and (2) above of this Condition 6(1)(i)(2)(A) have not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date;

- (B) "**Assignable Loan**" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction or organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;
- (C) "**Consent Required Loan**" means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such Loan) or any agent;
- (D) "**Direct Loan Participation**" means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of a third party, that provides such party with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between the relevant third party or its designee and either (x) the Issuer or its designee (to the extent the Issuer or such designee is then a lender or a member of the relevant lending syndicate), or (y) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);
- (E) "**Transferable**" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction **provided that** none of the following shall be considered contractual, statutory or regulatory restrictions:
  - (x) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
  - (y) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;
- (F) "**Maximum Maturity**" means an obligation that has a remaining maturity from the Cash Settlement Date of not greater than the period specified;

- (G) "**Accelerated or Matured**" means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross-ups and other similar amounts), is, or on or prior to the Valuation Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and
- (H) "**Not Bearer**" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via the Euroclear system, Clearstream, Luxembourg or any other internationally recognised clearing system.
- (ii) If the Obligation Characteristic "Listed" is specified, the Conditions shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category.
- (iii) If (a) either of the Valuation Obligation Characteristics "Listed" or "Not Bearer" is specified, the Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Valuation Obligation Category; (b) the Valuation Obligation Characteristic "Transferable" is specified, the Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Valuation Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Valuation Obligation Category); or (c) any of the Valuation Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified, the Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Valuation Obligation Category;
- (iv) If any of Payment, Borrowed Money, Loan, or Bond or Loan is specified as the Valuation Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Valuation Obligation Characteristics, the Valuation Obligations may include any Loan that satisfies any one of such Valuation Obligation Characteristics specified and need not satisfy all such Valuation Obligation Characteristics; and
- (v) In the event that a Valuation Obligation is a Qualifying Guarantee, the following will apply:
- (1) For purposes of the application of the Valuation Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.
  - (2) For purposes of the application of the Valuation Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the specified applicable Valuation Obligation Characteristics, if any, from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the

laws of England and the laws of the State of New York shall not be a Domestic Law.

- (3) For purposes of the application of the Valuation Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the specified applicable Valuation Obligation Characteristics, if any, from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
- (4) For purposes of the application of the Valuation Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (5) The terms "outstanding principal balance" and "Due and Payable Amount" (as they are used in various other Conditions), when used in connection with Qualifying Guarantees are to be interpreted to be the then "outstanding principal balance" or "Due and Payable Amount", as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

6(l) *Restructuring Maturity Limitation and Modified Restructuring Maturity Limitation*

- (i) If "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" is specified as applicable in the Standard Terms with respect to the relevant Reference Entity and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Valuation Obligation may be included in the Portfolio only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the applicable Restructuring Maturity Limitation Date.
- (ii) If "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Standard Terms with respect to the relevant Reference Entity and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Valuation Obligation may be included in the Portfolio only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.

6(m) *Credit-Linked Note Definitions*

"**Accreted Amount**" means, with respect to an Accreting Obligation, an amount equal to (i) the sum of (a) the original issue price of such obligation and (b) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (ii) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in (i)(b) above), in each case calculated as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Valuation Date. Such Accreted Amount shall include any accrued and unpaid periodic cash interest payments (as determined by the Calculation Agent) only if "**Include Accrued Interest**" is specified as being applicable. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such obligation's yield to maturity is not specified in, nor implied from, the terms of such obligation, then, for purposes of (i)(b) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (1) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (2) the relevant Valuation Date. The Accreted Amount shall exclude, in

the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable;

"**Accreting Obligation**" means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (i) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (ii) periodic cash interest is also payable. With respect to any Accreting Obligation, "**outstanding principal balance**" shall mean the Accreted Amount thereof.

"**Affiliate**" means in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "**control**" of any entity or person means ownership of a majority of the voting power of the entity or person.

"**Auction**" has the meaning set forth in the relevant Transaction Auction Settlement Terms.

"**Auction Cancellation Date**" means the date on which an Auction is deemed to be cancelled pursuant to the Transaction Auction Settlement Terms with respect to the relevant Reference Entity.

"**Auction Covered Transaction**" has the meaning set forth in the Transaction Auction Settlement Terms.

"**Auction Date**" has the meaning set forth in the Transaction Auction Settlement Terms.

"**Auction Final Price**" means the price, if any, specified to be the Auction Final Price in the Transaction Auction Settlement Terms with respect to the Reference Entity (expressed as a percentage) or, in the case of a Restructuring Credit Event in respect of which the Movement Option was exercised on or prior to the Movement Option Cut-Off Date, the price, if any, specified to be the Auction Final Price in the Parallel Auction Settlement Terms with respect to the Reference Entity (expressed as a percentage).

"**Auction Final Price Determination Date**" means the day, if any, on which the Auction Final Price is determined pursuant to the Transaction Auction Settlement Terms with respect to the Reference Entity.

"**Auction Settlement**" means the determination of the Auction Final Price pursuant to the Transaction Auction Settlement Terms with respect to a Reference Entity".

"**Auction Settlement Date**" means the date that is the number of Business Days specified in the Transaction Auction Settlement Terms (or, if a number of Business Days is not so specified, five Business Days) immediately following the Auction Final Price Determination Date.

"**Bankruptcy**" means a Reference Entity (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (a) results in a judgement of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up



or liquidation or (b) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof; (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (vii) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in (i) to (vii) above (inclusive) of this definition of Bankruptcy.

"**Business Day**" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified and such other days as may be specified.

"**Business Day Convention**" means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. The following terms, when used in conjunction with the term "**Business Day Convention**" and a date, shall mean that an adjustment will be made if that date would otherwise fall on a day that is not a Business Day so that:

- (i) if "**Following**" is specified, that date will be the first following day that is a Business Day;
- (ii) if "**Modified Following**" or "**Modified**" is specified, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day; and
- (iii) if "**Preceding**" is specified, that date will be the first preceding day that is a Business Day.

"**Calculation Amount**" means the amount specified as such.

"**Cash Settlement Amount**" means the amount specified as such (or, if the same is allocated as contemplated in paragraph (e) of the definition of Successor in Condition 6(n), the proportion thereof allocated to the relevant Successor) or, if an amount is not specified, the greater of (a) the Calculation Amount multiplied by the difference between the Reference Price and the Auction Final Price (or the Final Price, if the Fallback Settlement Method applies) and (b) zero; **provided, however, that**, if "**Deduct Hedging Costs**" is specified then the Issuer shall increase the Cash Settlement Amount otherwise determined hereunder by an amount equal to the Hedging Costs.

"**Cash Settlement Date**" means the Credit Event Redemption Date.

"**Conditionally Transferable Obligation**" means a Valuation Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Valuation Obligation other than Bonds, **provided, however, that** a Valuation Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Valuation Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Valuation Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Valuation Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Valuation Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or

paying agent for a Valuation Obligation shall not be considered to be a requirement for consent for purposes of this definition of Conditionally Transferable Obligation.

For purposes of determining whether a Valuation Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Valuation Date, taking into account only the terms of the Valuation Obligation and any related transfer or consent documents obtained.

**"Convertible Obligation"** means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

**"Credit Derivatives Auction Settlement Terms"** means any Credit Derivatives Auction Settlement Terms published by ISDA, in accordance with the Rules, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time in accordance with the Rules.

**"Credit Derivatives Determinations Committees"** means the committees established by ISDA for purposes of reaching certain DC Resolutions in connection with credit derivative transactions, as more fully described in the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof (the **"Rules"**).

**"Credit Event"** means the occurrence of one or more of Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, as specified, as determined by the Issuer or the Calculation Agent in its sole and absolute discretion (save that such determination shall be confirmed by Publicly Available Information). If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon: (i) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, any Underlying Obligor to enter into any Underlying Obligation, (ii) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described, (iii) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described or (iv) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

**"Credit Event Backstop Date"** means either (a) 60 calendar days prior to the Credit Event Resolution Request Date (if any) or (b) otherwise, the date that is 60 calendar days prior to the earlier of (i) the Credit Event Notice Date and (ii) in circumstances where (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (C) the Credit Event Notice is effective not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Credit Event Resolution Request Date. The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

**"Credit Event Redemption Date"** means, if an Auction Final Price Determination Date or, in the case of a Restructuring Credit Event in respect of which the Movement Option

was exercised on or prior to the Movement Option Cut-off Date, a Parallel Auction Final Price Determination Date occurs, the fifth Business Day following the later of the Auction Settlement Date or the Parallel Auction Settlement Date (as applicable) and the relevant Credit Event Notice Date, **provided that if:**

- (i) an Auction Cancellation Date or, in the case of a Restructuring Credit Event in respect of which the Movement Option was exercised on or prior to the Movement Option Cut-off Date, a Parallel Auction Cancellation Date occurs;
- (ii) a No Auction Announcement Date occurs (and in circumstances where such No Auction Announcement Date occurs pursuant to sub-paragraph (b) of such definition, the Issuer has not exercised the Movement Option);
- (iii) ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, not to determine (A) whether or not an event constitutes a Credit Event with respect to the Reference Entity or Obligation thereof nor (B) the date of the occurrence of such event;
- (iv) ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved that an event constitutes a Credit Event with respect to the Reference Entity or Obligation thereof and the date of the occurrence of such event and the Issuer determines in its sole and absolute discretion that a Reference Transaction would be settled in accordance with the Fallback Settlement Method; or
- (v) no Credit Event Resolution Request Date has occurred on or prior to the first Business Day prior to the Valuation Date,

the Credit Event Redemption Date shall be the tenth Business Day following the Valuation Date (or the Backup Valuation Date, as applicable) and the Issuer shall determine the Final Price in accordance with the Settlement Method set out in Schedule 1 to the Pricing Supplement (*Credit-Linked Note Specifications*) (the "**Fallback Settlement Method**").

"**Credit Event Resolution Request Date**" means, with respect to a notice to ISDA, delivered in accordance with the ISDA Credit Derivatives Determinations Committee Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (i) whether an event that constitutes a Credit Event has occurred with respect to the Reference Entity or Obligation thereof; and
- (ii) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, the date of the occurrence of such event,

the date, as publicly announced by ISDA to be the date that the relevant Credit Derivatives Determinations Committee Resolves to be the first date on which such notice was effective and on which the relevant Credit Derivatives Determinations Committee was in possession, in accordance with the ISDA Credit Derivatives Determinations Committee Rules, of Publicly Available Information with respect to the DC Resolutions referred to in sub-clauses (a) and (b) above.

"**Currency Amount**" means, whenever an amount is denominated in a currency other than the Settlement Currency and is to be determined under these Conditions by reference to a Currency Amount, such amount converted to the relevant Settlement Currency using the Currency Rate.

"**Currency Rate**" means, whenever so required to be determined the rate for conversion of the currency of the Valuation Obligation into the Settlement Currency determined by the Calculation Agent, as of the Valuation Date, in its sole discretion.

"**DC Resolution**" has the meaning given to that term in the Rules.

"**Default Requirement**" means the amount specified as such or its equivalent in the relevant Obligation Currency, or if no amount is so specified, USD10,000,000 or its equivalent in the relevant Obligation Currency in either case as of the occurrence of the relevant Credit Event.

"**Deliverable Obligation Provisions**" has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms.

"**Deliverable Obligation Terms**" has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms.

"**Domestic Currency**" means the currency specified as such and any successor currency. If no currency is so specified, the Domestic Currency shall be the lawful currency and any successor currency of (i) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (ii) the jurisdiction in which the relevant Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

"**Downstream Affiliate**" means an entity whose outstanding Voting Shares were, at the date of the issuance of the Qualifying Guarantee, more than 50 percent owned, directly or indirectly, by the Reference Entity.

"**Due and Payable Amount**" means the amount that is due and payable under (and in accordance with the terms of) a Valuation Obligation as of the relevant Valuation Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

"**Eligible Reference Entity**" means an entity that is in the same Moody's, S&P or Additional Rating Agency industry group (the "**Industry Requirement**") as the relevant Surviving Reference Entity, where:

"**Moody's**" means Moody's Investors Service, Inc.;

"**S&P**" means Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc; and

"**Additional Rating Agency**" means any rating agency selected by the Issuer in its sole discretion.

"**Eligible Transferee**" means:

- (i) any
  - (a) bank or other financial institution;
  - (b) an insurance or reinsurance company;
  - (c) a mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in (iii)(a) below); and
  - (d) a registered or licensed broker or dealer (other than a natural person or proprietorship);

provided, however, in each case that such entity has total assets of at least USD500,000,000;

- (ii) an Affiliate of an entity specified in (i) above;

- (iii) each of a corporation, partnership, proprietorship, organisation, trust or other entity
  - (a) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (A) has total assets of at least USD100,000,000 or (B) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least USD100,000,000; or
  - (b) that has total assets of at least USD500,000,000; or
  - (c) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support or other agreement by an entity described in (i), (ii), (iii)(b) above or (iv) below; or
- (iv) a Sovereign, Sovereign Agency or Supranational Organisation

(all references in this definition to USD including equivalent amounts in other currencies).

**"Enabling Obligation"** means an outstanding Valuation Obligation that is (a) a Fully Transferable Obligation or a Conditionally Transferable Obligation, as applicable, and (b) has a final maturity date occurring on or prior to the Scheduled Maturity Date and following the Limitation Date immediately preceding the Scheduled Maturity Date (or in circumstances where the Scheduled Maturity Date occurs prior to the 2.5-year Limitation Date, following the final maturity date of the Latest Maturity Restructured Bond or Loan, if any).

**"Equity Securities"** means:

- (a) in the case of a Convertible Obligation, equity securities (including options or warrants) of the issuer of such obligation or depositary receipts representing equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and
- (b) in the case of an Exchangeable Obligation, equity securities (including options or warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

**"Exchangeable Obligation"** means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holder of such obligation). With respect to any Exchangeable Obligation that is not an Accreting Obligation, **"outstanding principal balance"** shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

**"Excluded Obligation"** means any obligation of a Reference Entity specified as such (if any are so specified).

**"Excluded Valuation Obligation"** means any obligation of a Reference Entity specified as such (if any are so specified).

**"Exercise Cut-off Date"** means:

- (a) with respect to a Credit Event which is a Restructuring for which either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Standard Terms with respect to the relevant Reference Entity and:
  - (i) the relevant Credit Derivatives Determinations Committee has Resolved that Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms may be published, the date that is five Relevant City Business Days following the date on which ISDA publishes the Final List applicable to such Credit Derivatives Auction Settlement Terms in accordance with the Rules; or
  - (ii) a No Auction Announcement Date occurs pursuant to paragraph (a) of the definition of No Auction Announcement Date, the date that is 21 calendar days following such No Auction Announcement Date; or
- (b) with respect to a Credit Event which is a Restructuring for which neither "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" nor "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Standard Terms with respect to the relevant Reference Entity, either:
  - (i) the Relevant City Business Day prior to the Auction Final Price Determination Date, if any;
  - (ii) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or
  - (iii) the date that is 21 calendar days following the No Auction Announcement Date, if any, as applicable.

**"Extended Maturity Date"** has the meaning ascribed thereto in the Pricing Supplement.

**"Extension Date"** means the latest of (a) the Scheduled Maturity Date, (b) the Grace Period Extension Date if (i) 'Grace Period Extension' is specified as applicable in the Standard Terms with respect to the relevant Reference Entity, (ii) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable, is a Failure to Pay that occurs after the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate or Japan Sovereign, Tokyo time)) and (iii) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate or Japan Sovereign, Tokyo time)) and (c) the Repudiation /Moratorium Evaluation Date if (i) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable, is a Repudiation/Moratorium for which the event described in sub-paragraph (b) of the definition of Repudiation/Moratorium occurs after the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate or Japan Sovereign, Tokyo time)), (ii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate or Japan Sovereign, Tokyo time)) and (iii) the Repudiation/Moratorium Extension Condition is satisfied.

**"Failure to Pay"** means, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the

failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

"**Fallback Settlement Method**" has the meaning given in the definition of Credit Event Redemption Date.

"**Final Price**" has the meaning ascribed thereto in the Pricing Supplement.

"**Final List**" has the meaning given to such term in the Rules.

"**Full Quotation**" means each firm bid quotation obtained from a selected dealer for an amount of the Valuation Obligation equal to the Valuation Obligation Calculation Amount.

"**Fully Transferable Obligation**" means a Valuation Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Valuation Obligation other than Bonds. Any requirement that notification of novation, assignment or transfer of a Valuation Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Valuation Obligation shall not be considered to be a requirement for consent for the purposes of this definition. For purposes of determining whether a Valuation Obligation satisfies the requirements of this definition, such determination shall be made as of the Valuation Date for the Valuation Obligation, taking into account only the terms of the Valuation Obligation and any related transfer or consent documents which have been obtained by the Issuer.

"**GBP**" means the lawful currency of the United Kingdom of Great Britain and Northern Ireland;

"**Governmental Authority**" means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity.

"**Grace Period**" means with respect to an Obligation the lesser of (i) the applicable grace period with respect to payments under the terms of such Obligation in effect as of the date as of which such obligation is issued or incurred and (ii) a period of thirty calendar days.

"**Grace Period Extension Date**" means, with respect to any Potential Failure to Pay, the date that is the number of days constituting the relevant Grace Period after the date of the commencement of such Potential Failure to Pay.

"**Hedging Costs**" means an amount equal to the aggregate costs to the Issuer and/or its affiliates (if any) of terminating, transferring, liquidating, obtaining or re-establishing any swap agreement, financing arrangement or other hedging transaction entered into by or on behalf of the Issuer in relation to the issuance of the Notes, as determined by the Issuer in its sole and absolute discretion.

"**ISDA**" means the International Swaps and Derivatives Association, Inc.

"**Limitation Date**" means the first of 20 March, 20 June, 20 September or 20 December in any year to occur on or immediately following the date that is one of the following numbers of years after the Restructuring Date: 2.5 years (the "**2.5-year Limitation Date**"), 5 years (the "**5-year Limitation Date**"), 7.5 years, 10 years, 12.5 years, 15 years, or 20 years (the "**20 year Limitation Date**"), as applicable. Limitation Dates shall not be subject to adjustment in accordance with any Business Day Convention.

**"Modified Eligible Transferee"** means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

**"Modified Restructuring Maturity Limitation Date"** means, with respect to a Valuation Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date **provided that**, in circumstances where the Scheduled Maturity Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. If the Scheduled Maturity Date is later than the 2.5-year Limitation Date and prior to the 5-year Limitation Date, a Restructured Bond or Loan will not constitute an Enabling Obligation. Notwithstanding the foregoing, if the Scheduled Maturity Date is either (i) on or prior to the 2.5-year Limitation Date or (ii) later than the 2.5-year Limitation Date and on or prior to the 5-year Limitation Date and no Enabling Obligation exists, the Modified Restructuring Maturity Limitation Date will be the 5-year Limitation Date in the case of a Restructured Bond or Loan only. Subject to the foregoing, in the event that the Scheduled Maturity Date is later than (A) the 2.5-year Limitation Date and no Enabling Obligation exists or (B) the 20-year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

**"Movement Option"** means with respect to a Restructuring Credit Event for which either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified to be applicable in the Standard Terms with respect to the relevant Reference Entity and with respect to which a No Auction Announcement Date has occurred (in accordance with paragraph (b) of such definition), the option of the Issuer (to be exercised in its sole and absolute discretion) to apply to the Notes, for the purposes of determining the Credit Event Redemption Amount, the Parallel Auction Settlement Terms, if any. In order to exercise the Movement Option in the manner set out above, the Issuer must deliver an effective Notice to Exercise Movement Option to the Noteholders in accordance with Condition 14 (*Notices*) of the Notes on or prior to the Movement Option Cut-off Date. If no effective Notice to Exercise Movement Option is delivered by the Issuer to the Noteholders on or prior to the Movement Option Cut-off Date, the Notes will be settled in accordance with the Fallback Settlement Method.

**"Movement Option Cut-off Date"** means the date that is one Business Day prior to the Auction Date.

**"Multiple Holder Obligation"** means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event, is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six-and-two-thirds is required to consent to the event which constitutes a Restructuring Credit Event **provided that** any Obligation that is a Bond shall be deemed to satisfy the requirements in (ii) of this definition of Multiple Holder Obligation.

**"No Auction Announcement Date"** means, with respect to a Credit Event, the date on which ISDA first publicly announces that (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published; (b) following the occurrence of a Restructuring in respect of which either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified to be applicable in the Standard Terms with respect to the relevant Reference Entity, no Transaction Auction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published or (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by ISDA to the contrary.

**"Notice Delivery Period End Date"** has the meaning ascribed thereto in the Pricing Supplement.



**"Notice to Exercise Movement Option"** means, where (a) either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the applicable in the Standard Terms with respect to the relevant Reference Entity and (b) the Fallback Settlement Method would otherwise be applicable pursuant to the Auction Settlement provisions, an irrevocable notice from the Issuer to the Noteholders in accordance with Condition 14 (*Notices*) of the Notes that (i) specifies the Parallel Auction Settlement Terms applicable in accordance with the definition of Movement Option and (ii) is effective on or prior to the Movement Option Cut-off Date.

**"Obligation"** means (i) any obligation of a Reference Entity (either directly or as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified, as provider of any Qualifying Guarantee) determined pursuant to the method described in Condition 6(j) (but excluding any Excluded Obligation), (ii) each Reference Obligation, unless specified as an Excluded Obligation, and (iii) any other obligation of a Reference Entity specified as such.

**"Obligation Acceleration"** means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

**"Obligation Currency"** means the currency or currencies in which an Obligation is denominated.

**"Obligation Default"** means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

**"Parallel Auction"** means "Auction" as defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Cancellation Date"** means "Auction Cancellation Date" as defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Final Price Determination Date"** means the Auction Final Price Determination Date as defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Settlement Date"** means "Auction Settlement Date" as defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Settlement Terms"** means, following the occurrence of a Restructuring where either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Standard Terms with respect to the relevant Reference Entity, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such Restructuring in accordance with the Rules, and for which the Deliverable Obligation Terms are the same as the Deliverable Obligation Provisions applicable to the Reference Transaction.

**"Permissible Deliverable Obligations"** has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms, being either all or the portion of the Deliverable Obligations (as defined in the relevant Credit Derivatives Auction Settlement Terms) included in the Final List pursuant to the Deliverable Obligation Terms applicable to the relevant Auction.

**"Payment Requirement"** means the amount specified as such or its equivalent in the relevant Obligation Currency, or if Payment Requirement is not so specified, USD1,000,000 or its equivalent in the relevant Obligation Currency, in either case as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

**"Portfolio"** means a portfolio of one or more Valuation Obligations with (i) in the case of Valuation Obligations that are Borrowed Money obligations, an outstanding principal balance (including (if Include Accrued Interest is specified) or excluding (if **"Exclude Accrued Interest"** is specified) accrued but unpaid interest as determined by the Issuer or the Calculation Agent acting in a commercially reasonable manner) or (ii) in the case of Valuation Obligations that are not Borrowed Money obligations, a Due and Payable Amount (or, in the case of either (i) or (ii), the equivalent Currency Amount of any such amount) (the **"Valuation Obligation Calculation Amount"**, which in aggregate shall not exceed the Calculation Amount as of the relevant Valuation Date), which is identified by the Issuer to the Calculation Agent not later than the third Business Day immediately preceding the relevant Valuation Date, **provided that** such Portfolio may be amended by the Issuer at the Issuer's discretion up to one Business Day prior to the Valuation Date.

**"Potential Failure to Pay"** means, in the sole and absolute determination of the Issuer, the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations in accordance with the terms of such Obligations at the time of such failure.

**"Potential Repudiation/Moratorium"** means the occurrence of an event described in paragraph (a) of the definition of Repudiation/Moratorium.

**"Publicly Available Information"** means information that reasonably confirms any of the facts relevant to the determination that the Credit Event has occurred and which (i) has been published in or on not less than two Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information; **provided that**, if the Issuer or the Calculation Agent or any of its respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless the Issuer or the Calculation Agent or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation, (ii) is information received from or published by (a) a Reference Entity (or a Sovereign Agency in respect of a Reference Entity which is a Sovereign) or (b) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation, (iii) is information contained in any petition or filing instituting a proceeding described in paragraph (iv) of the definition of Bankruptcy above against or by a Reference Entity or (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.

In relation to any information of the type described in (ii), (iii) or (iv) above, the Issuer and the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the party receiving such information.

Publicly Available Information need not state (a) in relation to the definition of Downstream Affiliate above, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity and (b) that such occurrence (1) has met the Payment Requirement or Default Requirement, (2) is the result of exceeding any applicable Grace Period or (3) has met the subjective criteria specified in certain Credit Events.

**"Public Source"** means each source of Publicly Available Information specified as such (or, if a source is not so specified, each of Bloomberg Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

**"Qualifying Affiliate Guarantee"** means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

**"Qualifying Guarantee"** means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **"Underlying Obligation"**) for which another party is the obligor (the **"Underlying Obligor"**). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment).

**"Qualifying Participation Seller"** means any participation seller that meets the requirements specified. If no such requirements are specified, there shall be no Qualifying Participation Seller.

**"Reference Price"** means the percentage specified or, if a percentage is not specified, one hundred percent.

**"Reference Transaction"** means a hypothetical credit derivative transaction (a) for which the Deliverable Obligation Terms and the Reference Obligation are (i) the same as the terms applicable for determining Valuation Obligations (the **"Valuation Obligation Terms"**) and the Reference Obligation specified in respect of the Notes or (ii) if and to the extent Valuation Obligation Terms and/or the Reference Obligation are not specified, the Deliverable Obligation Terms and Reference Obligation determined by the Calculation Agent in a commercially reasonable manner to be appropriate in respect of a credit derivative transaction linked to the relevant Reference Entity, (b) with a scheduled termination date matching the Scheduled Maturity Date of the Notes and (c) otherwise having such other characteristics as the Calculation Agent may in its sole discretion determine appropriate by reference to, without limitation, the Issuer's hedging arrangements and/or any credit derivative elections made in relation to the Notes.

**"Relevant City Business Day"** has the meaning given to that term in the Rules.

**"Replacement Reference Entity"** means, with respect to a Surviving Reference Entity, an Eligible Reference Entity selected by the Issuer in its sole and absolute discretion and notified as soon as reasonably practicable to the Noteholders in accordance with Condition 13.

**"Repudiation/Moratorium"** means (a) an authorised officer of a Reference Entity or a Governmental Authority (i) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement or (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement and (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation /Moratorium Evaluation Date.

**"Repudiation/Moratorium Evaluation Date"** means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate or Japan Sovereign, Tokyo time)), (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date, of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium **provided that**, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Scheduled Maturity Date unless the Repudiation/Moratorium Extension Condition is satisfied.

**"Repudiation/Moratorium Extension Condition"**. The Repudiation/Moratorium Extension Condition is satisfied if (i) ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is fourteen calendar days after the Scheduled Maturity Date, that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium for the purposes of the Reference Transaction has occurred with respect to an Obligation of the relevant Reference Entity and that such event occurred on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate or Japan Sovereign, Tokyo time)) or (ii) otherwise, by the delivery of the Issuer to the Noteholders of a Repudiation/Moratorium Extension Notice and a Notice of Publicly Available Information in accordance with Condition 14 (*Notices*), in each case that are effective on or prior to the Business Day following the date that is fourteen calendar days after the Scheduled Maturity Date. In all cases, the Repudiation/Moratorium Extension Condition will be deemed not to have been satisfied, or capable of being satisfied, if, or to the extent that, ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is fourteen calendar days after the Scheduled Maturity Date, that the relevant Credit Derivatives Determinations Committee has Resolved that either (A) an event does not constitute a Potential Repudiation/Moratorium for purposes of the Reference Transaction with respect to an Obligation of the relevant Reference Entity or (B) an event that constitutes a Potential Repudiation/Moratorium for purposes of the Reference Transaction has occurred with respect to an Obligation of the relevant Reference Entity but that such event occurred after the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate or Japan, Tokyo time)).

**"Repudiation/Moratorium Extension Notice"** means an irrevocable notice from the Issuer to the Noteholders delivered in accordance with Condition 14 (*Notices*) that describes a Potential Repudiation/Moratorium that occurred on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate or Japan Sovereign)). A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.

**"Resolve"** has the meaning given to that term in the Rules, and "Resolved" and "Resolves" shall be interpreted accordingly.

**"Restructured Bond or Loan"** means an Obligation which is a Bond or Loan and in respect of which a Restructuring that is the subject of a Credit Event Notice has occurred.

**"Restructuring"**

- (a) **"Restructuring"** means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of (i) the Credit Event Backstop Date and (ii) the date as of which such Obligation is issued or incurred:
- (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
  - (ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
  - (iii) a postponement or other deferral of a date or dates for either (a) the payment or accrual of interest or (b) the payment of principal or premium;
  - (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
  - (v) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency ("**Permitted Currency**" meaning (a) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership); or (b) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Cooperation and Development and has a local currency long-term debt rating of either AAA or higher assigned to it by Standard & Poor's, a division of the McGraw Hill Companies, Inc or any successor to the rating business thereof, Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof).
- (b) Notwithstanding the provisions of (a) above, none of the following shall constitute a Restructuring:
- (i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
  - (ii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
  - (iii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.
- (c) Unless Multiple Holder Obligation is specified as not applicable then, notwithstanding anything to the contrary in this definition of Restructuring, the

occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

- (d) For purposes of (a), (b) and (c) above, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in (a) above shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in (b) above shall continue to refer to the Reference Entity.

**"Restructuring Date"** means, with the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

**"Restructuring Maturity Limitation Date"** means with respect to a Valuation Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date, **provided that**, in circumstances where the Scheduled Maturity Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity date of any Restructured Bond or Loan occurs prior to the 2.5-year Limitation Date (such Restructured Bond or Loan, a **"Latest Maturity Restructured Bond or Loan"**) and the Scheduled Maturity Date occurs prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan. In the event that the Scheduled Maturity Date is later than (a)(i) the final maturity date of the Latest Maturity Restructured Bond or Loan, if any, or (ii) the 2.5-year Limitation Date, and, in either case, no Enabling Obligation exists or (b) the 20-year Limitation Date, the Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

**"Scheduled Maturity Date"** has the meaning ascribed thereto in the Pricing Supplement.

**"Settlement Currency"** means the currency specified or, if no currency is so specified, the currency of denomination of the Calculation Amount.

**"Sovereign"** means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) thereof.

**"Sovereign Agency"** means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

**"Sovereign Reference Entity"** means a Reference Entity that is a Sovereign.

**"Sovereign Restructured Valuation Obligation"** means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the specified Valuation Obligation Category and, subject to Condition 6(l)(iv), having each of the specified Valuation Obligation Characteristics, if any, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Valuation Obligation Category or Valuation Obligation Characteristics after such Restructuring.

**"specified"** means, unless otherwise provided, as specified in Schedule 1 to the Pricing Supplement (*Credit-Linked Note Specifications*) to the Pricing Supplement relating to the Notes and/or in the applicable Standard Terms.

**"Substitute Reference Obligation"** means one or more obligations of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations, identified by the Calculation Agent in accordance with the following procedures:

- (a) In the event that (i) a Reference Obligation is redeemed in whole or (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortization or prepayments), (B) any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms, or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity, the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation.
- (b) Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that (i) ranks *pari passu* in priority of payment with the ranking in priority of payment of each of the Substitute Reference Obligation and such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the date as of which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such date) and (ii) is an obligation of the relevant Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of a Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations.
- (c) If more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to one or more but not all of the Reference Obligations for such Reference Entity, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to all of the Reference Obligations for such Reference Entity, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.
- (e) If (i) more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to all the Reference Obligations of such Reference Entity and the Calculation Agent determines that no Substitute Reference Obligation is available for any of the Reference Obligations of such Reference Entity, or (ii) only one specific Reference Obligation is identified as a Reference Obligation, any of the events set forth under sub-section (a) of this definition of Substitute Reference Obligation has occurred with respect to such Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation, then the Calculation Agent shall continue to attempt to identify a Substitute Reference

Obligation until the latest of the Maturity Date and the Grace Period Extension Date (if any).

- (f) For purposes of identification of a Reference Obligation, any change in a Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

"**Successor**" shall have the meaning determined in accordance with the following provisions:

- (a) In relation to a Reference Entity that is not a Sovereign, "**Successor**" means, subject to (j) below), the entity or entities, if any, determined as set forth below:
- (i) if one entity directly or indirectly succeeds to 75 per cent. or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;
  - (ii) if only one entity directly or indirectly succeeds to more than 25 per cent. (but less than 75 per cent.) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25 per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than 25 per cent. of the Relevant Obligations will be the sole Successor;
  - (iii) if more than one entity each directly or indirectly succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25 per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than 25 per cent. of the Relevant Obligations will each be a Successor and (e) below will apply;
  - (iv) if one or more entities each directly or indirectly succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than 25 per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will be a Successor and (e) below will apply;
  - (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event; and
  - (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than 14 calendar days after the legally effective date of the Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above have been



met, or which entity qualifies under (a)(vi) above, as applicable **provided that** the Calculation Agent will not make such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in (a) above, and subparagraphs (a) and (b) of the definition of Succession Event Resolution Request Date are satisfied in accordance with the Rules (until such time, if any, as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information.

- (b) **"Succession Event"** means an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, "Succession Event" shall not include any event (A) in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event or (B) with respect to which the legally effective date (or, in the case of a Reference Entity that is a Sovereign, the date of occurrence) has occurred prior to the Succession Event Backstop Date (determined by reference to Greenwich Mean Time).
- (c) For purposes of interpreting this definition of Successor **"succeed"** means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to (a) above shall be made, in the case of an exchange offer, on the basis of the outstanding principal balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the outstanding principal balance of Bonds for which Relevant Obligations have been exchanged.
- (d) Where (i) a Reference Obligation has been specified with respect to a Reference Entity, (ii) one or more Successors to the Reference Entity have been identified and (iii) any one or more such Successors have not assumed the Reference Obligation, a Substitute Reference Obligation will be determined in accordance with the definition of Substitute Reference Obligation above.
- (e) Where, pursuant to (a)(iii) or (iv) above, more than one Successor has been identified then, subject to (j) below:
  - (i) each Successor will be treated as a Reference Entity;
  - (ii) the Calculation Agent shall allocate the Calculation Amount equally between all such Successors;
  - (iii) the provisions of Condition 6(i)(iii) shall apply; and

- (iv) the Conditions will otherwise continue to apply except to the extent that modification is required, as determined by the Calculation Agent, to preserve the economic effects of the original Conditions.
- (f) "**Relevant Obligations**" means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.
- (g) "**Best Available Information**" means:
  - (i) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information or, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination for the purposes of the definition of Successor, other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or
  - (ii) in the case of a Reference Entity which does not file with its primary securities regulator or primary stock exchange, and which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of the definition of Successor.
- (h) Information which is made available more than 14 calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information.
- (i) In relation to a Sovereign Reference Entity, "**Successor**" means any direct or indirect successor(s) to that Reference Entity irrespective of whether such successor(s) assumes any of the obligations of such Reference Entity.
- (j) If Substitution is specified as applicable, where any Reference Entity (a "**Surviving Reference Entity**") (other than the Reference Entity the subject of the Succession Event) would otherwise be a Successor to any other Reference Entity (the "**Legacy Reference Entity**") pursuant to the foregoing provisions then, at the election of the Issuer at any time:
  - (i) such Surviving Reference Entity shall be deemed not to be a Successor to the Legacy Reference Entity; and
  - (ii) the Replacement Reference Entity selected by the Issuer shall be deemed to be a Successor to the Legacy Reference Entity pursuant to that Succession Event from and including the legally effective date of

the Succession Event. The Standard Terms applicable to such Replacement Reference Entity shall be the then current standard terms applicable to such Replacement Reference Entity as at the day it is selected by the Issuer.

**"Succession Event Backstop Date"** means (i) the date that is 90 calendar days prior to the Succession Event Resolution Request Date (if any) (determined by reference to Greenwich Mean Time) or (ii) otherwise, the date that is 90 calendar days prior to the earlier of (A) the date on which the Calculation Agent determines that a Succession Event has occurred and (B) in circumstances where (I) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of "Succession Event Resolution Request Date" are satisfied in accordance with the Rules, (II) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (III) the Calculation Agent determines that a Succession Event has occurred not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Succession Event Resolution Request Date. The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

**"Succession Event Resolution Request Date"** means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Succession Event has occurred with respect to the relevant Reference Entity; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, the legally effective date of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

**"Supranational Organisation"** means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

**"TARGET"** means the Trans-European Automated Real-time Gross settlement Express Transfer System.

**"Transaction Auction Settlement Terms"** means, with respect to a Credit Event, the Credit Derivatives Auction Settlement Terms for which the Reference Transaction would be an Auction Covered Transaction.

**"USD"** means the lawful currency of the United States of America.

**"Valid Credit Event Resolution Request Date"** means a Credit Event Resolution Request Date which occurs on or prior to the 14th calendar day after the Extension Date (including prior to the Trade Date), **provided that** the Trade Date occurs on or prior to the Auction Final Price Determination Date or, in the case of a Restructuring Credit Event in respect of which the Movement Option was exercised on or prior to the Movement Option Cut-off Date, the Parallel Auction Final Price Determination Date (as applicable), the Auction Cancellation Date or, in the case of a Restructuring Credit Event in respect of which the Movement Option was exercised on or prior to the Movement Option Cut-off Date, the Parallel Auction Cancellation Date (as applicable), or the date that is 21 calendar days following the No Auction Announcement Date.

**"Valuation Date"** means the date specified as such in accordance with the applicable Settlement Method.

**"Valuation Obligation"** means, subject to Condition 6(m):

- (i) any obligation of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified, as provider of any Qualifying Guarantee determined pursuant to the method described in Condition 6(l) (but excluding any Excluded Valuation Obligation) that (A) is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable, (B) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (i) to (iv) in the definition of Credit Event above) or right of set-off by or of the Reference Entity or any applicable Underlying Obligor and (C) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount being valued apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;
- (ii) subject to the second paragraph of the definition of Not Contingent in Condition 6(l)(i)(2)(A), each Reference Obligation, unless specified as an Excluded Valuation Obligation;
- (iii) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Valuation Obligation (but excluding any Excluded Valuation Obligation) that (i) is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (i) to (iv) of the definition of Credit Event above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount being valued apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and
- (iv) any other obligation of a Reference Entity specified as a Valuation Obligation.

**"Voting Shares"** means those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

**"Weighted Average Quotation"** means the weighted average of firm quotations obtained from selected dealers, each for an amount of the Valuation Obligation of as large a size as available but less than the Valuation Obligation Calculation Amount.

6(n) *Determinations by the Calculation Agent and Calculation Agent Free to Deal in Notes etc*

- (i) Whenever any matter falls to be determined, considered or otherwise decided upon by the Calculation Agent or any other person (including where a matter is to be decided by reference to the Calculation Agent's or such other person's opinion), unless otherwise stated, that matter shall be determined, considered or otherwise decided upon by the Calculation Agent or such other person, as the case may be, acting in good faith and in a reasonably commercial manner. The Calculation Agent shall not be liable for any loss, liability, cost, claim, action,

demand or expense (including without limitation, all costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as may result from its own wilful default, negligence or bad faith or that of its officers or agents.

- (ii) Nothing contained herein shall prevent the Calculation Agent from dealing in the Notes or from entering into any related transactions, including without limitation any swap or hedging transactions, with the Issuer (or any of its respective Affiliates) or any holder of the Notes (or any of its Affiliates).

(3) **Modifications of Terms, Waiver and Substitution**

Condition 15 (*Modification of Terms, Waiver and Substitution*) shall be amended by:

inserting the following additional paragraph before the paragraph beginning with "Subject to such amendment of the Trust Deed":

"The Calculation Agent may from time to time amend any provision of these Conditions to incorporate and/or reflect further or alternative documents from time to time published by ISDA with respect to the settlement of credit derivative transactions and/or the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees which the Calculation Agent and the Issuer determine in a commercially reasonable manner are necessary to reflect market practice for credit derivative transactions. The Trustee shall consent, without the consent of the Noteholders or the Couponholders, to any such amendments upon receipt from the Issuer of a certificate, signed by a Director of the Issuer, stating that such amendments are necessary to reflect market practice for credit derivative transactions, **provided that** the Trustee shall not be obliged to agree to any such amendments which, in the sole opinion of the Trustee, either (i) increase or modify the duties and/or the obligations of the Trustee or (ii) remove, modify or adversely affect any rights, powers or protections of the Trustee."

**ADDITIONAL TERMS AND CONDITIONS RELATING TO EQUITY-LINKED NOTES, CASH EQUITY NOTES AND INDEX-LINKED NOTES**

The following additional conditions shall be deemed to be added as Condition 20 to the terms and conditions set out in the section headed "*Terms and Conditions of the Notes*" of this Information Memorandum in respect of any issue of Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes:

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

(a) **Definitions**

As used in this Condition 20, and unless otherwise provided in the relevant Pricing Supplement, the following expressions shall have the following meanings:

"**Additional Disruption Event**" has the meaning ascribed thereto in Condition 20(h);

"**Automatic Early Redemption Notes**" means a Series of Notes in respect of which the relevant Pricing Supplement specifies that Automatic Early Redemption is applicable;

"**Averaging Date**" means, in respect of each Valuation Date, each date specified as such or otherwise determined as provided in the relevant Pricing Supplement (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of Condition 20(e)(ii);

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

"**Cash Settlement**" means, in relation to a Series of Notes, that the relevant Noteholder is entitled to receive from the Issuer on the Maturity Date an amount calculated in accordance with the relevant Pricing Supplement in the Specified Currency;

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

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

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

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

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

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

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

"**Depositary Receipt(s)**" means any Security specified as such in the relevant Pricing Supplement **provided that** if the relevant Deposit Agreement is terminated at any time, any

reference to any Depositary Receipt(s) shall thereafter be construed as a reference to the relevant Underlying Securities and the Calculation Agent will make such adjustment as it, in its sole and absolute discretion, determines to be appropriate to the relevant Notes and determine, in its sole and absolute discretion, the effective date of such adjustment;

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

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

**"DTC"** means the Depository Trust Company;

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

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

**"Exchange"** means (a) with respect to a Security or an Index, each exchange or quotation system specified as such in the relevant Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Security or the components of the Index, as the case may be, has temporarily relocated (**provided that** the Calculation Agent has determined that there is comparable liquidity relative to such Security or components, as the case may be, as on the original Exchange); or (b) in the case of a Multiple Exchange Index and each relevant Component Security, the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent (which exchange or quotation system as of the Issue Date may be specified as such in the relevant Pricing Supplement);

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

**"Exchange Disruption"** means (a) any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Securities on the Exchange (in the case

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

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

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

**"Extraordinary Event"** means (a) in all cases other than where the Pricing Supplement specify that the Securities are Units in a Fund, a Merger Event, Tender Offer, Nationalisation, Insolvency or Delisting; or (b) in the case where the Pricing Supplement specify that the Securities are Units in a Fund, a Merger Event, Nationalisation, Insolvency, Delisting or Extraordinary Fund Event;

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

- (i) the Fund (A) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (B) makes a general assignment or arrangement with or for the benefit of its creditors; (C)(1) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (2) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in (1) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within 15 days of the institution or presentation thereof; (D) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (E) has a secured party take possession of all or substantially all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 15 days thereafter; or (F) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in (A) to (E) above;
- (ii) the Fund has violated any leverage restriction that is applicable to, or affecting, such Fund or its assets by operation of any law, any order or judgment of any court or other



agency of government applicable to it or any of its assets, the Fund Documents or any contractual restriction binding on or affecting the Fund or any of its assets;

- (iii) the resignation, termination or replacement of the Fund Adviser (as defined below);
- (iv) any change or modification of the Fund Documents that could reasonably be expected to affect the value of the Units or the rights or remedies of any holders thereof (in each case, as determined by the Calculation Agent) from those prevailing on the Issue Date;
- (v) any breach or violation of any strategy or investment guidelines stated in the Fund Documents that is reasonably likely to affect the value of the Units or the rights or remedies of any holders thereof (in each case, as determined by the Calculation Agent);
- (vi) the Issuer, or any of its affiliates, is unable, or it is impractical for it, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to the Units of entering into and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction or asset, including, without limitation, where such inability or impracticability has arisen by reason of (1) any restrictions or increase in charges or fees imposed by the Fund on any investor's ability to redeem the Units, in whole or in part, or any existing or new investor's ability to make new or additional investments in such Units, or (2) any mandatory redemption, in whole or in part, of such Units imposed by the Fund (in each case other than any restriction in existence on the Issue Date);
- (vii) (A) cancellation, suspension or revocation of the registration or approval of the Units or the Fund by any governmental, legal or regulatory entity with authority over the Units or the Fund, (B) any change in the legal, tax, accounting or regulatory treatments of the Fund or the Fund Adviser that is reasonably likely to have an adverse impact on the value of the Units or on any investor therein (as determined by the Calculation Agent), or (C) the Fund or the Fund Adviser becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of the Fund;
- (viii) (A) the occurrence of any event affecting the Units that, in the determination of the Calculation Agent, would make it impossible or impracticable to determine the value of the Units, and such event is likely, in the determination of the Calculation Agent, to continue for the foreseeable future; or (B) any failure of the Fund to deliver, or cause to be delivered (1) information that the Fund has agreed to deliver, or cause to be delivered to the Issuer and/or Calculation Agent or (2) information that has been previously delivered to the Issuer and/or Calculation Agent in accordance with the Fund's, or its authorised representative's, normal practice and that the Issuer and/or Calculation Agent deems necessary for it to monitor the Fund's compliance with any investment guidelines, asset allocation methodologies or any other similar policies relating to the Units;
- (ix) on or after the Strike Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that (X) it has become illegal to hold, acquire or dispose of the Units, or (Y) the Issuer will incur a materially increased cost in performing its obligations under the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);
- (x) the Issuer would incur a materially increased (as compared with circumstances existing on the Strike Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the price risk relating to the Units of entering into and performing its obligations with respect to the

Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), **provided that** any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Extraordinary Fund Event; and

- (xi) (A) the cancellation or cessation of any Underlying Index or (B) a material change in the formula for or the method of calculating or any other material modification to any Underlying Index (other than a modification prescribed in that formula or method to maintain such Underlying Index in the event of changes in constituent stock and capitalisation and other routine events) or (C) the relevant sponsor of any Underlying Index fails to calculate and announce such Underlying Index.

**"Final Index Level"** means, with respect to an Index and a Valuation Date, the level determined as provided in the relevant Pricing Supplement or, if no such level is so provided (a) the level of the relevant Index as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Valuation Date or (b) with respect to a Multiple Exchange Index, the official closing level of the Index on the Valuation Date as calculated and published by the Index Sponsor or (c) if Averaging Dates are specified in the relevant Pricing Supplement in respect of such Valuation Date, the arithmetic average as determined by the Calculation Agent (rounded down to the nearest unit of the relevant currency in which the Index is published, one half of a unit being rounded upwards) of the Reference Levels on such Averaging Dates;

**"Final Price"** means, with respect to a Security and a Valuation Date, the price determined as provided in the relevant Pricing Supplement, or if no such price is so provided (a) the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on such Valuation Date or (b) if Averaging Dates are specified in the relevant Pricing Supplement in respect of such Valuation Date, the arithmetic average as determined by the Calculation Agent (rounded down to the nearest unit of the relevant currency in which the Security is valued, one half of a unit being rounded upwards) of the Reference Prices on such Averaging Dates;

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

**"Fund Adviser"** means, with respect to a Fund, any person appointed in the role of discretionary investment manager or non-discretionary investment manager (including a non-discretionary investment manager to a discretionary investment manager or to another non-discretionary investment manager), as provided in the related Fund Documents;

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

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

**"Index"** means, in relation to a Series of Notes, the index to which such Notes relates, as specified in the relevant Pricing Supplement, subject to adjustment pursuant to this Condition 20, and **"Indices"** shall be construed accordingly;

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

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

**"Initial Index Level"** means, with respect to an Index, the level specified as such or otherwise determined as provided in the relevant Pricing Supplement or, if no such level is so specified or otherwise determined, the level of the relevant Index as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Strike Date or, with respect to a Multiple Exchange Index, the official closing level of the Index on the Strike Date as calculated and published by the Index Sponsor;

**"Initial Price"** means, with respect to a Security, the price specified as such or otherwise determined as provided in the relevant Pricing Supplement or, if no such price is so specified or otherwise determined, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Strike Date;

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

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

- (A) (1) the occurrence or existence, in respect of any Component Security, of (aa) a Trading Disruption, (bb) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (i) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins and/or ends at the time at which the relevant price or level triggers the Knock-in Level or the Knock-out Level, as the case may be, or (ii) in all other circumstances, ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded, OR (cc) an Early Closure; AND (2) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; OR
- (B) the occurrence or existence, in respect of futures or options contracts relating to the Index of: (aa) a Trading Disruption, (bb) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (i) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins and/or ends at the time at which the relevant price or level triggers the Knock-in Level or the Knock-out Level, as the case may be, or (ii) in all other circumstances, ends at the relevant Valuation Time in respect of the Related Exchange; or (cc) an Early Closure.

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

**"Merger Event"** means in respect of any relevant Securities, any (i) reclassification or change of such Securities that results in a transfer of or an irrevocable commitment to transfer all of such Securities outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Company with or into another entity or person (other

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

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

"**Multiple Exchange Index**" means an Index identified or specified as such in the relevant Pricing Supplement;

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

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

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

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

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

**"Reference Level"** means, unless otherwise specified in the relevant Pricing Supplement (a) in respect of an Index and an Averaging Date, the level of such Index as determined by the Calculation Agent as of the Valuation Time on the Exchange on such Averaging Date and (b) in respect of a Multiple Exchange Index and an Averaging Date, the official closing level of such Multiple Exchange Index on such Averaging Date as calculated and published by the Index Sponsor;

**"Reference Price"** means, unless otherwise specified in the relevant Pricing Supplement, in respect of a Security and an Averaging Date, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the Exchange on such Averaging Date;

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

**"Residual Amount"** means, in relation to a Noteholder and a Note, the fraction of a Security rounded down pursuant to Condition 20(b), as determined by the Calculation Agent or such amount as otherwise specified in the relevant Pricing Supplement;

**"Residual Cash Amount"** means, in respect of a Residual Amount, the product of such Residual Amount and the fraction of which the numerator is the Final Price and the denominator is the Strike Price;

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

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

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

**"Securities"** means, in relation to a Series of Notes, the equity securities, debt securities (including without limitation Government Bonds), depositary receipts or other securities or property, as adjusted pursuant to this Condition 20, to which such Notes relate, as specified in the relevant Pricing Supplement and **"Security"** shall be construed accordingly;

**"Securities Transfer Amount"** means the number of Securities per Note as specified in the relevant Pricing Supplement or if no such number is so specified, the number of Securities per Note calculated by the Calculation Agent and equal to the fraction of which the numerator is the Denomination and the denominator is the Strike Price;

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

**"Settlement Date"** means, in relation to Securities to be delivered in respect of an Equity-Linked Note (a) in the case of Equity-Linked Notes which relate to equity securities and unless otherwise specified in the relevant Pricing Supplement, the later of (i) the Maturity Date and (ii) the date that falls one Settlement Cycle after the Exchange Business Day following the Valuation Date (the **"Notional Sale Date"**) (or if such day is not a Clearing System Business Day, the next following Clearing System Business Day) subject to the provisions of Condition 20(b) or, (b) in any other case, and unless otherwise specified in the relevant Pricing Supplement, the date specified as such in the relevant Pricing Supplement, subject to adjustment in accordance with the Following Business Day Convention unless another Business Day Convention (as defined in Condition 19) is specified in the relevant Pricing Supplement. In each case, if a Settlement Disruption Event prevents delivery of such Securities on that day, then the Settlement Date shall be determined in accordance with Condition 20(b)(ii);

**"Settlement Disruption Event"** in relation to a Security means an event which the Calculation Agent, in its sole and absolute discretion, determines to be beyond the control of the Issuer or relevant obligor and to be an event as a result of which the relevant Clearing System cannot clear the transfer of such Security;

**"Strike Date"** means the date specified as such in the relevant Pricing Supplement;

**"Strike Price"** has the meaning ascribed thereto in the relevant Pricing Supplement;

**"Successor Index"** has the meaning given in Condition 20(d);

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

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

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

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

- (i) specify the name and address of the Noteholder;
- (ii) specify the number of Notes in respect of which it is the Noteholder;
- (iii) specify the number of the Noteholder's account at Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system, as the case may be, to be debited with such Notes;
- (iv) irrevocably instruct and authorise Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system, as the case may be, (A) to debit the

Noteholder's account with such Notes on the Settlement Date, if physical delivery applies, or otherwise on the Maturity Date and (B) that no further transfers of the Notes specified in the Transfer Notice may be made;

- (v) contain a representation and warranty from the Noteholder to the effect that the Notes to which the Transfer Notice relates are free from all liens, charges, encumbrances and other third party rights;
- (vi) specify the number and account name of the account at the Clearing System to be credited with the Securities if physical delivery applies;
- (vii) contain an irrevocable undertaking to pay the Transfer Expenses (if any) and an irrevocable instruction to Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system, as the case may be, to debit on or after the Settlement Date the cash or other account of the Noteholder with Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system, as the case may be, specified in the Transfer Notice with such Transfer Expenses;
- (viii) include a certificate of non-US beneficial ownership in the form required by the Issuer; and
- (ix) authorise the production of the Transfer Notice in any applicable administrative or legal proceedings;

**"Underlying Company"** means the issuer of the Security as specified in the relevant Pricing Supplement and, if the Notes are DR Linked Notes, each of the Depositary and the issuer of the relevant Underlying Security, in each case subject to adjustment in accordance with Condition 20(g);

**"Underlying Index"**, in relation to a Fund, has the meaning given to it in the relevant Pricing Supplement;

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

**"Unit"**, in relation to a Fund, has the meaning given to it in the relevant Pricing Supplement;

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

**"Valuation Date"** means each date specified or otherwise determined as provided in the relevant Pricing Supplement (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), in each case subject to Condition 20(e);

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

**"Worst Performing Index"** means, with respect to the Valuation Date, the Index which gives rise to the lowest percentage as determined by the Calculation Agent in accordance with the formula that is set out in the relevant Pricing Supplement; and

**"Worst Performing Security"** means, in respect of a Valuation Date, the Security which gives rise to the lowest percentage as determined by the Calculation Agent in accordance with the formula that is set out in the relevant Pricing Supplement.

(b) ***Physical Delivery***

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

- (i)
- (A) Each Noteholder shall, on or before the date five calendar days before the Maturity Date (or such earlier date as the Issuer shall determine is necessary for the Issuer, the Paying Agents, Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system to perform their respective obligations in relation to the Notes and notify to the Paying Agents and the Noteholders) send to Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system, as the case may be, in accordance with its then applicable operating procedures, and copied to the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent, a duly completed Transfer Notice.
  - (B) A Transfer Notice, once delivered to Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system, shall be irrevocable and may not be withdrawn without the consent in writing of the Issuer. A Noteholder may not transfer any Note which is the subject of a Transfer Notice following delivery of such Transfer Notice to Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system. A Transfer Notice shall only be valid to the extent that Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system have not received conflicting prior instructions in respect of the Notes which are the subject of the Transfer Notice.
  - (C) Failure properly to complete and deliver a Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided shall be made by the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent and shall be conclusive and binding on the Issuer and the Noteholder.
  - (D) The Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent shall promptly on the local banking day following receipt of a Transfer Notice send a copy thereof to the Issuer or such person as the Issuer may previously have specified.
  - (E) Delivery of the Securities will be via the relevant Clearing System. The delivery or transfer of Securities to each Noteholder is at the relevant Noteholder's risk and if delivery occurs later than the earliest possible date for delivery, no additional amounts will be payable by the Issuer.
  - (F) the Issuer shall discharge its obligation to redeem the relevant proportion of the Notes by delivering, or procuring the delivery of, the Securities Transfer Amount on the Settlement Date to the Clearing System for credit to the account with the Clearing System specified in the Transfer Notice of the relevant Noteholder.
  - (G) The amount of Securities to be delivered to or for the account of each Noteholder shall be an amount of Securities equal to the number of Notes in respect of which such Noteholder is the holder as specified in the relevant Transfer Notice multiplied by the Securities Transfer Amount **provided, however, that** if a Noteholder would become entitled to a number of Securities



which is not equal to a board lot of the Securities at such time, as determined by the Calculation Agent, or an integral multiple thereof, then the Noteholder's entitlement to delivery of Securities shall be rounded down to the nearest whole Security.

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

sole and absolute discretion), then the Settlement Date will be postponed until delivery can be effected through the relevant Clearing System or in any other commercially reasonable manner.

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

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

Where this Condition 20(b)(iii) fails to be applied, insofar as the Calculation Agent determines in its sole and absolute discretion to be practical, the same shall be applied as between the Noteholders on a *pro rata* basis, but subject to such rounding down (whether of the amount of a payment or of a number of Securities to be delivered) and also to such other adjustments as the Calculation Agent determines, in its sole and absolute discretion, to be appropriate to give practical effect to such provisions.

(c) ***Automatic Early Redemption***

This Condition 20(c) is applicable only to Automatic Early Redemption Notes.

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

As used herein:

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

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

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

**"Automatic Early Redemption Level"** means the level of the Index specified as such or otherwise determined in the relevant Pricing Supplement;

**"Automatic Early Redemption Price"** means the price per Security specified as such or otherwise determined in the relevant Pricing Supplement;

**"Automatic Early Redemption Rate"** means, in respect of any Automatic Early Redemption Date, the rate specified as such in the relevant Pricing Supplement; and

**"Automatic Early Redemption Valuation Date(s)"** means each of the date(s) specified as such in the relevant Pricing Supplement or, if any such date is not a Scheduled Trading Day, the next following Scheduled Trading Day, subject to the provisions of Condition 20(e)(i) which shall apply as if such Automatic Early Redemption Valuation Date were a Valuation Date.

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

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

For the purposes hereof:

**"Knock-in Determination Day"** means each Scheduled Trading Day during the Knock-in Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-in Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-in Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-in Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-in Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is also a Disrupted Day in accordance with the provisions of Condition 20(e)(i)(A), (B) or (C), as the case may be;

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

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

**"Knock-in Level"** means the level of the Index specified as such or otherwise determined in the relevant Pricing Supplement;

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

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

**"Knock-in Price"** means the price per Security specified as such or otherwise determined in the relevant Pricing Supplement; and

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

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

For the purposes hereof:

**"Knock-out Determination Day"** means each Scheduled Trading Day during the Knock-out Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-out Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-out Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-out Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-out Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is a Disrupted Day in accordance with the provisions of Condition 20(e)(i)(A), (B) or (C), as the case may be;

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

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

**"Knock-out Level"** means the level of the Index specified as such or otherwise determined in the relevant Pricing Supplement;

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

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

**"Knock-out Price"** means the price per Security specified as such or otherwise determined in the relevant Pricing Supplement; and

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

(e) *Consequences of Disrupted Days*

For the purposes of this Condition 20(e) "**Limit Valuation Date**" shall mean, if any Valuation Date in respect of a Note is a Disrupted Day, the eighth Scheduled Trading Day following such Valuation Date, notwithstanding the Market Disruption Event, **provided that**:

- (i) if, as a result of the foregoing, the Valuation Date would be deemed to fall less than five local banking days prior to the Maturity Date, a relevant Interest Payment Date or (as the case may be) any due date for payment of any amount due in respect of such Note, the Limit Valuation Date shall be deemed to fall on the day which is five local banking days prior to the Maturity Date, such Interest Payment Date or (as the case may be) due date for payment of any amount due in respect of such Note or, if such local banking day is not a Scheduled Trading Day, the immediately preceding Scheduled Trading Day; and
- (ii) if the Scheduled Valuation Date falls on a day which is five local banking days or less prior to the Maturity Date, a relevant Interest Payment Date or (as the case may be) any due date for payment of any amount due in respect of such Note, the Limit Valuation Date shall be deemed to be such Scheduled Valuation Date,

in each case notwithstanding the fact that such day is a Disrupted Day.

- (iii) If any Valuation Date is a Disrupted Day, then:
  - (A) in the case of an Equity-Linked Note, a Cash Equity Note or an Index-Linked Note which, in each case, relates to a single Security or Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, **provided that** the Valuation Date shall not fall after the Limit Valuation Date. In that case:
    - (1) in respect of an Index-Linked Note, the Calculation Agent shall determine in its absolute discretion that either:
      - (aa) the Valuation Date shall be the Limit Valuation Date; or
      - (bb) the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event,

and, in the case of (aa) above, the Calculation Agent shall determine the level of the Index as of the Valuation Time on the Limit Valuation Date determined in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the Limit Valuation Date of each security or other property comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or other property on the Limit Valuation Date, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on the Limit Valuation Date); and
    - (2) in respect of an Equity-Linked Note or a Cash Equity Note, the Limit Valuation Date shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and the Calculation Agent shall determine its good faith estimate of the value for the relevant Security as of the Valuation Time on that Limit Valuation Date;
  - (B) in the case of an Index-Linked Note which relates to a basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index, unless each of the succeeding Scheduled Trading Days up to and

including the Limit Valuation Date is a Disrupted Day relating to that Index. In that case, the Calculation Agent shall determine in its absolute discretion that either:

- (1) the Limit Valuation Date shall be the Valuation Date for the relevant Index notwithstanding the fact that such day is Disrupted Day relating to that Index; or
- (2) the Valuation Date shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index,

and, in the case of (1) above, the Calculation Agent shall determine, in its sole and absolute discretion, the level of that Index, as of the Valuation Time on the Limit Valuation Date in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the Limit Valuation Date of each security or other property comprised in the relevant Index (or, if an event giving rise to a Disrupted Day has occurred in respect to the relevant security or other property on the Limit Valuation Date, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on the Limit Valuation Date); and

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

- (3) in respect of an Equity-Linked Note settled by way of Cash Settlement or a Cash Equity Note which relates to a basket of Securities, the arithmetic mean of the prices for such basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Pricing Supplement as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Final Price is so provided, the arithmetic mean of the prices for such basket calculated on each Averaging Date as the sum of the values calculated for the Securities of each Underlying Company as the product of (aa) the Reference Price of such Security and (bb) the number of such Securities comprised in such basket (weighted or adjusted in relation to each Security as provided in the relevant Pricing Supplement).
- (B) If any Averaging Date is a Disrupted Day, then, if the consequence specified in the relevant Pricing Supplement in relation to "**Averaging Date Market Disruption**" is:
- (1) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Final Price or Final Index Level, as applicable, **provided that**, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 20(e)(i) will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such final Averaging Date were a Valuation Date that was a Disrupted Day. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Maturity Date or any early redemption date in accordance with the Conditions or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date;
- (2) "**Postponement**", then Condition 20(e)(i) will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the relevant Notes. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Maturity Date or any early redemption date in accordance with the Conditions or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date; or
- (3) "**Modified Postponement**", then:
- (aa) in the case of an Index-Linked Note or an Equity-Linked Note or a Cash Equity Note which relates to a single Index or Security, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the Limit Valuation Date immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date (the "**Scheduled Final Averaging Date**") in relation to the relevant Scheduled Valuation Date, then:

- (i) in respect of an Index-Linked Note, the Calculation Agent shall determine in its absolute discretion that either:
    - (a) the Limit Valuation Date shall be deemed to be the Averaging Date, (irrespective of whether that Limit Valuation Date is already an Averaging Date); or
    - (b) the Averaging Date shall be the first succeeding Valid Date,

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 20(e)(iii)(A)(1); and
  - (ii) in respect of an Equity-Linked Note or a Cash Equity Note, the Limit Valuation Date shall be the Averaging Date (irrespective of whether the Limit Valuation Date is already an Averaging Date), and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant price for that Averaging Date in accordance with Condition 20(e)(iii)(A)(2); and
- (bb) in the case of an Index-Linked Note, an Equity-Linked Note or a Cash Equity Note which relates to a basket of Indices or Securities, the Averaging Date for each Index or Security not affected by the occurrence of a Disrupted Day shall be the day specified in the relevant Pricing Supplement as an Averaging Date in relation to the relevant Valuation Date (the "**Scheduled Averaging Date**") and the Averaging Date for an Index or Security affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Index or Security. If the first succeeding Valid Date in relation to such Index or Security has not occurred as of the Valuation Time on the Limit Valuation Date immediately following the Scheduled Final Averaging Date, then:
- (i) in respect of an Index-Linked Note, the Calculation Agent shall determine in its absolute discretion that either:
    - (a) the Limit Valuation Date shall be deemed to be the Averaging Date, (irrespective of whether that Limit Valuation Date is already an Averaging Date) in relation to such Index; or
    - (b) the Averaging Date shall be the first succeeding Valid Date,

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 20(e)(i)(B); and
  - (ii) in respect of an Equity-Linked Note or a Cash Equity Note, the Limit Valuation Date shall be the Averaging Date (irrespective of whether that Limit Valuation Date is already an Averaging Date) in relation to such Security, and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant amount



for that Averaging Date in accordance with Condition 20(e)(iii)(C).

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

- (C) If (1) on or prior to any Averaging Date, in respect of an Index-Linked Note, an Index Modification, Index Cancellation or Index Disruption (each as defined in Condition 20(f)(ii) occurs, or (2) on any Averaging Date in respect of an Index-Linked Note an Index Disruption Event occurs, then the Calculation Agent shall determine, in its sole and absolute discretion, the Final Index Level using, in lieu of a published level of the relevant Index, the level for that Index as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities that comprised that Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on any relevant Exchange).

(f) *Adjustments to Indices*

This Condition 20(f) is applicable only in relation to Index-Linked Notes.

(i) *Successor Index*

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

(ii) *Index Adjustment Events*

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

(iii) *Correction of Index Levels*

If the level of an Index published by the Index Sponsor at any time and used or to be used by the Calculation Agent for any calculation or determination under the Notes is subsequently corrected and the correction is published by the Index Sponsor within one Settlement Cycle after the original publication, the Calculation Agent will make such

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

(g) *Adjustments and Events affecting Securities*

This Condition 20(g) is applicable only in relation to Equity-Linked Notes and Cash Equity Notes.

(i) *Potential Adjustment Events*

The Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Potential Adjustment Event has occurred and where it determines such an event has occurred, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Securities and, if so, will make such adjustment(s) as it in its sole and absolute discretion determines to be appropriate, if any, to the formula for the final redemption amount set out in the relevant Pricing Supplement, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and/or any other adjustment(s) and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes as the Calculation Agent determines, in its sole and absolute discretion, to be appropriate to account for that diluting or concentrative effect and determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s).

(ii) *Extraordinary Events*

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

(iii) *Conversion*

In respect of an Equity-Linked Note or a Cash Equity Note which relates to debt securities, following the occurrence of any Conversion, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Notes will continue and, if so, determine, in its sole and absolute discretion, any adjustment(s) to be made. If the Calculation Agent determines that the Notes shall continue, it may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate to the formula for the final redemption amount set out in the relevant Pricing Supplement, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, number of or type of shares, other securities or other property which may be delivered under such Notes and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes and/or any other adjustment and determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s). If the Calculation Agent determines in its sole and absolute discretion that the Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Noteholders to receive the relevant Securities Transfer Amount or final redemption amount (or any other payment to be made by the Issuer), as the case may be, shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of such amount as, in the opinion of the Calculation Agent (such opinion to be made by the Calculation Agent in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Notes.

(iv) *Correction of Prices*

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

(h) *Additional Disruption Events*

Following the occurrence of any Additional Disruption Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the formula for the final redemption amount set out in the relevant Pricing Supplement, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion. If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute

discretion and the entitlements of the relevant Noteholders to receive the relevant Securities Transfer Amount or final redemption amount (or any other payment to be made by the Issuer), as the case may be, shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Notes.

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

- (i) "**Change in Law**" means that, on or after the Issue Date, (A) due to the adoption of or any change in any applicable law or regulation (including without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (x) it has become illegal for the Issuer to hold, acquire or dispose of Securities relating to such Notes, (y) it has become illegal for the Issuer to hold, acquire, purchase, sell or maintain one or more (i) positions or contracts in respect of any securities, options, futures, derivatives or foreign exchange in relation to such Notes, (ii) stock loan transactions in relation to such Notes or (iii) other instruments or arrangements (howsoever described) held by the Issuer in order to hedge, individually or on a portfolio basis, such Notes or (z) the Issuer will incur a materially increased cost in performing its obligations under the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);
- (ii) "**Failure to Deliver**" means the failure of a party to deliver, when due, the relevant Securities in respect of the Notes, where such failure is due to illiquidity in the market for such Securities;
- (iii) "**Insolvency Filing**" means that the issuer of the Securities institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such petition, **provided that** proceedings instituted or petitions presented by creditors and not consented to by the issuer of the Securities shall not be deemed an Insolvency Filing;
- (iv) "**Hedging Disruption**" means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of issuing and performing its obligations with respect to the Notes or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s); and
- (v) "**Increased Cost of Hedging**" means that the Issuer would incur a materially increased costs (as compared with circumstances existing on the Issue Date), amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), **provided that** any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging.

(i) ***Effects of European Economic and Monetary Union***

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

Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to make such conversions between amounts denominated in the national currency units (the "**National Currency Units**") of the Participating Member States and the euro, and the euro and the National Currency Units, in each case, in accordance with the conversion rates and rounding rules in Regulation (EC) No. 1103/97 as it, in its sole and absolute discretion, determines to be appropriate.

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

For the purposes hereof:

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

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

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

(j) ***Other Adjustments***

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

(k) ***Adjustments where the Securities are Units in a Fund***

Where the Securities are specified in the relevant Pricing Supplement as being Units in a Fund, in the case of the occurrence at any time on or prior to the Valuation Date of any Extraordinary Event affecting the Fund or the value of the Units, the Calculation Agent may make any adjustment as provided in the preceding provisions of this Condition 20 or:

- (i) if the Calculation Agent determines that no adjustment that it could make under the preceding provisions of this Condition 20 would produce a commercially reasonable result:
  - (A) the Calculation Agent will use commercially reasonable efforts to identify a new underlying asset with characteristics, investment objectives and policies similar to those in effect for the Affected Units immediately prior to the occurrence of the relevant Extraordinary Event and any substitution of the new underlying asset for the Affected Units shall be effected at such time and in such manner as determined by the Calculation Agent in its sole and absolute discretion; and
  - (B) if necessary, the Calculation Agent will adjust any relevant terms, including, but not limited to, adjustments to account for changes in volatility, investment strategy or liquidity relevant to the Units or the Notes; or
- (ii) if the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Noteholders to receive the relevant Securities Transfer Amount or final redemption amount, as the case may be, shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of an amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Notes.

In this Condition 20(k) "**Affected Unit(s)**" means each Unit subject to an applicable Extraordinary Event.

**PRO FORMA PRICING SUPPLEMENT**

**PRICING SUPPLEMENT**

Pricing Supplement dated [ ]

Series No.: [ ]

Tranche No.: [ ]

**HSBC Bank Middle East Limited**

**U.S.\$ 7,000,000,000 Debt Issuance Programme**

**Issue of**

**[Aggregate Principal Amount of Tranche]**

**[Title of Notes]**

**PART A — CONTRACTUAL TERMS**

This document constitutes the Pricing Supplement relating to the issue of the Tranche of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Information Memorandum dated 15 July 2013 in relation to the above Programme (the "**Information Memorandum**") [and the supplement[s] thereto dated [•]<sup>1</sup>]. This document constitutes the Pricing Supplement in respect of the Notes described herein for the purpose of the Information Memorandum and must be read in conjunction with such Information Memorandum. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Information Memorandum.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the [prospectus / information memorandum] dated [•] [and the supplemental prospectus dated [•]] and incorporated by reference into the Information Memorandum dated 15 July 2013 in relation to the above Programme (the "**Information Memorandum**") and which are applicable to the Notes. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Information Memorandum.

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

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<sup>1</sup> Only include details of supplemental prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

[A copy of this Pricing Supplement will be delivered to the Jersey registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and he has given and not withdrawn, his consent to its circulation.]<sup>2</sup>

- |    |        |  |  |
|----|--------|--|--|
| 1. | (i)    | Issuer:  | HSBC Bank Middle East Limited  |
|    | (ii)   | Arranger(s):   | HSBC Bank plc  |
| 2. | (i)    | Series number:   | [•]  |
|    | (ii)   | Tranche number:  | [•]  |
|    |        |  | <i>[(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]</i>   |
| 3. |        | Specified Currency or Currencies:                        |  |
|    | (i)    | of denomination:   | [•]  |
|    | (ii)   | of payment   | [•]  |
| 4. |        | Aggregate Principal Amount of Notes admitted to trading: | [•]  |
|    | [(i)]  | Series:  | [•]  |
|    | [(ii)] | Tranche  | [•]  |
| 5. | (i)    | Issue Price:   | [•] per cent. of the Aggregate Principal Amount [plus accrued interest from <i>[interest payment date]</i> <i>(In the case of fungible issues only, if applicable)</i> ] |
|    | (ii)   | Commission payable:                                      | [[•] per cent./None]   |
|    | (iii)  | Selling concession:                                      | [[•] per cent./None]   |
| 6. | (i)    | Denomination(s):<br><i>(Condition 1(f))</i>              | [•]  |
|    | (ii)   | Calculation Amount <sup>3</sup> :                        | [•]  |
| 7. | (i)    | Issue Date:  | [•]  |
|    | (ii)   | Interest Commencement Date:                              | <i>[specify/Issue Date/Not Applicable]</i>   |
| 8. |        | Maturity Date:<br><i>(Condition 6(a))</i>                | <i>[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year.]</i>   |

<sup>2</sup> To include where an invitation is made to the public to acquire or apply for the Notes for the purposes of the relevant Jersey law provisions. An invitation will be made to the public when made to more than 50 persons anywhere in the world and/or made to an unidentifiable category of persons.

<sup>3</sup> The applicable Calculation Amount (which is used for the calculation of redemption and interest amounts (if any)) will be (i) if there is only one Denomination, the Denomination; or (ii) if there are several Denominations, the highest common factor of those Denominations. Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for Paying Agents and/or ICSDs who should be consulted if such an amount is proposed.



[If Index-Linked provisions apply please add: or, if later, the [fifth/specify] Business Day following the [Valuation Date/specify] [adjusted in accordance with [specify] [Business Day Convention and any applicable Business Centre(s)] for the definition of "**Business Day**"]]

*[Option: to use for Credit-Linked Notes*

Subject to the occurrence of a Potential Credit Event, the earliest of (i) [insert date] (the "**Scheduled Maturity Date**"), subject to adjustment in accordance with the [insert Business Day Convention], (ii) if a Credit Event Notice Date occurs, the Credit Event Redemption Date and (iii) the date on which the Notes fall due for redemption pursuant to the occurrence of one or more of the events specified under Conditions 6(b) and 10.

Potential Credit Event:

Notwithstanding anything to the contrary in the Additional Terms and Conditions relating to Credit-Linked Notes, if facts exist which may result in the determination that a Credit Event has occurred or exists on or prior to the Extension Date (a "**Potential Credit Event**"), the Maturity Date shall be extended to (1) if a Credit Event Notice is delivered prior to the Notice Delivery Period End Date, the Credit Event Redemption Date, or (2) if no Credit Event Notice is delivered prior to the Notice Delivery Period End Date, the earlier of (a) the date on which the Issuer notifies the Noteholders that a Potential Credit Event no longer exists, and (b) the third Business Day after the Notice Delivery Period End Date (the "**Extended Maturity Date**").

"**Notice Delivery Period End Date**" means the fifth (5th) Business Day following (a) if a Valid Credit Event Resolution Request Date occurs, the later of (i) the 14th calendar day following the Extension Date and (ii) either (I) if the relevant Credit Event is not a Restructuring, the date on which the Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event has occurred; (II) if the relevant Credit Event is a Restructuring, the relevant Exercise Cut-Off Date; (III) the day on which the Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Credit Event has occurred; or (IV) the day that is 14th calendar day following the date on which the Credit Derivatives Determinations Committee has Resolved not to determine whether or not an event constitutes a Credit Event; or (b) otherwise the 14th calendar day following the Extension Date.

For the avoidance of doubt, if the Maturity Date is extended pursuant to the occurrence of a Potential Credit Event, no interest shall accrue in respect of the period from and including the Scheduled Maturity Date to and including the Extended Maturity Date. *end of Option for Credit-Linked Notes]*

9. Interest basis: [[•] per cent Fixed Rate]  
(Conditions 3 to 5)

***[Option: For Currency-Linked Notes, also add***

[The Notes are Currency-Linked Notes:

- |       |   |     |
|-------|---|-----|
| (i)   | Specified Currency:                         | [•] |
| (ii)  | Specified Currency<br>Jurisdiction:         | [•] |
| (iii) | [First] Reference Currency:                 | [•] |
| (iv)  | [First] Reference<br>Jurisdiction:          | [•] |
| (v)   | [Second] Reference<br>Currency:             | [•] |
| (vi)  | [Second] Reference<br>Currency Jurisdiction | [•] |

***- end of Option for Currency-Linked Notes]***

[[Specify reference rate] +/- [•] per cent. Floating Rate]

[Variable Coupon Amount Notes]

[Zero Coupon Notes]

[Index-Linked Notes]

[other (specify)]

*(further particulars specified below)*

***[Option: for Credit-Linked Notes also add:***

[Interest will be treated as having ceased to accrue as from the beginning of any Interest Period in which a Credit Event Notice is given under Condition 6(i)(i) – See Additional Terms and Conditions relating to Credit-Linked Notes]<sup>4</sup> ***end of Option for Credit-Linked Notes]***

10. Redemption basis: [Redemption at par]  
(Condition 6)

***[Option: For Currency-Linked Notes, also add***

[The Notes are Currency-Linked Notes:

- |       |                                     |     |
|-------|-------------------------------------|-----|
| (i)   | Specified Currency:                 | [•] |
| (ii)  | Specified Currency<br>Jurisdiction: | [•] |
| (iii) | [First] Reference Currency:         | [•] |

<sup>4</sup> Include unless the Notes are Zero Coupon Notes.

- (iv) [First] Reference Jurisdiction: [•]
- (v) [Second] Reference Currency: [•]
- (vi) [Second] Reference Currency: Jurisdiction [•]

***end of Option for Currency-Linked Notes***

[Equity/Index-Linked Redemption]

[Currency-Linked Redemption]

[Credit-Linked Redemption]

[Dual Currency]

[Partly Paid]

[Instalment]

[other (*specify*)]

***[Option: for Credit-Linked Notes also add:***

See *Additional Terms and Conditions relating to Credit-Linked Notes* for provisions relating to Redemption following the occurrence of a Credit Event.  
***end of Option for Credit-Linked Notes***

11. Change of interest or redemption basis: [*specify details of any provision for convertibility of Notes to another interest or redemption/payment basis*]

***[Option: for Credit-Linked Notes add:***

Notwithstanding anything to the contrary in the *Additional Terms and Conditions relating to Credit-Linked Notes*, in the event that the Notes are redeemed on the Credit Event Redemption Date, the final redemption amount of the Notes shall be the Credit Event Redemption Amount [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]. ***end of Option for Credit-Linked Notes***

12. Put/Call options: [Condition 6[(c)][(d)] will apply as specified below]
13. (i) Status of the Notes: (Condition 2) [Not Subordinated Notes/Subordinated Notes]
- (ii) Date [Board] approval for issuance of Notes obtained: [•] [and [•]; respectively]] (*N.B. only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*) [Not Applicable]
14. Method of distribution: [Syndicated/Non-syndicated]

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

15. **Fixed Rate Note provisions:** [Applicable/Not Applicable]
- (Condition 3) [(If not applicable, delete the remaining sub-paragraphs of this paragraph)]
- (i) Rate(s) of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [dd/mm, dd/mm, dd/mm and dd/mm] in each year commencing on the first Interest Payment Date and ending on [[•]]/[the Interest Payment Date falling on [•][adjusted in accordance with [specify] [Business Day Convention and any applicable Business Centre(s)] for the definition of "Business Day" ] / [not adjusted]
- (iii) First Interest Payment Date: [•]
- (iv) Fixed Coupon Amount(s): [•] per Calculation Amount
- (iv) Day Count Fraction: [•] [30/360/Actual/Actual (ICMA/ISDA)/ Actual/365 (Fixed) /other (specify)]
- (v) [Determination Date: [•] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon, N.B. only relevant where Day Count Fraction is Actual/Actual(ICMA).)]
- (vi) [Other terms relating to the method of calculating interest for Fixed Rate Notes:] [Not Applicable / give details] (Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual basis)

**[Option: for Credit-Linked Notes add:**

**"Interest Period"** means the period from and including a Interest Payment Date to and excluding the next succeeding Interest Payment Date, with the exception that the first such period shall commence on and include the Issue Date, [provided that for the purposes of Interest Periods, the Interest Payment Dates shall not be subject to the [insert Business Day Convention]]. **end of Option for Credit-Linked Notes**

[any other details]

16. **Floating Rate Note Provisions:** [Applicable /Not Applicable]

(Condition 4) [(If not applicable, delete the remaining sub-paragraphs of this paragraph)]

- (i) Interest Period(s): [specify]

**[Option: for Credit-Linked Notes add:**

The period from and including an Interest Payment Date to but excluding the next succeeding Specified Interest Payment Date, with the exception that the first such period shall commence on and include the Issue Date and the last such period shall end on but exclude the earliest

of (i) the Credit Event Notice Date (if any), (ii) the Valid Credit Event Resolution Request Date (**provided that** a Credit Event Notice Date subsequently occurs), (iii) the Scheduled Maturity Date (adjusted in accordance with the Following Business Day Convention) and (iv) the Maturity Date. **end of Option for Credit-Linked Notes**

- (ii) Interest Payment Dates: [dd/mm, dd/mm, dd/mm and dd/mm] in each year commencing on the first Interest Payment Date and ending on [[•]]/[the Interest Payment Date falling on [•]][adjusted in accordance with [*specify*] [Business Day Convention and any applicable Business Centre(s)] for the definition of "Business Day"] / [not adjusted]

**[Option: for Credit-Linked Notes add:**

20 March, June, September and December in each year, commencing on and including [ ] and ending on the earliest of (i) the Credit Event Redemption Date, (ii) the Scheduled Maturity Date and (iii) the Maturity Date, in each case subject to adjustment in accordance with the [*specify Business Day Convention*]. **end of Option for Credit-Linked Notes**

- (iii) First Interest Payment Date: [•]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (v) Business Centre(s): [Not Applicable/*give details*]
- (vi) Screen Rate Determination: [Applicable / Not Applicable]
- (1) Reference Rate: [•]
- (2) Interest Determination Date(s): [•]
- (3) Relevant Screen Page: [•]
- (4) Relevant Financial Centre: [•]
- (5) Designated Maturity: [•]
- (vii) ISDA Determination [Applicable / Not Applicable]
- (1) Floating Rate Option [•]
- (2) Designated Maturity [•]
- (3) Reset Date [•]
- (viii) Interest Determination Date: [•]
- (ix) Margin(s): [+/-] [•] per cent. per annum
- (x) Day Count Fraction: [•]

- (xi) Relevant Time: [•]
- (xi) Minimum Rate of Interest: [•] per cent. per annum
- (xiii) Maximum Rate of Interest: [•] per cent. per annum
- (xiv) Rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
17. **Zero Coupon Note provisions:** [Applicable/Not Applicable]  
*(Condition 5)* *(If not applicable, delete the remaining sub-paragraphs of this paragraph).*
- (i) Amortisation Yield: [•] per cent. per annum
- (ii) Rate of interest on overdue amounts: [•]
- (iii) Redemption formula: [•]
- [Option: for Credit-Linked Notes, also include:**
- See also *Additional Terms and Conditions relating to Credit-Linked Notes – end of Option for Credit-Linked Notes*
18. **Dual Currency Note provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Currencies: [•]
- (ii) Exchange rate(s): [give details]
- (iii) Provisions applicable where calculation by reference to Exchange Rate impossible or impracticable: [Need to include a description of market disruption or settlement disruption events and adjustment provisions.]
19. **Variable Coupon Amount Note /Index-Linked Note/ Equity-Linked Note/Cash Equity Notes/other variable-linked interest Note provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/formula/other variable: [give or annex details – if appropriate, cross-refer to the definition of Valuation Date in paragraph 33 below]
- (ii) Calculation Agent responsible for calculating the interest due: [•]
- (iii) Provisions for determining interest: [•]

where calculated by reference to index and/or formula and/or other variable:

- |        |   |  |
|--------|---|--|
| (iv)   | Provisions for determining interest where calculation by reference to index and/or formula and/or other variable is impossible or impracticable or otherwise disrupted: | [•][See Condition 20 and paragraph 33 below] <i>[If Condition 20 and paragraph 33 do not apply, need to include a description of market disruption or settlement disruption events and adjustment provisions and the definition of Valuation Date]</i> |
| (v)    | Interest or calculation period(s):  | [•]  |
| (vi)   | Interest Payment Dates:   | [•]  |
| (vii)  | Business Day Convention:  | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i> ]  |
| (viii) | Business Centre(s)  | [•]  |
| (ix)   | Minimum Rate/Amount of Interest:  | [•] per cent. per annum  |
| (x)    | Maximum Rate/Amount of Interest:  | [•] per cent. per annum  |
| (xi)   | Day Count Fraction:   | [•]  |
| (xii)  | Valuation Date:   | [Not Applicable / <i>specify</i> ]   |

**[Option 1 – for Notes generally — PROVISIONS RELATING TO REDEMPTION**

- |       |   |   |
|-------|---|---|
| 20.   | <b>Issuer's optional redemption (Call):</b><br><i>(Condition 6(c))</i>    | [Applicable/Not Applicable]<br><br><i>(If not applicable, delete the remaining sub-paragraphs of this paragraph.)</i> |
| (i)   | Redemption amount (Call):   | [specify – if not par, also specify details of any formula] per Calculation Amount                                    |
| (ii)  | Series redeemable in part:  | [specify – otherwise redemption will only be permitted of entire Series] per Calculation Amount                       |
| (iii) | Call option date(s):  | [specify]   |
| (iv)  | Call option period:   | [As per Condition 6(c) / <i>specify</i> ]   |
| 21.   | <b>Noteholder's optional redemption (Put):</b><br><i>(Condition 6(d))</i> | [Applicable/Not Applicable]<br><br><i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>  |
| (i)   | Redemption amount (Put):  | [specify – if not par, also specify details of any formula] per Calculation Amount                                    |
| (ii)  | Put option date(s):   | [specify]   |

- (iii) Put option period: [As per Condition 6(d)/ *specify*]
22. **Final redemption amount of each Note:** [*specify – if not par, also specify details of any formula*] per Calculation Amount  
(Condition 6(a))
23. **Final redemption amount of each Note in cases where the Final redemption amount is linked to an index, a formula or other variable:** [Not Applicable/[•] per Calculation Amount]  
(Condition 6(h))
- (i) Index/formula/other variable: [*give or annex details*]
- (ii) Calculation Agent responsible for calculating the final redemption amount: [•]
- (iii) Provisions for determining final redemption amount where calculated by reference to an index and/or formula and/or other variable: [*For Currency-Linked or Equity-Linked Notes: See Condition 20 and paragraph 33 below*][*If Condition 20 and paragraph 33 do not apply, need to include a description of market disruption or settlement disruption events and adjustment provisions*]
- (iv) Determination Date(s): [•]
- (v) Provisions for determining final redemption amount where calculation by reference to index and/or formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
- (vi) Payment Date: [•]
- (vii) Minimum final redemption amount: [•]
- (viii) Maximum final redemption amount: [•]
24. **Instalment Notes:** [*specify*]  
(Condition 6(a)) [*If not applicable, delete the remaining sub-paragraphs of this paragraph*]
- (i) Instalment Amounts: [•]
- (ii) Dates for payment of Instalments: [•]



25. **Early redemption amount:** Yes
- (i) Early redemption amount (upon redemption for taxation reasons, force majeure, illegality or following an Event of Default) *(Conditions 6(b), 6(i) and 10)* [In the event of early redemption for taxation reasons, a force majeure event, illegality or following an event of default, the aggregate amount payable by the Issuer in respect of principal and interest on the Notes upon such early redemption shall be the amount which the Calculation Agent in its absolute discretion and in good faith determines to be the fair market value of the Notes immediately prior to the date on which such early redemption occurs, reduced as so determined by the Calculation Agent to account fully for any reasonable expenses and costs to the Issuer of unwinding any underlying and/or related hedging and funding arrangements.] / [specify other]
- (ii) Other redemption provisions: *(Condition 6(h))* [specify]

*end of Option 1 – for Notes generally]*

**[Option 2 for Currency-Linked Notes: PROVISIONS RELATING TO REDEMPTION**

20. **Issuer's optional redemption (Call):** [Applicable/Not Applicable]  
*(Condition 6(c))* *(If not applicable, delete the remaining sub-paragraphs of this paragraph.)*
- (i) Redemption amount (Call): [specify – if not par, also specify details of any formula] per Calculation Amount
- (ii) Series redeemable in part: [specify – otherwise redemption will only be permitted of entire Series] per Calculation Amount
- (iii) Call option date(s): [specify]
- (iv) Call option period: [As per Condition (c) / specify]
21. **Noteholder's optional redemption (Put):** [Applicable/Not Applicable]  
*(Condition 6(d))* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Redemption amount (Put): [specify – if not par, also specify details of any formula] per Calculation Amount
- (ii) Put option date(s): [specify]
- (iii) Put option period: [As per Condition (d) / specify]
22. **Final redemption amount of each Note:** [specify – if not par, also specify details of any formula] per Calculation Amount  
*(Condition 6(a))*
23. **Final redemption amount of each Note in cases where the Final redemption amount is linked to an index, a formula or other variable:** [Not Applicable/Applicable]  
*(Condition 6(h))*

- |       |   |  |
|-------|---|--|
| (i)   | Index/Formula/other variable:   | The [ <i>Specified Currency/First Reference Currency</i> ] Exchange Rate and the [ <i>Specified Currency/Second Reference Currency</i> ] Exchange Rate |
| (ii)  | Calculation Agent responsible for calculating the final redemption amount:  | [HSBC Bank plc, 8 Canada Square, London E14 5HQ]   |
| (iii) | Provisions for determining final redemption amount where calculated by reference to index and/or formula and/or other variable: |  |

***[Option 2(A): where Currency-Linked Notes are linked to one exchange rate***

[If, in the determination of the Calculation Agent, the final [*Specified Currency/Reference Currency*] Exchange Rate is less than or equal to [*specify rate*], then each Note will redeem on the Maturity Date at [par] [•]

If, in the determination of the Calculation Agent, the Final [*Specified Currency/Reference Currency*] Exchange Rate is greater than [*specify rate*], then each Note will redeem on the Maturity Date at an amount determined on the Fixing Date by the Calculation Agent in accordance with the following formula:

[Denomination x [*specify number*] — ([*specify number*] x (Final [*Specified Currency/Reference Currency*] Exchange Rate / [*specify number*]))],]

**provided, however, that** the final redemption amount shall never be less than zero.

For the purposes hereof:

"**Fixing Date**" means [*specify date*], or, if the [Maturity Date] is not a Currency Business Day in each Reference Currency Jurisdiction, the next following day which is a Currency Business Day in each Reference Currency Jurisdiction, as determined by the Calculation Agent.

"**Final [*Specified Currency/Reference Currency*] Exchange Rate**" means the [*Specified Currency/Reference Currency*] exchange rate (expressed as a number of [*Reference Currency*] per [*Specified Currency*] 1.00) as observed by HSBC Bank plc as Calculation Agent on [*specify Page*] at [*specify time*] ([London] time) on the Fixing Date, as determined by the Calculation Agent;

"**[*Specified Currency/Reference Currency*] Exchange Rate**" means the [*Specified Currency/Reference Currency*] exchange rate (expressed as a number of [*Reference Currency*] per [*Specified Currency*] 1.00) as observed by HSBC Bank plc as Calculation Agent on [*specify page*] at [*specify time*] ([London] time) on the Fixing Date as determined by the Calculation Agent acting in good faith.]

*end of Option 1(A)]***[Option 2(B) where Currency-Linked Notes are linked to two exchange rates**

Unless previously redeemed, or purchased and cancelled in accordance with the Conditions, the final redemption amount payable by the Issuer in respect of each Note on the Maturity Date shall be an amount in *[Specified Currency]* determined on the Fixing Date by the Calculation Agent in accordance with the following formula:

$[\text{Denomination} + [\text{specify percentage}] \text{ per cent.} \times \text{Max} (0, [\text{Second Reference Currency Performance as defined below}], [\text{First Reference Currency Performance as defined below}])]$

where:

**"Fixing Date"** means *[specify date]*, or, if the *[Maturity Date]* is not a Currency Business Day in each Reference Currency Jurisdiction, the next following day which is a Currency Business Day in each Reference Currency Jurisdiction, as determined by the Calculation Agent.

**"Final EUR/*[Second Reference Currency]* Exchange Rate"** means the EUR/*[Second Reference Currency]* exchange rate (expressed as a number of *[Second Reference Currency]* per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on *[specify page]* at *[specify time]* (*[London]* time) on the Fixing Date;

**"Final EUR/*[First Reference Currency]* Exchange Rate"** means the EUR/*[First Reference Currency]* exchange rate (expressed as a number of *[First Reference Currency]* per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on *[specify page]* at *[specify time]* (*[London]* time) on the Fixing Date;

**"Final EUR/USD Exchange Rate"** means the EUR/USD exchange rate (expressed as a number of USD per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on *[specify page]* at *[specify time]* (*[London]* time) on the Fixing Date;

**"Final USD/*[Second Reference Currency]* Exchange Rate"** means the USD/*[Second Reference Currency]* exchange rate (expressed as an amount of *[Second Reference Currency]* per USD 1.00) as determined by HSBC Bank plc as Calculation Agent by dividing the Final USD/*[Second Reference Currency]* Exchange Rate by the Final EUR/USD Exchange Rate;

**"Final USD/*[First Reference Currency]* Exchange Rate"** means the USD/*[First Reference Currency]* exchange rate (expressed as an amount of *[First Reference Currency]* per USD 1.00) as determined by HSBC Bank plc as Calculation Agent by dividing the Final EUR/*[First Reference Currency]* Exchange Rate by the Final EUR/USD Exchange Rate;

**"Initial USD/*[Second Reference Currency]* Exchange Rate"** means *[Second Reference Currency]* *[specify amount]* per USD 1.00;

**"Initial USD/[First Reference Currency] Exchange Rate"** means [First Reference Currency] [specify amount] per USD 1.00;

**"[Second Reference Currency]"** means the lawful currency of [specify jurisdiction];

**"[Second Reference Currency Performance]"** means an amount determined by the Calculation Agent in accordance with the following formula:

[(Initial USD/[Second Reference Currency] Exchange Rate — Final USD/[Second Reference Currency] Exchange Rate)/Final USD/[Second Reference Currency] Exchange Rate.]

**"[First Reference Currency]"** means the lawful currency of [specify jurisdiction]; and

**"[First Reference Currency Performance]"** means an amount determined by the Calculation Agent in accordance with the following formula:

[(Initial USD/[First Reference Currency Performance] Exchange Rate — Final USD/[First Reference Currency Performance] Exchange Rate)/Final USD/[First Reference Currency Performance] Exchange Rate.] **end of Option I(A)]**

- |        |   |  |
|--------|---|--|
| (iv)   | Determination Date(s):  | The Fixing Date  |
| (v)    | Provisions for determining final redemption amount where calculation by reference to formula and/or other variable is impossible or impracticable or otherwise disrupted: | If any relevant exchange rate is not displayed on any of the specified Reuters Screen at the specified time on the Fixing Date, the Calculation Agent will determine the relevant exchange rate in its sole and absolute discretion, acting in good faith. |
| (vi)   | Payment Date  | The Maturity Date  |
| (vii)  | Minimum final redemption amount   | Redemption at par  |
| (viii) | Maximum final redemption amount:  | Not Applicable   |

24. **Instalment Note Provisions**

Instalment Notes: [Applicable / Not Applicable]

(Condition 6(a)) [(If not applicable, delete the remaining sub-paragraphs of this paragraph.)]

- (i) Instalment Amounts: The Notes shall be redeemed in [*specify number*] instalments, each payable on an Instalment Payment Date as defined in (ii) below. The Instalment Amount payable on an Instalment Payment Date in respect of each Note shall be the sum of:
- (a) an amount in [*Reference Currency*] determined by the Calculation Agent in accordance with the following formula:
- (Denomination/[*specify number equal to number of Observation Periods*] x Conversion Strike x (n/N); and
- (b) an amount in USD determined by the Calculation Agent in accordance with the following formula:
- Denomination/[*specify number*] x (1 — (n/N)).

For these purposes:

"**Conversion Strike**" means [*specify rate, as a number of Units of Reference Currency per 1 Unit of Specified Currency*];

"**Knock-Out Barrier**" means [*specify rate, as a number of Units of Reference Currency per 1 Unit of Specified Currency*];

"**n**" means, in respect of an Observation Period, the total number of Relevant Observation Windows during such Observation Period;

"**N**" means, in respect of an Observation Period, the total number of Observation Windows during such Observation Period;

"**Observation Period**" means (a) in respect of Instalment Payment Date 1 the period from and including [*specify time*] on [*specify date*] to but excluding [*specify time*] on [*specify date*] ("**Observation Period 1**"), (b) in respect of Instalment Payment Date 2 the period from and including [*specify time*] on [*specify date*] to but excluding [*specify time*] on [*specify date*] ("**Observation Period 2**"), (c) in respect of Instalment Payment Date 3 the period from and including [*specify time*] on [*specify date*] to but excluding [*specify time*] on [*specify date*] ("**Observation Period 3**"), and (d) in respect of Instalment Payment Date 4 the period from and including [*specify time*] on [*specify date*] to but excluding [*specify time*] on [*specify date*] ("**Observation Period 4**");

"**Observation Window**" means the following periods:  
[*specify*];

"**Relevant Observation Window**" means an Observation Window during which the [*Specified Currency/Reference Currency*] Exchange Rate is greater than the Knock-Out Barrier at all times during such Observation Window, as determined by the Calculation Agent;

"**Spot Market**" means the global spot foreign exchange market which, for these purposes, shall be treated as being

open continuously from [5.00 a.m. Sydney time] on a Monday in any week to [5.00 p.m. New York time] on the Friday of such week; and

"[*Specified Currency/Reference Currency*] **Exchange Rate**" means the spot exchange rate for [*Specified Currency/Reference Currency*] (expressed as a number of [*Reference Currency*] per [*Specified Currency*] 1.00) prevailing in the Spot Market as determined by the Calculation Agent.

- (ii) Dates for payment of Instalments: [*Specify date*] ("**Instalment Payment Date 1**"), [*specify date*] ("**Instalment Payment Date 2**"), [*specify date*] ("**Instalment Payment Date 3**") and [*specify date*] ("**Instalment Payment Date 4**"), together with Instalment Payment Date 1, Instalment Payment Date 2 and Instalment Payment Date 3, the "**Instalment Payment Dates**" and each an "**Instalment Payment Date**").
25. **Early redemption amount:** Yes
- Early redemption amount (upon redemption for taxation reasons, force majeure, illegality or following an Event of Default): [In the event of early redemption for taxation reasons, a force majeure event, illegality or following an event of default, the aggregate amount payable by the Issuer in respect of principal and interest on the Notes upon such early redemption shall be the amount which the Calculation Agent in its absolute discretion and in good faith determines to be the fair market value of the Notes immediately prior to the date on which such early redemption occurs, reduced as so determined by the Calculation Agent to account fully for any reasonable expenses and costs to the Issuer of unwinding any underlying and/or related hedging and funding arrangements.] / [*specify other*]
- (*Conditions 6(b), 6(i) or 10*)

*end of Option 2 for Currency-Linked Notes*

**[Option 3 for Credit-Linked Notes: PROVISIONS RELATING TO REDEMPTION]**

20. **Issuer's optional redemption (Call):** Not Applicable.  
(*Condition 6(c)*)
21. **Noteholder's optional redemption (Put):** Not Applicable  
(*Condition 6(d)*)
22. **Final redemption amount of each Note:** 100 per cent. of the Aggregate Principal Amount of the Notes divided by the number of Notes on the Scheduled Maturity Date if no Credit Event Notice Date occurs on or prior to the Scheduled Maturity Date (subject to extension upon the occurrence of a Potential Credit Event) and an amount equal to the Credit Event Redemption Amount divided by the number of Notes if a Credit Event Notice Date occurs on or prior to the Scheduled Maturity Date (subject to extension upon the occurrence of a Potential Credit Event).  
(*Condition 6(a)*)

[[•] per Calculation Amount [*specify – if not par, also specify details of any formula*] See Special Conditions, Schedule 2 (*Reference Entities and Reference Obligations relating to Credit-Linked Notes*) for provisions relating to optional early redemption following a Credit Event.]

23. **Final redemption amount of each Note in cases where the final redemption amount is other variable linked:** Not Applicable
24. **Instalment Notes:** Not Applicable  
(*Condition 6(a)*)
25. **Early redemption amount:** Yes
- (i) Early redemption amount (upon redemption for taxation reasons, force majeure, illegality or following an Event of Default) (*Condition 6(b), 6(i) and Condition 10*): [In the event of early redemption for taxation reasons, a force majeure event, illegality or following an event of default, the aggregate amount payable by the Issuer in respect of principal and interest on the Notes upon such early redemption shall be the amount which the Calculation Agent in its absolute discretion and in good faith determines to be the fair market value of the Notes immediately prior to the date on which such early redemption occurs, reduced as so determined by the Calculation Agent to account fully for any reasonable expenses and costs to the Issuer of unwinding any underlying and/or related hedging and funding arrangements.] / [*specify other*]
- (ii) Other redemption provisions: (*Condition 6(h)*) If the Issuer gives a Credit Event Notice, the Issuer shall be obliged to redeem the Notes by payment of the Credit Event Redemption Amount to the Noteholders on the Credit Event Redemption Date.
- The Credit Event Notice shall describe the Credit Event and specify the Reference Entity in respect of which the Credit Event has occurred. If ISDA has not publicly announced that an event that constitutes a Credit Event has occurred with respect to the Reference Entity, it will also include copies of relevant Publicly Available Information (two Public Sources) that support the occurrence of the Credit Event.
- (1) Credit Event Redemption Date: As defined in the *Additional Terms and Conditions relating to Credit-Linked Notes*
- (2) Credit Event Redemption Amount: Subject to the occurrence of a Succession Event or the designation of a Partial Redemption Portion following a Restructuring Credit Event, an amount equal to (i) the product of (a) the Aggregate Principal Amount and (b) either (x) the Auction Final Price (if any); or (y) the Final Price, to the extent the Fallback Settlement Method applies, less (ii) any Hedging Costs, subject to a minimum of zero.

***end of Option 3 for Credit-Linked Notes*****[Option 4 for Equity/Index-Linked Notes: PROVISIONS RELATING TO REDEMPTION]**

20. **Issuer's optional redemption (Call):** [Applicable/Not Applicable]  
(*Condition 6(c)*)
- (i) Redemption amount (Call): [ $\bullet$ ] per Calculation Amount [*specify — if not par, also specify details of any formula*]
- (ii) Series redeemable in part: [ $\bullet$ ] per Calculation Amount [*specify — otherwise redemption will only be permitted of entire Series*]

- (iii) Call option date(s)/Call option period: [specify]
21. **Noteholder's optional redemption (Put):** [Yes/No]  
(Condition 6(d))
- (i) Redemption amount (Put): [•] per Calculation Amount [specify — if not par, also specify details of any formula]
- (ii) Put option date(s)/Put option Period: [specify]
22. **Final redemption amount of each Note:** [•] per Calculation Amount [specify — if not par, also specify details of any formula]  
(Condition 6(b))
23. **Final redemption amount of each Note in cases where the Final redemption amount is Equity-Linked/ Index-Linked or other variable-linked:** [•] per Calculation Amount  
(Conditions 6(h))
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the final redemption amount: [•]
- (iii) Provisions for determining Final redemption amount where calculated by reference to equity/index and/or formula and/or other variable; [•]
- (iv) Determination Date(s): [•]
- (v) Provisions for determining final redemption amount where calculation by reference to Equity/Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
- (vi) Payment Date [•]
- (vii) Minimum final redemption amount [•]
- (viii) Maximum final redemption amount: [•]



24. **Instalment Notes:** [specify]  
(Condition 6(a))
- (i) Instalment Amounts: [•]
- (ii) Dates for payment of Instalments: [•]
25. **Early redemption amount:** Yes
- (i) Early redemption amount (upon redemption for taxation reasons, force majeure, illegality or following an Event of Default: (Conditions 6(b), 6(i) or 10) [In the event of early redemption for taxation reasons, a force majeure event, illegality or following an event of default, the aggregate amount payable by the Issuer in respect of principal and interest on the Notes upon such early redemption shall be the amount which the Calculation Agent in its absolute discretion and in good faith determines to be the fair market value of the Notes immediately prior to the date on which such early redemption occurs, reduced as so determined by the Calculation Agent to account fully for any reasonable expenses and costs to the Issuer of unwinding any underlying and/or related hedging and funding arrangements.] / [specify other]
- (ii) Other redemption provisions (Condition 6(h)): [specify; if not par, also specify any formula]

*end of Option 4 for Equity/Index-Linked Notes]*

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. Form of Notes:  
(Condition 1(a))
- (i) Form of Notes: [Bearer/Registered]
- (ii) Bearer Notes exchangeable for Registered Notes: [Yes/No] [Answer will be no where no Registered Notes]
27. If issued in bearer form:
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: [specify] [Notes may only be represented initially by a Permanent Global Note if this Pricing Supplement specifies that TEFRA C rules apply]
- (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: (Condition 1(a)) Yes [specify]
- (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes: [Yes/No]
- (iv) Coupons to be attached [Yes/No/Not Applicable] [N.B. this will need to be considered even if Permanent Global Notes are not

- to Definitive Notes<sup>5</sup>: *exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems – see provisions contained in Permanent Global Note]*
- (v) Talons for future Coupons to be attached to Definitive Notes<sup>6</sup>: [Yes/No/Not Applicable]  
[N.B. *the above comment also applies here*]
- (vi)
- (a) Definitive Notes to be security printed: [Yes/No]  
[N.B. *the above comment also applies here*]
- (b) If the answer to (a) is yes, whether steel engraved plates will be used<sup>7</sup>: [Yes/No/Not Applicable]
- (vii) Definitive Notes to be in ICMA or successor's format: [Yes/No]  
[N.B. *the above comment also applies here*]
- (viii) Issuer or Noteholder to pay costs of security printing: [Issuer/Noteholder/Not Applicable]
28. Exchange Date for exchange of Temporary Global Note: [specify]
29. Payments:  
(Condition 8)
- (i) Method of payment: [specify if other than by cheque or transfer to a designated account]
- (ii) Relevant Financial Centre Day: [specify any additional places]
30. Partly Paid Notes:  
(Condition 1)
- If yes, specify number, amounts and dates for, and method of, payment of instalments of subscription monies and any further additional provisions (including forfeiture dates in respect of late payments of partly paid instalments) [specify]
31. Redenomination:  
(Condition 9)

<sup>5</sup> Definitive notes will typically have coupons attached to them if interest bearing.

<sup>6</sup> Talons will be needed if there are 27 or more coupons.

<sup>7</sup> Answer to (a) and (b) should generally be 'yes' in all cases where Definitive Notes are to be printed.

- (i) Redenomination: [Applicable/Not Applicable]
- (ii) Exchange: [Applicable/Not Applicable]
32. Other terms: [Not Applicable/specify/ See Annex]

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

*[The Notes are [Currency-Linked Notes/Credit-Linked Notes/Interest-Rate Linked Notes/Equity-Linked Notes/Index-Linked Notes/Cash Equity Notes].]*

***[Option 1: for Currency-Linked Notes, add:***

The following provisions apply to Currency-Linked Notes in addition to the *General Provisions* (as defined in the Information Memorandum): "*Additional Terms and Conditions relating to Currency-Linked Notes*" and "*Product Description relating to Currency-Linked Notes*" ***end of Option 1 for Currency-Linked Notes***

***[Option 2: for Credit-Linked Notes, add:***

The following provisions apply to Credit-Linked Notes in addition to the *General Provisions* (as defined in the Information Memorandum): "*Additional Terms and Conditions relating to Credit-Linked Notes*", "*Product Description relating to Credit-Linked Notes*", Schedule 1 to the Pricing Supplement (*Credit-Linked No Specifications*) and Schedule 2 to the Pricing Supplement (*Reference Entities and Reference Obligations relating to Credit-Linked Notes*) — ***end of Option 2 for Credit-Linked Notes***

***[Option 3: for Interest Rate-Linked Notes, add:***

The following provisions apply to Interest Rate-Linked Notes in addition to the *General Provisions* (as defined in the Information Memorandum): "*Additional Terms and Conditions relating to Interest Rate-Linked Notes*" and "*Product Description relating to Interest Rate-Linked Notes*" ***end of Option 3 for Interest Rate-Linked Notes***

***[Option 4: for Equity/Index-Linked Notes, add:***

The following provisions apply to Equity/Index-Linked Notes in addition to the *General Provisions* (as defined in the Information Memorandum): "*Additional Terms and Conditions relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes*" and "*Product Description relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes*" ***end of Option 4 for Equity/Index-Linked Notes***

33. Valuation Date: [•]

**DISTRIBUTION**

34. (i) If syndicated, names [, addresses and underwriting commitments] of Relevant Dealer/Lead Manager:  
*[Option: for Credit-Linked Notes, use:* Not Applicable]
- (ii) If syndicated, names [, addresses and underwriting commitments] of other Dealers/Managers (if any):  
*[Option: for Credit-Linked Notes, use:* Not Applicable]
- [(Include names and address of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)]*
- (iii) Date of Subscription Agreement:  
*[•] [Details of time period during which the offer will be open and description of the application process]*  
*[Option: for Credit-Linked Notes, use:* Not Applicable]
- (iv) Stabilising Manager (if any):  
*[Option: for Credit-Linked Notes, use:* Not Applicable]
35. If non-syndicated, name [and address] of Relevant Dealer: [Not Applicable/give name [and address]]
36. Selling restrictions: [TEFRA not applicable]
37. Total commission and concession: [•] per cent. of the Aggregate Principal Amount
38. Other: *[specify any modifications of, or additions to, selling restrictions contained in Dealer Agreement]*
39. Stabilisation: [Not Applicable / In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the relevant Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the

terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.]

**[Option: For Currency-Linked Notes add: PROVISIONS RELATING TO CURRENCY-LINKED NOTES]**

- |     |  |   |
|-----|--|---|
| 40. | Currency Business Day:                                       | means, in relation to any Reference Currency, a day on which commercial banks effect delivery of the relevant currency in the foreign exchange market in the related Reference Currency Jurisdiction. |
| 41. | Settlement Business Day:                                     | Means a day on which commercial banks effect delivery of the Settlement Currency in the foreign exchange market.  |
| 42. | FX Disruption:<br>(Condition 20A)                            | [Applicable/Not Applicable]   |
| 43. | Non-deliverability of Specified Currency:<br>(Condition 20B) | [Applicable/Not Applicable]   |
|     | (i) Alternative Payment Currency:                            | [•]   |
|     | (ii) Relevant Screen Page:                                   | [•]   |
| 44. | Screen Rate Unavailability:<br>(Condition 20C)               | [Applicable/Not Applicable]   |
|     | (i) Screen Rate Fall-Back specified:                         | [Yes/No]  |
|     | (ii) Screen Rate   | [Specify screen and page and cross-refer to relevant paragraphs(s) of the Pricing Supplement where these are referred to]   |
|     | (iii) Details of Screen Rate Fall-Back:                      | [Not Applicable / Specify details]  |

*end of Option for Currency-Linked Notes]*

**[Option: For Equity/Index-Linked Notes add: PROVISIONS RELATING TO EQUITY-LINKED NOTES, CASH EQUITY NOTES AND INDEX-LINKED NOTES]**

- |     |   |   |
|-----|---|---|
| 45. | Security Delivery (for Equity-Linked Notes only):         | Condition 20(b) [applies/does not apply]  |
| 46. | Provisions for Cash Equity Notes and Equity-Linked Notes: |   |
|     | (i) Securities:   | [•]   |
|     |   | [The Securities are Depositary Receipts]  |
|     |   | [Units in a Fund, where "Fund" means a share or notional unit of the Fund (as defined in the Fund |

Documents), the price of which is denominated in [•]. [The Units represent undivided ownership interests in the portfolio of investments held by the Fund][*delete if not applicable*], "Unit" means [•] and "Underlying Index" means [•]. Condition 20 shall apply to the Notes as if references therein to "Underlying Company" were references to the "Fund" and as if references therein to "Security" were references to "Unit".

- (ii) Underlying Company(ies): [•] [and with respect to the Underlying Securities [ ]]  
[The Fund]
- (iii) Exchange(s): [•]
- (iv) Related Exchange(s): [•] [All Exchanges]
- (v) Initial Price: [•] [The definition in Condition 20(a) applies]
- (vi) Strike Date: [•]
- (vii) Final Price: [•][The definition in Condition 20(a) applies]
- (viii) Reference Price: [•][The definition in Condition 20(a) applies]
- (ix) Securities Transfer Amount: [•]  
(for Equity-Linked Notes only)
- (x) Settlement Date: [•]  
(for Equity-Linked Notes only)
- (xi) Settlement Disruption Event: Condition 20(b)(iii) [applies/does not apply]  
(for Equity-Linked Notes only)
- Disruption Period (if other than as specified in Condition 20(b)(iii)): [•]
- (xii) Delivery Disruption Event: Condition 20(b)(iv) [applies/does not apply]  
(for Equity-Linked Notes only)
- (xiii) Potential Adjustment Event: Condition 20(g)(i) [applies/does not apply]
- Extraordinary Dividend (if other than as specified in the definition in Condition 20(a)) [•]
  - additional Potential Adjustment Event (for purposes of paragraph (viii) of the definition thereof) [•]

- (xiv) Extraordinary Event: Condition 20(g)(ii) [applies/does not apply]
- (xv) Conversion: Condition 20(g)(iii) [applies/does not apply]  
(for Notes relating to Government Bonds and debt securities only)
- (xvi) Correction of prices: Condition 20(g)(iv) [applies/does not apply]
- (xvii) Additional Disruption Event [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] [*other — give details*]] [Not Applicable]
47. Additional provisions for Equity-Linked Notes: [•]
48. Provisions for Index-Linked Notes:
- (i) Index(ices): [•] [The Index/Each of [*specify relevant indices in a basket*]][•] is a Multiple Exchange Index]
- (ii) Index Sponsor: [•] [The definition in Condition 20(a) applies]
- (iii) Exchange(s): [•]
- (iv) Related Exchange(s): [•] [All Exchanges]
- (v) Initial Index Level: [•] [The definition in Condition 20(a) applies]
- (vi) Strike Date: [•]
- (vii) Final Price: [•][The definition in Condition 20(a) applies]
- (viii) Reference Price: [•][The definition in Condition 20(a) applies]
- (ix) Adjustments to Indices: Condition 20(f) [applies/does not apply]
- (x) Additional Disruption Event: [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] [*Other — give details*]] [Not Applicable]
49. For Equity-Linked and Credit-Linked Notes: US Federal Income Tax Considerations
50. Valuation Date(s): [•]. [If, pursuant to Condition 20(e) such date is postponed to [*the Limit Valuation Date/ other (specify)*], and either, such date is not a Scheduled Trading Day or is a Disrupted Day, such date shall nevertheless be deemed to be the Valuation Date and the [Final Price/Final Index Level] shall be the [price/level] determined by the Calculation Agent in its sole discretion.]
51. Valuation Time: [•] [The definition in Condition 20(a) applies]
52. Averaging Dates: [Yes/No. *If yes, specify dates*]
- (i) Details relating to how final redemption amount will be calculated where the Notes relate to a basket of Indices or [•]

## Securities:

- (ii) Averaging Date Market Disruption: [Omission/Postponement/Modified Postponement/Not Applicable/other (specify)]
53. Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes: [specify]
- (i) Knock-in Event: [Applicable to [specify relevant payment or delivery]]
- Knock-in Event: [•] is [greater than/greater than or equal to/less than/less than or equal to] the Knock-in Price/ Knock-in Level
  - Knock-in Period Beginning Date (if other than as specified in the definition thereof in Condition 20(d)): [•]
  - Knock-in Period Ending Date (if other than as specified in the definition thereof in Condition 20(d)): [•]
  - Knock-in Price/ Knock-in Level: [•]
  - Knock-in Valuation Time (if other than as specified in the definition thereof in Condition 20(d)): [•]
- (ii) Knock-out Event: [Applicable to [specify relevant payment or delivery]]
- Knock-out Event: [•] is [greater than/greater than or equal to/less than/less than or equal to] the Knock-out Price/Knock-out Level
  - Knock-out Period Beginning Date (if other than as specified in the definition thereof in Condition 20(d)): [•]
  - Knock-out Period Ending Date (if other than as specified in the definition thereof in Condition 20(d)): [•]
  - Knock-out Price/ Knock-out Level: [•]
  - Knock-out Valuation Time (if other than as specified in the definition thereof in



Condition 20(d));

- (iii) Automatic Early Redemption: Condition 20(c) [applies/does not apply]
- Automatic Early Redemption Event: [•] is [greater than/greater than or equal to/less than/less than or equal to] the Automatic Early Redemption [Price/Level/Rate] as of [the/any] Automatic Early Redemption Valuation Date]
  - Automatic Early Redemption Valuation Date(s): [•]
  - Automatic Early Redemption [Level/Price/Rate]: [•]
  - Automatic Early Redemption Date(s): [•] [Subject to adjustment in accordance with [*specify relevant Business Day Convention*]]
  - Automatic Early Redemption Amount: [•]

**[LISTING AND ADMISSION TO TRADING APPLICATION**

This Pricing Supplement, together with the Information Memorandum, comprise the listing particulars required to list and have admitted to trading the issue of Notes described herein on the Official List of the Irish Stock Exchange and the Irish Stock Exchange's Global Exchange Market pursuant to the Debt Issuance Programme of HSBC Bank Middle East Limited.]

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

**CONFIRMED  
HSBC BANK MIDDLE EAST LIMITED**

By: .....  
*Authorised Signatory*

Date: .....

By: .....  
*Authorised Signatory*

Date: .....

1. **LISTING**

- (i) Listing: Application [will be/has been] made to admit the Notes to listing on the Official List of the Irish Stock Exchange [on or around the Issue Date/[insert date]]. No assurance can be given as to whether or not, or when, such application will be granted] [Not applicable]
- (ii) Admission to trading: [Application [will be/has been] made for the Notes to be admitted to trading on the Global Exchange Market with effect from the Issue Date/[insert date]]. No assurance can be given as to whether or not, or when, such application will be granted]
- (iii) Estimated total cost of admission to trading: of [•]

2. **RATINGS**

- Ratings: The long term senior debt rating of HSBC Bank Middle East Limited has been rated:
- Fitch: AA-
- Moody's: A1
- [The Notes have not specifically been rated.]/[The Notes have been assigned a rating of [•] by [•].]
- Each of Fitch and Moody's is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").
- [For these purposes, ["**Moody's**"] means Moody's Investor Services Limited] [and] ["**Fitch**"] means Fitch Ratings Limited].]

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

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

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

4. **[REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]**

- [(i) Reasons for the offer [•]
- (See ["*Use of Proceeds*"] wording in the Information Memorandum — If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]
- [(ii) Estimated net proceeds; [•](If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]
- [(iii) Estimated total expenses: [Include breakdown of expenses]]

5. **[Fixed rate Notes only — YIELD]**

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

[As set out above, the] [The] yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]<sup>8</sup>

6. **[PERFORMANCE OF THE UNDERLYING]**

*Consider including details of where past and future performance and volatility of the underlying [exchange rate/currency/index/formula/other variable] can be obtained.*

*Where the underlying is a security, consider including (i) the name of the issuer of the security, and (ii) the ISIN number or other such security identification code.*

*Where the underlying is an index, consider including the name of the index and if the index is not composed by the Issuer consider including details of where the information about the index can be obtained. Also consider including appropriate index disclaimers. Where the underlying is not an index, consider including equivalent information.*

*Where the underlying is an interest rate, consider including a description of the interest rate.*

*Where the underlying does not fall within the categories specified above, consider whether to include equivalent information.*

The Issuer [intends to provide post-issuance information *[specify what information will be reported and where it can be obtained]*] [does not intend to provide post-issuance information]]<sup>9</sup>

7. **[Dual Currency Notes only – PERFORMANCE OF EXCHANGE RATE(S)]**

*Need to include details of where past and future performance and volatility of the relevant rate(s) can be obtained.]*

**OPERATIONAL INFORMATION**

8. ISIN Code: [•]
9. Common Code: [•]
10. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None/specify]
11. Delivery: Delivery [against/free of] payment
12. Settlement procedures: [Eurobond/Medium Term Note/other – specify]
13. CMU Lodging and Paying Agent: [Not Applicable] / [specify]
14. CMU Registrar: [None/specify]
15. Additional Paying Agent(s) (if any): [None/specify]
16. Agent Bank/Calculation Agent: [HSBC Bank plc] [Other (specify)]

<sup>8</sup> The inclusion of paragraph 4 is optional.

<sup>9</sup> The inclusion of paragraph 5 is optional.

- is Agent Bank / Calculation Agent to make calculations? [Yes/No]
  - if not, identify calculation agent: [N.B. Calculation agent appointment letter required]
17. Renminbi Calculation Agent: [Not Applicable] / [specify]
18. Notices: (Condition 14) [Condition 14 applies/specify any other means of effecting communication]
19. City in which specified office of Registrar to be maintained: (Condition 12) [As per Condition 12] / [specify]
20. Other relevant Terms and Conditions: [•]
- [Option: for Credit-Linked Notes add:]**
21. Other Terms: [•]

**SCHEDULE 1**  
**CREDIT-LINKED NOTE SPECIFICATIONS**

1. **General Terms**

Business Day <sup>10</sup> :	[•]
Business Day Convention:	[Modified] Following Business Day Convention, which shall apply to any date other than (a) the Credit Event Backstop Date or (b) the Succession Event Backstop Date, that falls on a day that is not a Business Day.
Reference Entity:	The entity specified in Schedule 2 ( <i>Reference Entities and Reference Obligations relating to Credit-Linked Notes</i> ) and any Successor either (a) identified by the Calculation Agent pursuant to the definition of "Successor" on or following the Trade Date or (b) in respect of which ISDA publicly announces on or following the Trade Date that the relevant Credit Derivatives Determinations Committee has Resolved, in respect of a Succession Event Resolution Request Date, a Successor in accordance with the Rules. The Reference Entity has been designated as a particular " <b>Transaction Type</b> " in Schedule 2 ( <i>Reference Entities and Reference Obligations relating to Credit-Linked Notes</i> ). References to " <b>Standard Terms</b> " mean, in respect of a Reference Entity, the standard terms set out in the Credit Derivatives Physical Settlement Matrix dated [insert date of the most recent Matrix], as published by ISDA on its website at <a href="http://www.isda.org">www.isda.org</a> , in relation to its Transaction Type.
Trade Date:	[•].
Reference Obligation:	Subject to the occurrence of a Succession Event, the obligation(s) (if any) identified as such in respect of such Reference Entity in Schedule 3.
Substitution:	[Applicable/Not Applicable]
All Guarantees:	Applicable or Not Applicable as specified in the applicable Standard Terms.
Reference Price <sup>11</sup> :	[100 per cent.]
2. <b>Credit Event Provisions:</b>	
Calculation Amount:	Subject to the occurrence of a Succession Event or the designation of a Partial Redemption Portion following a Restructuring Credit Event, in respect of each Reference Entity an amount (denominated in the same currency) equal to [the Aggregate Principal Amount of the Notes].
Credit Events:	In respect of a Reference Entity, the Credit Events

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<sup>10</sup> The Conditions provide a fallback to days on which commercial banks and foreign exchange markets are generally open to settle payments in the jurisdiction of the currency of the Calculation Amount if not euro or a Euro Business Day if euro.

<sup>11</sup> If a percentage is not specified, the Conditions provide that the Reference Price will be one hundred percent.

	specified in the applicable Standard Terms.
Obligation Category and Characteristics:	In respect of each Reference Entity, the Obligation Category and Obligation Characteristics specified in the applicable Standard Terms.
Excluded Obligations <sup>12</sup> :	[None]
<b>3. Settlement Terms</b>	
Settlement Method:	Auction Settlement
Fallback Settlement Method:	Cash Settlement
Terms relating to Cash Settlement (if the Fallback Settlement Method applies):	
Valuation Date:	Single Valuation Date, which shall be a Business Day as selected by the Issuer in its sole and absolute discretion.
Settlement Currency:	[•]
Valuation Obligations:	["Exclude Accrued Interest" or "Include Accrued Interest" as specified in the applicable Standard Terms.]
Valuation Obligation Category and Characteristics:	In respect of each Reference Entity, the 'Deliverable Obligation Category' and 'Deliverable Obligation Characteristics' specified in the Standard Terms.
Determination of Final Price:	<p>The Final Price will be the weighted average of the highest firm bid price obtained for each Valuation Obligation in the Portfolio, expressed as a percentage, determined by the Calculation Agent.</p> <p>With respect to each Valuation Obligation, the Calculation Agent shall conduct a dealer poll of at least three dealers indicated by the Issuer to the Calculation Agent in its sole and absolute discretion from the Dealer List set out below, with the exception that the Issuer may select a dealer not on the Dealer List if such dealer is a market-maker in the relevant type of Valuation Obligation or other major credit derivatives market participant. On the Valuation Date, the Calculation Agent shall seek to obtain Full Quotations from the selected dealers for an outstanding principal amount of each Valuation Obligation equal to its Valuation Obligation Calculation Amount.</p> <p>To the extent that the Calculation Agent is unable to obtain at least two Full Quotations for a Valuation Obligation or a Weighted Average Quotation on any day during the ten Business Day period following the Valuation Date, the Calculation Agent shall wait ten Business Days (the last such Business Day, the "<b>Backup Valuation Date</b>") and shall then repeat the valuation process. In the event that the Calculation Agent is unable to obtain at least two Full Quotations or</p>

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<sup>12</sup> Unless specified here as an Excluded Obligation, the Reference Obligation will be an Obligation.

a Weighted Average Quotation during the four Business Day period following the Backup Valuation Date, the Final Price shall be deemed to be any Full Quotation obtained on such fourth Business Day or, if no full quotation is obtained, the weighted average of any firm quotations obtained on such fourth Business Day with respect to the aggregate portion of the amount for which such quotations were obtained, and a quotation deemed to be zero for the balance of the amount for which firm quotations were not obtained on such day.

Dealer List:	<p>[ABN Amro Bank NV          Bank of America/Merrill Lynch          Barclays Bank PLC          BNP Paribas          Citibank, N.A.          Commerzbank AG          Credit Suisse Group          Deutsche Bank AG          The Goldman Sachs Group, Inc.          HSBC Bank plc          J.P. Morgan Chase &amp; Co.          Morgan Stanley          Royal Bank of Scotland Plc          Societe Generale          UBS AG          [or any of their respective affiliates]/market makers          selected at the Issuer's sole and absolute discretion]</p>
Interest until Credit Event Notice Date:	Applicable
Deduct Hedging Costs	Applicable

**SCHEDULE 2**

**REFERENCE ENTITIES AND REFERENCE OBLIGATIONS RELATING TO  
CREDIT-LINKED NOTES**

<u>Reference Entity</u>	<u>Reference Obligation (ISIN)</u>	<u>Seniority</u>	<u>Transaction Type</u>
[•]	Primary Obligor: Guarantor: Status: Maturity: Coupon: CUSIP/ISIN: Original Issue Amount: Reference Price:	[•]	[•]



## FORMS OF NOTES; SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Notes may, subject to all applicable legal and regulatory requirements, be issued in Tranches or Series comprising either Notes in bearer form ("**Bearer Notes**") or Notes in registered form ("**Registered Notes**"), as specified in the relevant Pricing Supplement.

### **Registered Notes**

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

### **Global Registered Notes**

If Notes are to be issued in the form of Global Registered Notes, the Issuer will deliver a Global Registered Note (as such term is defined below), subject to the Agency Agreement (as defined herein) in accordance with their respective terms and as specified in the relevant Pricing Supplement.

### *Global Registered Notes*

In the case of a Tranche of Registered Notes offered and sold solely outside the United States (as defined in Regulation S) in reliance on Regulation S, such Tranche of Registered Notes may be represented by a Global Registered Note without interest coupons (a "**Global Registered Note**"), which will be deposited on or about the closing date (the "**Closing Date**") for the relevant Tranche with a common depository for Euroclear and/or Clearstream, Luxembourg and registered in the name of a nominee for such common depository or, as the case may be, with a sub-custodian for the CMU. Interests in any 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 ("**Definitive Registered Notes**") in the relevant form scheduled to the Trust Deed.

### *Owner of Global Registered Notes and Payments*

Subject to certain provisions of the Trust Deed relating to directions, sanctions and consents of Holders of Registered Notes and to meetings of Holders of Notes, so long as one or more of the Clearing Systems or the nominee of their common depository or sub-custodian (as the case may be) is the registered owner or holder of a Global Registered Note, that Clearing System or such nominee or sub-custodian, 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 Agency Agreement, the Trust Deed and the Notes. Payments of principal, interest and additional amounts, if any, pursuant to Condition 7, on Global Registered Notes will be made to one or more of the Clearing Systems, such nominee or sub-custodian, as the case may be, as the registered holder thereof. None of the Issuer, the Trustee, the relevant 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 registered owner or holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**General Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.

### *CMU*

If a Global Registered Note is lodged with the CMU, the person(s) for whose account(s) interests in such Global Registered Note are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled (in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Registered Note and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global

Registered Note are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Registered Note must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Registered Note.

#### **Exchange and Transfer of Global Registered Notes for Definitive Registered Notes**

Beneficial interests in a Global Registered Note will be exchangeable, in whole but not in part, for Definitive Registered Notes: (i) if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (ii) if an Enforcement Event occurs as set out in Condition 10; or (iii) if so specified in the relevant Pricing Supplement, if the holder of the relevant Global Registered Note requests that such interest be exchanged for Definitive Registered Notes; or (iv) at the option of the Issuer, if the Issuer, any Paying Agent or the relevant Registrar, by reason of any change in, or amendment to, the laws of Jersey or the United Arab Emirates, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form.

In such circumstances, (a) the relevant Registrar will be required to notify all Holders of interests in the relevant Global Registered Notes registered in the name of Euroclear, Clearstream, Luxembourg or the nominee of their common depository or the sub-custodian of the CMU, as the case may be, of the availability of Definitive Registered Notes and (b) the Issuer will, at the cost of the Issuer, cause sufficient Definitive Registered Notes, as the case may be, to be executed and delivered to the relevant Registrar for completion, authentication and dispatch to the relevant Holders. A person having an interest in the relevant Global Registered Note must provide the relevant Registrar with a written order containing instructions and such other information as the Issuer and the relevant Registrar may require to complete, execute and deliver the relevant Definitive Registered Note.

#### **Bearer Notes**

Bearer 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)(D) ("**TEFRA D**"), unless the relevant Pricing Supplement 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**"). 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 and Permanent Global Note will be deposited on or about the issue date for the relevant Tranche with a common depository, depositories or sub-custodians (as the case may be) for the relevant Clearing System(s). 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 Pricing Supplement. 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 Pricing Supplement.

Interests in any Permanent Global Note will be exchangeable, in whole but not in part, for Definitive Bearer Notes, against presentation and (in the case of final exchange) surrender of such Permanent Global Note at the specified office from time to time of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent (i) if the relevant Clearing System(s) or any other clearing system by which the Notes have been accepted for clearing is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to cease business permanently, (ii) if an Enforcement Event occurs as set out in Condition 10, (iii) if so specified in the relevant Pricing Supplement, upon the bearer's request or (iv) if the Issuer or any Paying Agent, by reason of any change in, or amendment to, the laws of Jersey or the United Arab Emirates, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form.

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

#### **Payments in respect of Bearer Notes**

All payments, if any, in respect of Bearer Notes when represented by a Temporary Global Note or a Permanent Global Note 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. A record of each payment so made in respect of Notes when represented by a Permanent Global Note will be endorsed on the relevant schedule to such Permanent Global Note by or on behalf of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent, which endorsement will be *prima facie* evidence that such payment has been made.

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.

If any date on which a payment of interest is due on the Notes of a Series issued in accordance with TEFRA D occurs while any of the Notes of that Series are represented by a Temporary Global Note, the relevant interest payment will be made on such Temporary Global Note only to the extent that certification has been received by the relevant Clearing System(s) as to the beneficial ownership thereof, as required by U.S. Treasury Regulations, in accordance with the terms of such Temporary Global Note.

#### **Notices**

##### ***Euroclear and Clearstream, Luxembourg***

(i) So long as any Bearer Notes are represented by a Temporary Global Note or a Permanent Global Note and cleared through Euroclear, Clearstream, Luxembourg, notices to holders of such Bearer Notes may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") for communication by them to entitled accountholders in substitution for publication as required by the Conditions, and (ii) so long as any Global Registered Note is held on behalf of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System, notices to holders of Notes represented by a beneficial interest in such Global Registered Note may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or, as the case may be, such Alternative Clearing System, except that in the case of (i) and (ii) above, so long as any Notes are listed on any stock exchange, notices will also be published as required by the rules and regulations of such stock exchange.

##### ***CMU***

(i) So long as any Bearer Notes are represented by a Temporary Global Note or a Permanent Global Note and lodged with CMU, notices to holders of such Bearer Notes may be given by delivery of the relevant notice to CMU for communication to entitled accountholders in substitution for publication as required by the Conditions, and (ii) so long as any Global Registered Note is lodged with a sub-custodian for the CMU, notices to the holders of Notes represented by a beneficial interest in such Global Registered Note may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Registered Note, except that in the case of (i) and (ii) above, so long as any Notes are listed on any stock exchange, notices will also be published as required by the rules and regulations of such stock exchange.

#### **Meetings**

The provisions for meetings of Holders of Notes scheduled to the Trust Deed provide that, where all the Notes of the relevant Series are held by one person, the quorum in respect of the relevant meeting will be one person present (being, in the case of an individual, present in person or, being, in the case of a corporation, present by a representative) holding all the outstanding Notes of the relevant Series or holding voting certificates or being a proxy in respect of such Notes.

**Purchase and Cancellation**

Cancellation of any Note surrendered for cancellation following its purchase will be effected by reduction in the principal amount of the relevant Temporary Global Note, Permanent Global Note or, as the case may be, Global Registered Note and, in the case of a Global Registered Note, will be recorded in the Register by the relevant Registrar.

**Issuer's Option to Redeem in Part**

No drawing of Bearer Notes or redemption *pro rata* of Registered Notes will be required under Condition 6(c) in the event that the Issuer exercises any option to redeem such Notes in part while all such Notes which are outstanding are represented by a Temporary Global Note, Permanent Global Note or, as the case may be, Global Registered Note. In such event, the standard procedures of the relevant Clearing System(s) or, as the case may be, the Alternative Clearing System shall operate to determine which interests in such Global Notes are to be subject to such option. In relation to Bearer Notes, such partial redemption is to be reflected in the records of the relevant Clearing System(s) as either a pool factor or a reduction in nominal amount, at their discretion.

**Early Redemption at the option of the Holder – Provisions relating to Registered Notes held in Clearing Systems**

Condition 6(d) allows for early redemption of Notes at the option of the Holder of such Notes if so specified in the relevant Pricing Supplement. Such option is exercisable by the Holder of the relevant Notes by depositing such Notes, together with a notice of exercise of such option (an "**Option Notice**"), duly completed and signed in accordance with Condition 6(d), at the specified office of any Paying Agent (in the case of Bearer Notes, outside the United States). In respect of any Registered Notes of the relevant Series of which a nominee for a common depositary for Euroclear and Clearstream, Luxembourg is the registered Holder, or, as the case may be, a sub-custodian for the CMU is the registered Holder, such Option Notice will be deemed to have been duly completed and signed by the Holder of the relevant Notes if it has been completed and signed by or on behalf of a person in respect of whom notification has been given by the relevant Clearing System(s) to the relevant Registrar that such person is a person who is shown in the records of such Clearing System(s) as having relevant Registered Notes of a specified principal amount standing to the credit of its account with that the Clearing System(s) or delivered from its account with such Clearing System(s) for the purpose of exercising such option.

## CLEARING AND SETTLEMENT

Custodial and depository links have been established with the Clearing Systems to facilitate the initial issuance of Notes and cross-market transfers of Notes between investors associated with secondary market trading. Transfers within a Clearing System will be in accordance with the usual rules and operating procedures of the relevant system.

### **Euroclear and Clearstream, Luxembourg**

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

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

### **CMU**

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available for CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, CMU Instruments. Instead, the HKMA advises the CMU Lodging Agent (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the CMU Lodging Agent (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members.

Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU Service will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

### **Secondary Market Trading in relation to Global Registered Notes**

**Trading between Euroclear and/or Clearstream, Luxembourg participants:** Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in

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accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

## PRODUCT DESCRIPTIONS

### PRODUCT DESCRIPTION RELATING TO CURRENCY-LINKED NOTES

Notes issued pursuant to the Programme may include Currency-Linked Notes, being Notes in relation to which the interest rate and/or the final redemption amount payable at maturity is dependent on the performance of a particular underlying currency or group of currencies specified in the Pricing Supplement (each a "**Currency Related Variable**"). Generally, if the underlying currency in question appreciates in relation to the currency to which it is being compared, the interest rate and/or redemption amount will increase accordingly.

Details of the underlying currency or group of currencies and the page(s) of Bloomberg, the Reuters Service and/or other source where information about such underlying currency or group of currencies can be obtained will be specified in the relevant Pricing Supplement.

There follows a description of certain types of Currency-Linked Notes that may be issued under the Programme. In addition to these Notes, the Bank may issue Currency-Linked Notes under the Programme which combine elements of any of the Notes described below or are linked to a currency in a manner other than described below, details of which will be provided in the relevant Pricing Supplement.

#### Capital protected Notes

**Auto-callable Notes:** Notes which are to be mandatorily redeemed prior to their maturity date if a specified trigger event relating to a Currency-Related Variable occurs after or during a specified period or on a specified date, as specified in the Pricing Supplement.

**Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and any increase in the level or value of the Currency-Related Variable (such amount not being subject to a maximum amount payable to the Noteholder ("**No Fixed Cap**")).

**Capped Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and any increase in the level or value of the Currency-Related Variable (such amount being subject to a maximum amount payable to the Noteholder set on the issue date and expressed as a predefined percentage of the aggregate face amount of the Notes (a "**Fixed Cap**")).

**Average Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated by reference to the average level of the Currency-Related Variable on a number of specified dates occurring on or after the issue date to but excluding the maturity date, as specified in the Pricing Supplement.

**Basket Growth Notes:** Notes under which the redemption amount payable to the Noteholder on maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and the difference in the level or value of the Currency-Related Variable(s) relating to a basket of currencies.

**Basket Digital Notes:** Notes in relation to which, if there is an increase in the level or value of the Currency-Related Variable(s) relating to a basket of currencies, the interest payable is a fixed amount.

**Basket Digital Plus Notes:** Notes in relation to which, if there is an increase in the level or value of the Currency-Related Variable(s) relating to a basket of currencies, the interest payable is a fixed amount *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and the increase in the level or value of the Currency-Related Variable(s) relating to a basket of currencies.

**Best of Growth Notes:** Notes in relation to which, if there is an increase in the level or value of the Currency-Related Variable(s) relating to a basket of currencies, the interest payable to the Noteholder is a variable amount equal to the *product* of the aggregate face amount of the Notes and the increase in the

level or value of the best performing Currency-Related Variable(s) relating to a basket of currencies specified in the Pricing Supplement.

**Multi Digital Notes:** Notes in relation to which, if each Currency-Related Variable relating to each of the currencies in the basket reaches a predefined level or value, the interest payable is a fixed amount.

**Barrier Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and any increase in the level or value of the Currency-Related Variable **provided, however, that** the level or value of the Currency-Related Variable is less than a predefined level or value at all times ("**Performance Cap**") at any time during the term of the Notes. If the level or value of the Currency-Related Variable is equal to or higher than a predefined level or value at any time, the redemption amount payable to the Noteholder at maturity will be an amount equal to the aggregate face amount of the Notes and, in such circumstances, if so specified in the relevant Pricing Supplement, a fixed amount of interest will be payable to the Noteholder. If the Pricing Supplement so specify, the predefined level or value may be varied on a specified date or dates or during specified periods throughout the term of the Notes.

**Digital Notes:** Notes in relation to which, if the Currency-Related Variable at maturity reaches a predefined level or value, the interest payable is a fixed amount.

**Range Accrual Notes:** Notes in relation to which the interest payable (calculated by reference to a formula in the Pricing Supplement) only accrues for each day during a period that a specified Currency-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Pricing Supplement.

**Range Binary Notes:** Notes in relation to which, if the Currency-Related Variable remains within a specified range, the interest payable is a specified variable amount (calculated by reference to a formula in the Pricing Supplement).

**Wedding Cake Range Binary Notes:** Notes in relation to which, if the Currency-Related Variable remains within one of a number of specified ranges specified in the Pricing Supplement, the interest payable is a specified variable amount (calculated by reference to a formula in the Pricing Supplement) relating to the relevant range.

**Cliquet Range Binary Notes:** Notes in relation to which, if the Currency-Related Variable remains within a specified range that resets on specified dates based on the level of the Currency-Related Variable on such dates, the interest payable is a specified variable amount (calculated by reference to a formula in the Pricing Supplement).

**Touch Rebate Notes:** Notes in relation to which, if the Currency-Related Variable reaches one or a number of predefined levels or values at any time, or is above one or a number of predefined levels or values on any specified date, the redemption amount payable at maturity is a specified variable amount (calculated by reference to a formula in the Pricing Supplement).

**Second Chance Notes:** Notes in relation to which, if the level or value of the Currency-Related Variable remains, at all times, within a predefined initial range, or if the level or value of the Currency-Related Variable does not remain within such predefined initial range but remains, at all times, within a broader predefined range, the redemption amount payable at maturity is a specified variable amount (calculated by reference to a formula in the Pricing Supplement).

**Target Redemption Notes:** Notes in relation to which, the interest payable is determined by reference to the level or value of the Currency-Related Variable **provided, however, that** the maximum cumulative amount of interest payable over the term of the Notes is specified on the issue date (the "**Lifetime Cap**") and the Issuer may redeem the Notes at par on the first payment date on which the cumulative interest up to and including such payment date would exceed the Lifetime Cap (taking into account the interest relating to such payment date), which interest will then be reduced so that Noteholders receive, over the life of the Notes, an aggregate of interest equal to the Lifetime Cap.

**Recovery Best Coupon Notes:** Notes in relation to which, if the level or value of the Currency-Related Variable is higher than predefined levels or values on specified dates, the interest payable in relation to



such specified dates is a fixed amount. If the level or value of the Currency-Related Variable is not higher than the relevant predefined levels or values on any of the specified dates the interest which would otherwise have been payable in respect of such payment date shall not be paid on such payment date but shall be deferred to the next payment date in respect of which the level or value of the Currency-Related Variable is higher than the relevant predefined level or value.

**Knock-out Straddle Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and any increase or decrease in the level or value of the Currency-Related Variable during the term of the Note, **provided, however, that** if such level or value is less than a specified level or value ("**Performance Floor**") or greater than a specified level or value ("**Performance Cap**") at any time during the term of the Note, the Note shall be redeemed at par.

#### **Non-capital protected Notes**

**Airbag:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) the *product* of the aggregate face amount of the Notes and any increase or decrease in the level or value of the Currency-Related Variable during the term of the Note expressed as a percentage of the initial level or value of the Currency-Related Variable **provided that** the amount payable at maturity is no less than a specified amount, or (ii) the *product* of the aggregate face amount of the Notes and (A) if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Pricing Supplement and such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, or (B) if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable. No interest is payable in respect of such Notes.

**Leverage Airbag Plus Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *product* of the aggregate face amount of the Notes and (A) if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Pricing Supplement and such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, (B) if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes but the level or value of the FX Related Vehicle at maturity is greater than a specified level or value (the "**Performance Floor**"), 100 per cent., or (C) if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes, the level or value of the Currency-Related Variable has fallen below the Performance Floor at any time during the term of the Notes and the level or value of the Currency-Related Variable at maturity is less than the initial level or value of the Currency-Related Variable, such level or value at maturity expressed as a percentage of the initial level or value of the Currency-Related Variable. No interest is paid in respect of such Notes.

**Booster Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the *product* of a multiplier or participation rate specified in the Pricing Supplement and (4) such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, (such percentage being subject to a predefined maximum percentage (a "**Performance Cap**")), (ii) if the final level or value of the Currency-Related Variable at maturity is less than the initial level or value of the Currency-Related Variable but higher than a predefined level or value specified in the Pricing Supplement, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the predefined level or value specified in the Pricing Supplement, or (iii) if the final level or value of the Currency-Related Variable at maturity is less than the initial level or value of the Currency-Related Variable and such level or value is also less than a predefined level or value specified in the Pricing Supplement, the *product* of (1) the aggregate face amount of the Notes and (3) the final level or value of the Currency-Related Variable.

**Dual Currency Notes:** Notes in relation to which the interest payable is a fixed amount and, if the Currency-Related Variable is higher than a predefined level or value at maturity, the redemption amount payable to the Noteholder at maturity is calculated by reference to a formula specified in the Pricing

Supplement applied to the aggregate principal amount of the Notes. Investors normally receive the final redemption amount at Maturity in one currency (either the original currency in which the Notes are denominated, or the alternative currency of the Currency-Related Variable). Payment of Interest shall be subject to further specifications in the formula specified in the Pricing Supplement

**Triple Currency Notes:** Notes in relation to which the interest payable is a fixed amount and if at least one of the two Currency-Related Variables is higher than a predefined level or value at maturity, the redemption amount payable to the Noteholder at maturity is calculated by reference to a formula specified in the Pricing Supplement applied to the aggregate principal amount of the Notes. Investors normally receive payment at maturity in one of the three currencies (either the original currency in which the Notes are denominated or one of the two alternative currencies of the Currency-Related Variable). Payment of interest may be subject to further specifications in the formula specified in the Pricing Supplement

**Early Redemption Accrual Notes:** Notes which are to be mandatorily redeemed prior to their maturity date if a specified trigger event relating to a Currency-Related Variable occurs after or during a specified period or on a specified date, as specified in the Pricing Supplement. The face amount of the Notes will be converted into an alternative currency every day and accrues until the trigger event date, so that the redemption amount payable to the Noteholder will be in the alternative currency for the accrued face amount and/or in the original denomination currency for the residual face amount.

**Reverse Convertible Notes:** Notes in relation to which the interest payable is a fixed amount. If the final level or value of Currency-Related Variable at maturity is higher than the initial level or value of the Currency-Related Variable, the redemption amount payable to the Noteholder at maturity is the aggregate principal amount of the Notes, whereas, if the final level or value of Currency-Related Variable is equal to or lower than the initial level or value of the Currency-Related Variable, the redemption amount payable to the Noteholder at maturity is calculated by reference to a formula specified in the Pricing Supplement applied to the aggregate principal amount of the Notes (such amount being less than the aggregate principal amount of the Notes).

**Tracker Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) the *product* of the aggregate face amount of the Notes and, if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, or (ii) the *product* of the aggregate face amount of the Notes and, if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable. No interest is payable in respect of such Notes.

**Leverage Tracker Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) the *product* of the aggregate face amount of the Notes and, if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Pricing Supplement and such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, or (ii) the *product* of the aggregate face amount of the Notes and, if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable. No interest is payable in respect of such Notes.

## PRODUCT DESCRIPTION RELATING TO INTEREST RATE-LINKED NOTES

Notes issued pursuant to the Programme may include Interest Rate-Linked Notes, being Notes in relation to which the interest payable thereon (if any) and/or the redemption amount thereof is determined by reference to levels of, or movements in, specified interest rates or other interest rate dependent variables, as applicable (each, an "**Interest-Related Variable**"). Such Notes may be Fixed Rate Notes, Floating Rate Notes, Variable Coupon Amount Notes or Zero Coupon Notes, as specified in the relevant Pricing Supplement. In the case of Variable Coupon Amount Notes, details of the dates on which interest shall be payable and the method of calculation of the interest payable on each such date will be set out in the relevant Pricing Supplement.

Interest-Related Variables may consist of interest rates for specified periods, such as London inter-bank offered rates "**LIBOR**" for deposits in specified currencies or "**EURIBOR**" for deposits in euro, or constant maturity swap ("**CMS**") or remaining maturity swap ("**RMS**") rates, or other interest-based factors, as specified in the relevant Pricing Supplement. Details of the Interest-Related Variable(s) applicable to any particular Series or Tranche of Notes and an indication of where information about the past and the future performance of the Interest-Related Variable and other information relating thereto will be specified in the relevant Pricing Supplement.

There follows a description of certain types of Interest Rate-Linked Notes that may be issued under the Programme. In addition to these types of Notes, the Issuer may issue Interest Rate-Linked Notes under the Programme which combine elements of any of the Interest Rate-Linked Notes described below or are linked to Interest-Related Variables in a manner other than described below, details of which will be provided in the relevant Pricing Supplement.

### **Early Redemption features for Interest Rate-Linked Notes:**

**Callable Notes:** Notes which may be redeemed prior to their specified maturity date at the option of the Issuer, which option may be exercised periodically or on dates specified in the Pricing Supplement.

**Puttable Notes:** Notes which may be redeemed at the option of the Noteholder prior to the maturity date if a specified trigger event relating to an Interest-Related Variable occurs during a specified period or on a specified date, as specified in the Pricing Supplement.

**Target Redemption Notes:** Notes, the terms of which provide as follows: (i) the minimum and maximum interest payable to a Noteholder over the term of the Notes are set on the issue date and expressed as pre-determined percentages of the notional amount of the Notes ("**Lifetime Floor**" and "**Lifetime Cap**", respectively), (ii) the final interest payment is increased so that, if the cumulative total interest payments (taking into account the amount of such final interest payment) would not otherwise reach the Lifetime Floor, Noteholders receive over the life of the Notes cumulative interest payments equal to the Lifetime Floor and (iii) the Notes will be mandatorily redeemed at par on the first interest payment date on which the cumulative total interest payments up to and including such payment date would exceed the Lifetime Cap taking into account the interest payments scheduled to be made on such date, which interest payments will then be reduced so that Noteholders receive over the life of the Notes aggregate interest payments equal to the Lifetime Cap.

**Trigger Redemption Notes:** Notes which are not Callable Notes and which are to be mandatorily redeemed prior to their maturity date if a specified trigger event in relation to a Interest-Related Variable occurs during a specified period or on a specified date, as specified in the Pricing Supplement.

### **Payment features for Interest Rate-Linked Notes:**

**Coupon Notes:** Notes in relation to which the interest payable to the Noteholder is subject to the performance of the Interest-Related Variable.

**Zero Coupon Notes:** Notes in relation to which no interest is payable to the Noteholder until the earlier of the scheduled maturity or early redemption.

**Deferred Coupon Notes:** Notes in relation to which the interest in relation to a given payment date may be deferred until the earlier of the scheduled maturity or early redemption on conditions specified in the Pricing Supplement.

**Interest-Related Variable discontinuity features for Interest Rate-Linked Notes:**

**Digital Notes:** Notes in relation to which, if the Interest-Related Variable at maturity reaches a predefined level or value, the interest payable is a fixed amount.

**Barrier Notes:** Notes under which the interest and/or the redemption amount payable to the Noteholder at maturity are determined by reference to the performance of the Interest-Related Variable depending on the level or value of the Interest-Related Variable attaining or falling below predefined levels or values. If the Pricing Supplement so specify, the predefined level or value may be varied on a specified date or dates or during specified periods throughout the term of the Notes. The predefined levels or values may consist of any of the following:

**Up and Out:** If the level or value of the Interest-Related Variable is higher than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder ceases to be linked to the performance of the Interest-Related Variable as specified in the relevant Pricing Supplement.

**Up and In:** If the level or value of the Interest-Related Variable is higher than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder become linked to the performance of the Interest-Related Variable as specified in the relevant Pricing Supplement.

**Down and Out:** If the level or value of the Interest-Related Variable is lower than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder cease to be linked to the performance of the Interest-Related Variable as specified in the relevant Pricing Supplement.

**Down and In:** If the level or value of the Interest-Related Variable is lower than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder become linked to the performance of the Interest-Related Variable as specified in the relevant Pricing Supplement.

The specified date or dates, or specified periods, for the observation of the level or value of the Interest-Related Variable against the relevant predefined level or value may include any of the following or maybe as otherwise specified in the Pricing Supplement:

**American:** the level or value of the Interest-Related Variable is observed continuously during a specified period.

**Bermudan:** the level or value of the Interest-Related Variable is observed during a period which consists of a number of specified dates.

**Discrete:** the level or value of the Interest-Related Variable is observed daily at a specified time on specified dates.

**European:** the level or value of the Interest-Related Variable is observed at maturity.

**Parisian:** the level or value of the Interest-Related Variable is observed on the occurrence of a specified event.

**Switchable Notes:** Notes paying a fixed coupon. After a predetermined period, the Issuer may, at its sole option, switch irrevocably from a fixed coupon to a floating coupon on each predefined switch date.

**Window:** the level or value of the Interest-Related Variable is only observed during a fixed period.

**Interest-Related Variable path dependent features for Interest Rate-Linked Notes:**

**Range Accrual Notes:** Notes in relation to which the interest only accrues for each day during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Pricing Supplement.

**Average Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated by reference to the average level or value of the Interest-Related Variable on a number of specified dates occurring on or after the issue date to but excluding the maturity date, as specified in the Pricing Supplement.

**Snow Notes:** Notes in relation to which a fixed interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given period is determined by reference to (i) the rate used to calculate the interest for the preceding period and applying to it a pre-specified rate and (ii) a Interest-Related Variable, as set out in the Pricing Supplement (subject to minimum interest rate of 0 per cent.).

**Ratchet Notes:** Notes in relation to which a fixed rate is used to calculate the interest for the initial period (the "**initial rate**") and leveraged thereafter whereby the subsequent rate for any given period used to calculate the interest is determined by reference to (A) the rate applicable for the preceding period and applying to it a pre-specified rate and (B) an Interest-Related Variable (subject to a minimum interest rate of 0 per cent.), until a specified date on which the rate used to calculate the interest is reset to the initial rate and the rate leverage process recommences.

**Serial Notes:** Notes in relation to which rate used to calculate the interest is determined by reference to (i) any one of the minimum, the maximum or the average level or value of the specified Interest-Related Variable over a certain period of time and (ii) a rate specified in the Pricing Supplement.

**Snowball:** Callable Notes in relation to which the fixed rate used to calculate the interest is set for the initial period and then leveraged thereafter whereby the rate for any given period is calculated using the rate for the preceding period and applying to it a pre-specified rate which increases each year and subtracting the level or value of the specified Interest-Related Variable (subject to minimum interest rate of 0 per cent.).

**Bearish Snowball:** Callable Notes in relation to which the rate used to calculate the fixed interest is set for the initial period and then leveraged thereafter whereby the rate for any given period is calculated using the rate for the preceding period and adding to it the product of a multiple of the Interest-Related Variable minus a pre-specified rate (which increases each year) (subject to a minimum interest rate of 0 per cent. and a pre-specified maximum interest rate).

**Resettable Snowball:** Callable Notes in relation to which (i) the rate used to calculate the fixed interest payment is set for the initial period (the "**initial interest rate**") and leveraged thereafter whereby the subsequent interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a pre-specified rate which increases each year and subtracting the specified Interest-Related Variable (subject to a minimum rate of 0 per cent.) until a specified date on which the interest is reset to the initial rate and the rate leverage process recommences, and (ii) the Issuer has a right to redeem the Notes earlier than the maturity date if a trigger event relating to a specified Interest-Related Variable occurs and is existing on a specified early redemption date during the term of the Notes.

**Recovery Note:** Callable Notes in relation to which the fixed rate used to calculate the interest is set for the initial period and then leveraged thereafter whereby the rate for any given period is calculated using the rate for the preceding period and adding to it the product of a multiple of the specified Interest-Related Variable minus a pre-specified rate (which increases each year) (subject to a minimum interest rate of 0 per cent. and a pre-specified rate maximum).

**Seesaw Note:** Callable Notes in relation to which the method of calculating interest changes during the life of the Notes as follows. The fixed rate used to calculate the interest is set for the initial period and is then leveraged thereafter whereby the rate for any given period is calculated using the rate for the preceding period and applying to it a multiple of a pre-specified rate or rates less the specified Interest-Related Variable. The rate used to calculate the interest will then revert to the original rate or another fixed rate for a specified number of periods. Thereafter, the rate used to calculate the interest for any given period is calculated using the rate for the preceding period and applying to it a multiple of the specified Interest-Related Variable less a pre-specified rate or rates. The rate applicable to any period may be subject to minimum and maximum rate limits.

**SnowBlade Note:** Target Accrual Redemption Notes which are not Callable Notes in relation to which a fixed rate is set for the initial period and then leveraged thereafter whereby the rate for any given

subsequent period is calculated using the rate for the preceding period and applying to it a pre-specified rate which increases each year and subtracting the specified Interest-Related Variable (subject to a minimum interest rate of 0 per cent.).

#### **Coupon features for Interest Rate-Linked Notes:**

***Capped Fixed Coupon:*** Notes in relation to which the rate used to calculate the interest is less than or equal to a specified fixed rate.

***Floored Fixed Coupon:*** Notes in relation to which the rate used to calculate the interest is greater than or equal to a specified fixed rate.

***Capped Spread Coupon:*** Notes in relation to which the rate used to calculate the interest is (i) determined by reference to a Interest-Related Variable being the difference between two specified interest rates and (ii) is less than or equal to a specified rate.

***Floored Spread Coupon:*** Notes in relation to which the rate used to calculate the interest is (i) determined by reference to the difference between two interest rates and (ii) is greater than or equal to a specified rate.

***Capped Global Coupon:*** Notes in relation to which (i) the interest payable is determined by reference to an Interest-Related Variable, and (ii) the cumulative interest paid up to a given payment date (including the interest payable in respect of such payment date) is less than or equal to an amount specified in the Pricing Supplement for such payment date. If such cumulative amount is greater than the amount specified in the Pricing Supplement the interest payable on the relevant payment date shall be reduced to ensure such cumulative amount is equal to the amount specified in the Pricing Supplement for such payment date.

***Floored Global Coupon:*** Notes in relation to which (i) the interest payable is determined by reference to an Interest-Related Variable, and (ii) the cumulative interest paid up to a given payment dates (including the interest payable in respect of such payment date) is greater than or equal to an amount specified in the Pricing Supplement for such payment date. If such cumulative amount is less than the amount specified in the Pricing Supplement the interest payable on the relevant payment date shall be increased to ensure such cumulative amount is equal to the amount specified in the Pricing Supplement for such payment date.

#### **Interest Rate Reset features relating to Interest Rate-Linked Notes**

***Interest-in-arrears:*** Notes in relation to which the interest is determined by reference to an Interest-Related Variable which is determined at the end of a given period.

***Interest-in-advance:*** Notes in relation to which the interest is determined by reference to an Interest-Related Variable which is determined prior to the commencement of a given period.

#### **Underlyings relating to Interest Rate-Linked Notes**

***Callable step-down Floaters:*** Callable Notes which are Floating Rate Notes and in relation to which (i) the rate used to calculate the interest is set at a fixed margin above the specified Interest-Related Variable but the total of which is capped at a specified fixed rate and (ii) the interest is only payable if the specified Interest-Related Variable remains below a certain pre-specified level.

***Callable Inverse Floaters:*** Callable Notes in relation to which a fixed rate used to calculate the interest is set for an initial period, after which the rate for any given period is calculated by subtracting from a pre-specified fixed rate a multiple of the specified Interest-Related Variable (subject to a minimum interest rate of 0 per cent.).

***Constant Maturity Swap ("CMS") Fixed Spread Callable Range Accrual Notes:*** Notes in relation to which the interest is greater than or equal to a specified fixed rate Callable Notes in relation to which a fixed rate is set for the initial period and then for subsequent periods the fixed rate only accrues for each day during that period if specified constant maturity swap spread (a "**CMS Spread**") remains above a pre-specified trigger level or lower barrier

**VariCap Note:** Notes which are not Callable Notes, in relation to which the interest rate calculated in relation to any period is a CMS rate plus a spread, but subject to a minimum rate and a variable maximum interest rate (the "**Cap**"). The Cap is calculated by reference to a multiple of the specified CMS Spread, which multiple may or may not increase over time, as specified in the relevant Pricing Supplement.

**Callable Range Accrual Notes:** Range Accrual Notes which are Callable Notes.

**Trigger Redemption Range Accrual Notes:** Range Accrual Notes which are Trigger Redemption Notes.

**Auto-puttable Callable Range Accrual Notes:** Range Accrual Notes which are Callable Notes and Auto-puttable Notes.

**Fixed Callable Range Accrual Notes:** Range Accrual Notes which are Callable Notes and which bear interest at a fixed rate.

**Floating Callable Range Accrual Notes:** Range Accrual Notes which are Callable Notes and which accrue interest at a floating interest rate.

#### **Forms of Target Accrual Redemption Notes**

**Target Accrual Redemption Notes (TARNs) (Bullish):** Target Accrual Redemption Notes under which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the interest rate is calculated using a fixed rate and subtracting therefrom a multiplier of the level of a specified Interest-Related Variable (subject to a minimum interest rate of 0 per cent.).

**Bearish TARN:** Target Accrual Redemption Notes in relation to which the interest rate is calculated by applying a fixed multiplier to the level of a specified Interest-Related Variable and subtracting a specified fixed rate which increases each year (subject to a minimum interest rate of 0 per cent.).

**BONUS TARN:** Target Accrual Redemption Notes in relation to which the interest rate is calculated using an initial fixed rate during the first interest period, then a higher fixed rate minus a multiplier time a specified Interest-Related Variable during subsequent periods and an additional bonus payment (expressed as a percentage of the notional amount of the Notes and increasing annually throughout the term of the Notes) is made to Noteholders on the redemption date.

**SnowRange Notes:** Notes which are Callable Notes and in relation to which (i) interest only accrues for each day (a "**Qualifying Day**") during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Pricing Supplement, (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period). (The SnowRange Note is a variation of the CRAN.)

**Accumulator Leverage Inverse Floater Note:** Floating Rate Notes in relation to which (i) the amount of interest payable to the Noteholder over the term of the Notes is known from the issue date and expressed as a percentage of the notional amount (the "**Lifetime Cap**") but the timing of interest payments and the maturity date is not known, (ii) the final interest payment is adjusted at maturity so that the sum of all interest payments (including such adjusted payment) equals the Lifetime Cap (iii) the Notes are automatically redeemed at par on an interest payment date if the sum of the interest payments (prior to the adjustment of such interest payment) would otherwise exceed the Lifetime Cap.

**BladeRanger Notes:** Target Accrual Redemption Notes under which interest only accrues for each day (a "**Qualifying Day**") during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Pricing Supplement, (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period).

**Resettable SnowRange:** SnowRange Notes which are Callable Notes and in relation to which, on a specified date, the interest payable is reset to the initial interest rate applicable to the first interest period and the interest rate leverage process recommences.

**Bearish SnowRange:** Callable Notes in relation to which (i) the interest only accrues for each day (a "Qualifying Day") over a period that a specified Interest-Related Variable remains above a pre-specified level which may be increased annually, as specified in the Pricing Supplement and (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period).

**Front-End SnowRange:** SnowRange Notes which are Callable Notes in relation to which the Issuer is entitled to exercise its right to redeem early if the specified Interest-Related Variable remains within the pre-specified range during the first year of the term of the Notes.

**Range Accrual Notes:** Notes in relation to which the interest is a variable amount (calculated by reference to a formula in the Pricing Supplement) and only accrues for each day during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Pricing Supplement.

**Dual Range Accrual Notes:** A dual range accrual note is a range accrual note that accrues interest for each day where the two observed reference indices are within their respective range while a lower coupon or no interest is accrued for each day where the indices fall outside of the range. The range for the observed reference indices (mostly observed daily) might vary over the life of the security. The most common structure is linked to the spread of two Constant Maturity Swaps and an interbank rate.

#### **Constant Maturity Swap ("CMS") linked Notes and Remaining Maturity Swap ("RMS") linked Notes**

**Deferred digital:** Notes which are not Callable Notes and in relation to which (i) the timing of the interest rate payment is conditional on the specified Interest-Related Variable and (ii) if the specified Interest-Related Variable remains below a certain trigger level or barrier, the interest rate payable is a fixed amount and if the specified Interest-Related Variable reaches the trigger level or barrier, the interest rate payable is compounded over the term of the Notes and payment is deferred until maturity.

**Remaining-Maturity-Swap CRAN:** Callable Notes in relation to which interest only accrues for each day over a certain period of time that the specified underlying Remaining-Maturity-Swap (RMS) rate remains below a certain pre-specified trigger level or upper barrier.

**RMS Wings Note:** Callable Notes in relation to which there is a certain fixed minimum interest rate which only accrues for each day over a certain period of time that the specified Interest-Related Variable is either (i) below a certain pre-specified trigger level or (ii) above a certain higher pre-specified trigger level.

**CMS SnowRange:** Callable Notes in relation to which (i) interest only accrues for each day (a "Qualifying Day") over a certain period of time that a specified CMS rate remains within a pre-specified range which may increase annually and (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period).

**Bearish CMS:** Target Accrual Redemption Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods it is calculated by subtracting a fixed multiplier which increases each year from a specified CMS rate (subject to a minimum interest rate of 0 per cent.).

**CMS Recovery Note:** Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and adding to it the product of a multiple of a specified CMS rate minus a pre-specified interest rate (which increases each year) (subject to minimum interest rate of 0 per cent. and a pre-specified maximum interest rate).

**CMS TARN Note:** Target Accrual Redemption Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the interest rate is calculated using a



fixed rate and subtracting the level of a specified CMS rate (subject to a minimum interest rate of 0 per cent.).

### **CMS Spread-linked Notes**

**(CMS) Fixed SCRAN:** Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the fixed interest rate only accrues for each day over a certain period of time that a specified constant maturity swap spread (a "**CMS Spread**") remains above a pre-specified trigger level or lower barrier.

**(CMS) Floating SCRAN:** Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods a floating rate of interest only accrues for each day over a certain period of time that a specified CMS-Spread remains above a pre-specified trigger level or lower barrier.

**Wedding Cake Note:** Notes which are not Callable Notes, in relation to which the floating interest rate is comprised of three different tiers of calculation and only accrues for each day that a specified CMS Spread remains (a) above a pre-specified trigger level, (b) remains within a pre-specified range and (c) remains below a pre-specified trigger level, over a certain period of time.

**Floating SCRAN:** Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the interest only accrues for each day over a certain period of time that the specified Interest-Related Variable remains above a pre-specified trigger level or lower barrier.

**VariCap Note:** Notes which are not Callable Notes, in relation to which the interest calculated in relation to any period is a CMS rate plus a spread, but subject to a minimum interest rate and a variable maximum interest rate (the "**Cap**"). The Cap is calculated by reference to a multiple of the specified CMS Spread, which multiple may or may not increase over time, as specified in the relevant Pricing Supplement.

**CMS Steepener (Bearish):** Callable Notes in relation to which the interest rate is set at a fixed margin above a specified CMS rate and is payable if such CMS rate remains above a pre-specified trigger level (which increases throughout the term of the Notes) but if the CMS rate falls below the trigger level, then the interest rate payable is capped at a specified fixed amount.

### **Volatility-linked Notes**

**Serial Notes:** Notes which are not Callable Notes and in relation to which the interest rate is determined by any one of the minimum, the maximum or the average level of the Specified Interest- Related Variable over a certain period of time plus a pre-specified rate.

**Sliding Volatility Note:** Notes which are not Callable Notes and in relation to which the rate used to calculate the interest is set at a multiple of the value of the change in a specified Interest-Related Variable over a specified period.

**Terminal Volatility Note:** Notes which are Callable Notes and in relation to which the rate used to calculate the interest rate for any interest period is calculated by multiplying a specified fixed rate by the absolute value of the difference between the specified Interest-Related Variable at the start of one period and such Interest-Related Variable at the end of the period.

**PRODUCT DESCRIPTION RELATING TO CREDIT-LINKED NOTES**

Notes issued pursuant to the Programme may include Credit-Linked Notes, being Notes in relation to which the interest rate and/or the redemption amount payable at maturity reflects the performance of a reference entity. Credit-Linked Notes usually offer a higher yield than most basic eurobonds with a similar credit rating. Credit-Linked Notes issued pursuant to the Programme provide for auction settlement, with cash settlement as the Fallback Settlement Method, as specified in more detail in the relevant Pricing Supplement.

Details of the reference entity or reference entities to which Credit-Linked Notes relate and of the page(s) of Bloomberg, the Reuters Service and/or other source(s) where information about such reference entity or reference entities can be obtained will be specified in the relevant Pricing Supplement.

## **PRODUCT DESCRIPTION RELATING TO EQUITY-LINKED NOTES, CASH EQUITY LOANS AND INDEX-LINKED NOTES**

Equity/Index-Linked Notes issued under the Programme may include Notes of the following product categories:

- (a) Equity-Linked Notes and Cash Equity Notes; and
- (b) Index-Linked Notes.

The Bank may issue Equity/Index-Linked Notes under the Programme which combine elements of any of the Notes described below, details of which will be provided in the relevant Pricing Supplement.

References herein to an "**Equity/Index-Related Variable**" in relation to any Note are to the underlying security, basket of securities, index or indices to which such Note is linked.

Where Notes are linked to an underlying basket of securities or indices, references herein to a "**Component**" are references to each individual index or security within such basket of indices or securities, as applicable.

### **(A) Equity-Linked Notes and Cash Equity Notes**

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

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

### **(B) Index-Linked Notes**

Notes issued pursuant to the Programme may include Index-Linked Notes, being Notes in relation to which the interest rate and/or the redemption amount payable at maturity is linked to the performance of one or more indices, by way of a specified formula or in such other manner as shall be specified in the Pricing Supplement. Such indices may include, without limitation, the Euro STOXX® 50 Index (Bloomberg Code: SX5E), the Standard & Poor's 500® Index (Bloomberg Code: SPX), the Nasdaq 100 Index (Bloomberg Code: NDX), the Nikkei 225® Index (Bloomberg Code: NKY), the FTSE™ 100 Index (Bloomberg Code: UKX), the CAC40® Index (Bloomberg Code: CAC), the SMI® Index (Bloomberg Code: SMI) or the US CPI Urban Consumers NSA (Bloomberg Code: CPURNSA) or a combination of these or any other published indices.

HSBC has developed indices that are algorithmic/managed strategies, such indices include without limitation the following, and the interest rate and/or the redemption amount payable at maturity may be linked to any of them or a combination of them or any other published indices:

<b>Index Name</b>	<b>Bloomberg Ticker</b>
HSBC EUR DTP	HSTPEU01
HSBC USD Volatility Budgeted DTP 1	HSTPVB01
HSBC USD Volatility Budgeted DTP 2	HSTPVB02
HSBC USD Volatility Budgeted DTP 3	HSTPVB03
HSBC USD Volatility Budgeted DTP 4	HSTPVB04
HSBC EUR Uniform Volatility Budgeted	HSUNEU01
HSBC GBP Uniform Volatility Budgeted	HSUNBP01
HSBC USD Uniform Volatility Budgeted	HSUNUS01
HSBC USD Uniform Basket	HSUNBKU1
HSBC METYS – VB Index	HSMETYS1
HSBC Global FX Carry Benchmark – Excess Return	HSFAEC0U
HSBC Global FX Carry Index – Total Return	HSFATC1U
HSBC Global FX Carry Index – Excess Return	HSFAEC1U
HSBC Global FX Carry Index – Volatility Target	HSFAVC1U
HSBC SGD NEER Long and Short Indices	HSFYESLU (Long) and HSFYESSU (Short)

The Dynamic Term Premium (DTP) indices are rules-based strategies that aims to generate returns by exploiting the 'term premium' and aim to benefit from instances when term premium is either positive or negative.

The HSBC Uniform Index Series is a rules-based strategy that was developed with the aim of benefitting from moves in money market futures in USD, GBP and EUR. Its underlying aims to anticipates moves in money market futures and takes long or short positions in these futures.

The HSBC METYS Index is a rules-based strategy that was developed to benefit from moves in the difference between the 2 year and the 10 year US treasury yields. Its underlying strategy aims to anticipate moves in the difference between the yields implied by the 2 year US Treasury Future and the 10 year US Treasury Future (this spread is referred to as '2s10s') and takes long and short positions in these futures.

The HSBC Global FX Carry Benchmark is a rules-based strategy that aims to generate returns by taking advantage of the interest rate differential where this strategy involves investing in high-yielding currencies while borrowing in low yielding currencies.

The HSBC Global FX Carry Index is a rules-based strategy that aims to generate returns by taking advantage of the interest rate differential where this strategy involves investing in high-yielding currencies while borrowing in low yielding currencies. Currencies exhibiting high volatility are excluded from the selection process.

The Volatility Target HSBC Global FX Carry Index is a rules-based strategy that aims to generate returns by taking advantage of the interest rate differential where this strategy involves investing in high-yielding currencies while borrowing in low-yielding currencies. Currencies exhibiting high volatility are excluded from the selection process and exposure to the strategy is adjusted on a regular basis such that the realised volatility of the strategy performance reaches a target level.

The HSBC SGD NEER Long and Short Indices are HSBC research-based strategies that aim to generate returns from the SGD NEER (SGD National Effective Exchange Rate) by taking a view on the economy of Singapore. The SGD NEER is a monetary tool used by the Monetary Authority of Singapore (MAS) to approximate SGD value against currencies of Singapore's major trading partners. The SGD NEER policy Basket is confidential and market participants interested in SGD try to guess its composition The HSBC SGD NEER Strategies involve going long (or short) a basket of currencies (containing 42 currencies) where weights are determined by HSBC Research to try to replicate the SGD NEER Index. Weightings of the Basket are changed independently by HSBC Research on a regular basis depending on their view.

The name of the relevant (or each) relevant index and the website of the relevant index sponsor page(s) of the Reuters Service and/or other source where information about such index can be obtained will be specified in the relevant Pricing Supplement.

## Principal Protected Notes

**Callable Notes:** Notes which may be redeemed prior to their specified maturity date at the option of the Issuer, which option may be exercised periodically or on specified dates, as described in the Pricing Supplement.

**Coupon Notes:** Notes in relation to which (i) the interest payable to the Noteholder is subject to the performance of the Equity/Index-Related Variable, and (ii) the redemption amount payable to the Noteholder is greater than or equal to the aggregate face amount of the Notes.

**Callable Coupon Notes:** Notes in relation to which (i) the interest payable to the Noteholder is subject to the performance of the Equity/Index-Related Variable (which may be independent of any condition relating to the redemption amount payable at maturity to such Noteholders), and (ii) the Issuer may redeem the Notes prior to their specified maturity date on dates specified in the Pricing Supplement.

**Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes and (ii) an amount equal to the *product* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Pricing Supplement and (C) any increase in the level or value of the Equity/Index-Related Variable expressed as a percentage of the initial level or value of the Equity Related Variable (such amount not being subject to a maximum amount payable to the Noteholder ("**No Fixed Cap**")).

**Capped Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes *plus* (ii) an amount equal to the *products* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Pricing Supplement and (C) any increase in the level or value of the Equity/Index-Related Variable (such amount being subject to a maximum amount payable to the Noteholder set on the issue date and expressed as a predefined percentage of the aggregate face amount of the Notes (a "**Fixed Cap**")).

**Average Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated by reference to the average level or value of the Equity/Index-Related Variable on a number of specified dates occurring on or after the issue date to but excluding the maturity date, as specified in the Pricing Supplement.

**Smart Growth Notes:** Notes under which the redemption amount payable to the Noteholder on maturity is linked to the best performance of the Components in a basket of equities or indices. On certain dates specified in the Pricing Supplement the Component that has the highest value or level expressed as a percentage of the value or level of that Component on a date specified in the Pricing Supplement, shall be removed from the basket. The redemption amount payable on maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes *plus* (ii) an amount equal to the *product* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Pricing Supplement and (C) an amount equal to the level or value of the basket at maturity expressed as a percentage of the initial level of such basket plus each of the returns on those Components removed from the basket.

**Accrual Notes:** Notes in relation to which the accrual of interest amount and the rate of such accrual is dependent upon the performance of the Equity/Index-Related Variable, as specified in the Pricing Supplement.

**Range Accrual Notes:** Notes in relation to which the interest is a variable amount (calculated by reference to a formula in the Pricing Supplement) and only accrues for each day during a period that a specified Equity/Index-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Pricing Supplement.

**Range Binary Notes:** Notes in relation to which, if the Equity/Index-Related Variable remains within a specified range, the interest payable is a specified variable amount (calculated by reference to a formula in the Pricing Supplement).

**Wedding Cake Range Binary Notes:** Notes in relation to which, if the Equity/Index-Related Variable remains within one of a number of ranges specified in the Pricing Supplement, the interest payable is a specified variable amount (calculated by reference to a formula in the Pricing Supplement) relating to the relevant range.

**Callable Floored Accrual Protected Notes:** Notes in relation to which (i) interest accrues as set out in the relevant Pricing Supplement and is payable to the Noteholders for each day on which if the level or value of each Component of the Equity/Index-Related Variable is greater than levels or values specified for such Components in the Pricing Supplement (ii) the redemption amount payable to the Noteholder is equal to or greater than the aggregate face amount of the Note and (i) the Issuer may redeem the Notes prior to their scheduled maturity date on dates specified in the Pricing Supplement.

**Max Lookback Strike Growth Notes:** Notes under which the principal amount payable to the Noteholder at maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes and (ii) an amount equal to the *product* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Pricing Supplement and (C) the highest increase in the level or value attained by the Equity/Index-Related Variable during a period specified in the Pricing Supplement, expressed as a percentage of the initial level or value of such Equity/Index-Related Variable (such amount not being subject to a maximum amount payable to the Noteholder ("**No Fixed Cap**")).

**Captain Notes:** Notes under which the principal amount payable to the Noteholder at maturity and/or the interest payable to the Noteholder are determined by reference to the average level or value of an Equity/Index-Related Variable in respect of which each Component has a maximum level or value (a "**Cap**") specified in the Pricing Supplement.

Captain Notes may include additional provisions, including the following:

- provisions under which, if the performance of the relevant Equity/Index-Related Variable or Component thereof is positive and/or exceeds a certain level or value, then for all future observations the Cap is either replaced with a Cap at a new level or the level or value of such Component for all future observations is fixed at a new specified level or value;
- provisions under which the negative performance of the Equity/Index-Related Variable or Component thereof has a minimum level or value (a "**Floor**") so that any negative performance beyond the Floor is disregarded;
- provisions under which, if the performance of the Equity/Index-Related Variable is negative, then its level will be deemed to be one of several pre-determined levels or values, each a "digital floor", depending on where the performance falls within certain specified ranges; and
- provisions under which the final level or value of the relevant Equity/Index-Related Variable or Component thereof is replaced by its highest level or value observed on the previous valuation dates under the Notes.

**Binary Captain Notes:** Notes under which the principal amount payable to the Noteholder at maturity and/or the interest payable to the Noteholder are determined by reference to the average level or value of an Equity/Index-Related Variable in respect of which each Component that has, on the relevant valuation date, a level or value higher than its initial level or value shall have a pre-determined level or value assigned to it for the purposes of calculating such average level or value of the Equity/Index-Related Variable.

**Smart Average Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is linked to the performance of an Equity/Index-Related Variable having participations in Components which may be adjusted by reference to the average performance, such Components as specified in the Pricing Supplement.

**Rainbow Average Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is linked to the performance of an Equity/Index-Related Variable which has participations in the performance of its Components which may be varied as specified in the Pricing Supplement. On certain dates specified in the Pricing Supplement the average performance of each Component since the issue date will be determined and the participations for each Component will be adjusted, so that the best performing Components will have an increased participation and the worst performing Components will have a decreased participation.

**Growing Average Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated by reference to the average level or value of the Equity/Index-Related Variable in

respect of certain periods specified in the Pricing Supplement **provided, however, that** the average level or value for a given period shall not be less than the highest average level or value determined in respect of each preceding period.

**Performance Spread Notes:** Notes under which the interest payable to the Noteholder is linked to the performance of an Equity/Index-Related Variable, the level or value of which is dependent on the difference in the performance of the best performing Component and the worst performing Component during a given period, **provided, however, that** the interest shall be no greater than an amount specified in the Pricing Supplement. If specified in the Pricing Supplement, the interest may be greater than or equal to a minimum amount.

**Target Redemption Notes:** Notes in relation to which the interest payable to the Noteholder is determined by reference to the level or value of the Equity/Index-Related Variable **provided, however, that** the maximum cumulative amount of interest payable over the term of the Notes is specified on the issue date (the "**Lifetime Cap**") and the Issuer may redeem the Notes at par on the first interest payment date on which the cumulative interest up to and including such interest payment date would exceed the Lifetime Cap (taking into account the interest scheduled to be made on such date), which interest amount will then be reduced so that Certificate holders receive, over the life of the Notes, interest in an aggregate amount equal to the Lifetime Cap.

**Recovery Best Coupon Notes:** Notes in relation to which, if the level or value of the Equity/Index-Related Variable is higher than predefined levels or values on specified dates, the interest payable in relation to such specified dates is a fixed amount. If the level or value of the Equity/Index-Related Variable is not higher than the relevant predefined levels or values on any of the specified dates the interest which would otherwise have been payable in respect of such interest payment date shall not be paid on such interest payment date but shall be deferred to the next interest payment date in respect of which the level or value of the Equity/Index-Related Variable is higher than the relevant predefined level or value.

#### **Non-Principal Protected Notes**

**Absolute Performance Auto Callable Notes:** Notes in relation to which the interest (if any) and/or the redemption amount payable is linked to the performance of an Underlying, as determined by the Calculation Agent. The performance of the Underlying on particular dates may result in the redemption of the Absolute Performance Auto Callable Notes prior to their scheduled maturity at an amount which reflects the absolute performance of the Underlying. The performance of the Underlying will also determine the redemption amount of Absolute Performance Auto Callable Notes at their scheduled maturity. Absolute Performance Auto Callable Notes will be redeemed on their scheduled maturity at an amount which reflects the absolute performance of the Final Index Level (as defined in the relevant Pricing Supplement) in relation to the Initial Index Level (as defined in the relevant Pricing Supplement), as determined by the Calculation Agent. Accordingly, so long as no Trigger Event has occurred investors may receive on redemption of the Notes an amount in excess of their nominal amount even if the performance of the Underlying has been negative. If a Trigger Event has occurred, Absolute Performance Auto Callable Notes will be redeemed in whole (but not in part) at an amount (which may be less than their nominal amount) equal to the product of the nominal amount multiplied by the percentage decrease in value of the Underlying during the Observation Period (as defined in the relevant Pricing Supplement) as determined by the Calculation Agent. Absolute Performance Auto Callable Notes may or may not bear interest.

**Barrier Notes:** Notes under which the interest and/or the redemption amount payable to the Noteholder at maturity are determined by reference to the performance of the Equity/Index-Related Variable depending on the level or value of the Equity/Index-Related Variable attaining or falling below predefined levels or values. If the Pricing Supplement so specify, the predefined level or value may be varied on a specified date or dates or during specified periods throughout the term of the Notes. The predefined levels or values may consist of any of the following:

- **Up and Out:** if the level or value of the Equity/Index-Related Variable is higher than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder ceases to be linked to the performance of the Equity/Index-Related Variable as specified in the relevant Pricing Supplement.

- *Up and In*: if the level or value of the Equity/Index-Related Variable is higher than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder becomes linked to the performance of the Equity/Index-Related Variable as specified in the relevant Pricing Supplement.
- *Down and Out*: if the level or value of the Equity/Index-Related Variable is lower than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder cease to be linked to the performance of the Equity/Index-Related Variable as specified in the relevant Pricing Supplement.
- *Down and In*: if the level or value of the Equity/Index-Related Variable is lower than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder become linked to the performance of the Equity/Index-Related Variable as specified in the relevant Pricing Supplement.

The specified date or dates or specified periods for the observation of the level or value of the Equity/Index-Related Variable against the relevant predefined level or value may include any of the following or may be as otherwise specified in the Pricing Supplement:

- *American*: the level or value of the Equity/Index-Related Variable is observed continuously during a specified period.
- *Bermudan*: the level or value of the Equity/Index-Related Variable is observed during a period which consists of a number of specified dates.
- *Discrete*: the level or value of the Equity/Index-Related Variable is observed daily at the closing of the Equity/Index-Related Variable.
- *European*: the level or value of the Equity/Index-Related Variable is observed at maturity.
- *Parisian*: the level or value of the Equity/Index-Related Variable is observed on the occurrence of a specified event.
- *Window*: the level or value of the Equity/Index-Related Variable is only observed during a fixed period.

**Cliquet Notes**: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated by reference to the performance of the Equity/Index-Related Variable in each of a number of periods specified in the Pricing Supplement (each a "**Cliquet Period**"). The redemption amount payable at maturity is equal to the *sum* of the upside and/or downside in the level or value of the Equity/Index-Related Variable during each Cliquet Period. Variants of Cliquet Notes include:

- *Cliquet with local cap*: the performance of the Equity/Index-Related Variable in each Cliquet Period is limited on the upside.
- *Cliquet with collar*: the performance of the Equity/Index-Related Variable in each Cliquet Period is limited on both the upside and downside.
- *Digital Cliquet*: the performance of the Equity/Index-Related Variable in each Cliquet Period corresponds to a different pre-determined amount according to whether the underlying rises or falls in each Cliquet Period.
- *Cliquet with local individual cap*: the performance of each Component of the Equity/Index-Related Variable in each Cliquet Period is limited on the upside.
- *Cliquet with local cap on best performances*: only a specified number of best performances are limited on the upside.

**Double No Touch Notes**: Notes in relation to which, provided the level or value of the Equity/Index-Related Variable or the levels of values of some or all of the Components of an Equity/Index-Related Variable do not fall below predefined levels or values or increase above predefined



levels or values at any time, an "**enhanced return**" (calculated by reference to a formula in the Pricing Supplement) is payable to the Noteholders at maturity.

**Knock-out Straddle Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes and (ii) an amount equal to the *product* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Pricing Supplement and (C) any increase or decrease in the level or value of the Equity/Index-Related Variable during the term of the Note expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, **provided, however, that** if such level or value is less than a specified level or value ("**Performance Floor**") or greater than a specified level or value ("**Performance Cap**") at any time during the term of the Note, the Note shall be redeemed at par.

**Airbag Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) the *product* of the aggregate face amount of the Notes and any increase or decrease in the level or value of the Equity/Index-Related Variable during the term of the Note expressed as a percentage of the initial level or value of the Equity/Index-Related Variable **provided that** the amount payable at maturity is no less than a specified amount, or (ii) the *product* of the aggregate face amount of the Notes and (A) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Pricing Supplement and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, or (B) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest payments are payable in respect of such Notes.

**Leverage Airbag Plus Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *product* of the aggregate face amount of the Notes and (A) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Pricing Supplement and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, (B) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes but the level or value of the Equity/Index-Related Variable at maturity is greater than a specified level or value (the "**Performance Floor**"), 100 per cent., or (C) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, the level or value of the Equity/Index-Related Variable has fallen below the Performance Floor at any time during the term of the Notes and the level or value of the Equity/Index-Related Variable at maturity is less than the initial level or value of the Equity/Index-Related Variable, such level or value at maturity expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest is paid in respect of such Notes.

**Reverse Airbag Plus Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *product* of the aggregate face amount of the Notes and (A) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Pricing Supplement and the absolute value of such decrease in the level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, (B) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes but the level or value of the Equity/Index-Related Variable at maturity is less than a specified level or value (the "**Performance Cap**"), 100 per cent., or (C) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the level or value of the Equity/Index-Related Variable has risen above the Performance Cap at any time during the term of the Notes and the level or value of the Equity/Index-Related Variable at maturity is higher than the initial level or value of the Equity/Index-Related Variable, 100 per cent. *minus* such increase in the level or value at maturity expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest is paid in respect of such Notes.

**Booster Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the *product* of a multiplier or participation rate specified in the Pricing Supplement and (4) such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, (such percentage being subject to a predefined maximum percentage (a "**Performance Cap**")), (ii) if the final level or value of the Equity/Index-Related Variable

at maturity is less than the initial level or value of the Equity/Index-Related Variable but higher than a predefined level or value specified in the Pricing Supplement, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the predefined level or value specified in the Pricing Supplement, or (iii) if the final level or value of the Equity/Index-Related Variable at maturity is less than the initial level or value of the Equity/Index-Related Variable and such level or value is also less than a predefined level or value specified in the Pricing Supplement, the *product* of (1) the aggregate face amount of the Notes and (3) the final level or value of the Equity/Index-Related Variable.

**Reverse Convertible Notes:** Notes may include terms providing that in certain circumstances linked to the price or performance of a Reference Asset determined as specified in the applicable Pricing Supplement, and, at the election of the Issuer, the Notes will be redeemed by the Issuer delivering, or procuring delivery, to the Noteholders of the relevant Securities or, as the case may be, Securities comprising the relevant Basket. Such terms may also provide that in such circumstances the Issuer may elect to redeem the Notes on an alternative cash payment basis, in an amount (which may be calculated on a formula basis) linked to such price or performance. Reverse Convertible Notes may also include Notes, the Pricing Supplement of which specify Additional Disruption Events in respect of the unavailability of relevant Exchange Rates.

**Callable Short DI Put Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if the level or value of the Equity/Index-Related Variable has remained higher than a predetermined level or value of the Equity/Index-Related Variable during the term of the Notes, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the *product* of a multiplier or participation rate specified in the Pricing Supplement and (4) such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, (such percentage being subject to a predefined maximum percentage (a "**Performance Cap**")), (ii) if the final level or value of the Equity/Index-Related Variable at maturity is less than the initial level or value of the Equity/Index-Related Variable but higher than a predefined level or value specified in the Pricing Supplement, the aggregate face amount of the Notes, or (iii) if the final level or value of the Equity/Index-Related Variable at maturity is less than the initial level or value of the Equity/Index-Related Variable and the level or value of the Equity/Index-Related Variable has at any time been less than a predefined level or value specified in the Pricing Supplement, the *product* of (1) the aggregate face amount of the Notes and (2) the final level or value of the Equity/Index-Related Variable expressed as a percentage of the initial level or value of the Equity/Index-Related Variable; **provided, however, that** on dates specified in the Pricing Supplement, if the level or value of the Equity/Index-Related Variable is higher than a predetermined level or value specified in the Pricing Supplement, the Issuer may redeem the Notes prior to the scheduled maturity at an amount equal to the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount and either (a) a predetermined percentage or (b) the increase in the level or value of the Equity/Index-Related Variable expressed as a percentage of the initial level or value of the Equity/Index-Related Variable.

**Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of a predetermined percentage of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and any increase in the level or value of the Equity/Index-Related Variable (such amount not being subject to a maximum amount payable to the Noteholder ("**No Fixed Cap**")).

**Tracker (Market Access) Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of the aggregate face amount of the Notes and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, or (ii) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of the aggregate face amount of the Notes and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest is payable in respect of such Notes.

**Leverage Tracker Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of the aggregate face amount of the Notes and the *product* of a multiplier or participation rate specified in the Pricing Supplement and such level or value

expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, or (ii) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of the aggregate face amount of the Notes and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest is payable in respect of such Notes.

### **Callable Floored Accrual**

**Callable Floored Accrual Note:** Notes in relation to which (i) interest accrues on a daily basis and is payable to the Noteholders for each day on which if the level or value of each Component of the Equity/Index-Related Variable is greater than levels or values specified for such Components in the Pricing Supplement and (ii) may provide that the Issuer has the option to redeem the Notes prior to their scheduled maturity date on specified dates, subject to a minimum early redemption amount payable to the Noteholders as specified in the Pricing Supplement.

### **Hybrid Notes**

**Inflation and Equity Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated by reference to the performance of one or more non-Equity/Index-Related Variables together with an Equity/Index-Related Variable and which may be subject to a minimum redemption amount payable at maturity.

### **Underlying Variations**

In relation to any of the Equity/Index Linked Notes described above or any other Equity/Index Linked Notes incorporating, some or none of the features described above, the following variations may be applicable:

- **Worst of:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of the worst performing Component(s) of an Equity/Index-Related Variable.
- **Best of:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of the best performing Component(s) of an Equity/Index-Related Variable.
- **Rainbow:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of Components of an Equity/Index-Related Variable which has participations in the performance of its Components which may be varied as specified in the Pricing Supplement.
- **Basket:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of an Equity/Index-Related Variable consisting of a basket of equities or indices.
- **Mono:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of an Equity/Index-Related Variable consisting of a single equity or index.
- **Spread:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the difference between the performance of two or more Components of an Equity/Index-Related Variable.
- **Himalaya:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the arithmetic mean of the best performing Component or the several best performing Components of the Equity/Index-Related Variable. Such best performing Component(s) of the Equity/Index-Related Variable are then removed from the Equity/Index-Related Variable.

**USE OF PROCEEDS**

Unless otherwise specified in the relevant Pricing Supplement, the net proceeds of the issue of each Series of Notes issued by the Bank will be used in the conduct of the business of the Bank.

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Jersey and the United Arab Emirates of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the laws as in effect on the date of this Information Memorandum and is subject to any change in law that may take effect after such date.*

### **Jersey Taxation**

The Issuer is a "financial services company" (as defined in the Income Tax (Amendment No. 28) (Jersey) Law 2007), which is subject to a ten per cent. rate of corporate tax in Jersey. Payments of interest in respect of the Notes will not be subject to any taxation in Jersey (unless the Noteholder is resident in Jersey) and no withholding in respect of taxation will be required on such payments of interest to any Noteholder.

No stamp duties are payable in Jersey on the acquisition, ownership, redemption, sale or other disposal of the Notes. Probate or Letters of Administration may be required to be obtained in Jersey on the death of an individual holder of the Notes. Stamp duty is payable in Jersey on the registration of such Probate or Letters of Administration on the value of the holder's estate in Jersey.

### **European Union Directive on the Taxation of Savings Income**

As part of an agreement reached in connection with the EU directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with the European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey. Based on these provisions and what is understood to be the current practice of the Jersey tax authorities, the Issuer would not be obliged to levy retention tax in Jersey under these provisions in respect of interest payments made by it to a paying agent established outside Jersey.

### **United Arab Emirates Taxation**

The following summary of the anticipated tax treatment in the United Arab Emirates (the "UAE") in relation to the payments on the Notes is based on the taxation law and practice in force at the date of this Information Memorandum and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of any payments with respect to such Notes under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the oil industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments of interest and

principal to any holder of the Notes. In the event of such imposition of any such withholding, the Issuer has undertaken to gross-up any payments subject to certain limited exceptions.

The Constitution of the UAE specifically reserves to the UAE government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

**Withholding of U.S. tax on account of FATCA**

Whilst the Notes are in global form and held within the ICSDs, it is expected that Sections 1471 through 1474 of the Code (commonly referred to as "**FATCA**") will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent, the common depositary or common safekeeper (as applicable), 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 7 (*Taxation*) of the Notes.

## SUBSCRIPTION AND SALE

HSBC Bank plc has in a modified and restated dealer agreement dated 15 July 2013 (the "**Dealer 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 Dealer Agreement contains provisions for the Issuer to appoint other dealers (together with the Dealer, the "**Dealers**") from time to time either generally in respect of the Programme or in relation to a particular Tranche of Notes.

The Arranger and its affiliates have engaged and may in the future engage in investment banking and/or commercial banking transactions with and perform services for the Issuer (and its affiliates) in the ordinary course of business.

### General

No action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Information Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they subscribe for, purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

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

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

### United States of America

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

Each Dealer has represented and agreed, or will represent and agree, that it has not offered or sold any Notes and will not offer and sell any Notes within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of which such Notes are a part (the "**Distribution Compliance Period**"), as determined and certified to the Principal Paying Agent or the CMU Lodging and Paying Agent (as the case may be) or the Issuer by the relevant Dealer (or, in the case of a sale of a Tranche of the Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the CMU Lodging and Paying Agent (as the case may be) or the Issuer shall notify each such Dealer when all such Dealers have so certified) except in accordance with Rule 903 of Regulation S. Accordingly, each Dealer has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S. Each Dealer and its affiliates also have agreed that, at or prior to confirmation of sale of the Notes, it will have sent to each Dealer, distributor or person receiving a selling concession, fee or other remuneration to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the

Notes within the United States or to, or for the account or benefit of, U.S. persons to substantially the following effect:

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

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

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

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

### **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**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive)), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) *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 (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.



## United Kingdom

In relation to each Tranche of Notes, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (a) in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,
 where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 ("FSMA") by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## Jersey

Each Dealer has represented and agreed, or will represent and agree, that:

- (a) no prospectus, explanatory memorandum or other invitation offering any Notes for subscription, sale or exchange at any time has been or will be issued by it on behalf of the Issuer to any person other than a financial institution; and
- (b) in relation to any Notes issued by the Issuer in respect of which the applicable Pricing Supplement do not state that a copy of such Pricing Supplement will be delivered to the Jersey Registrar of Companies, it has not offered or sold and will not offer or sell any Notes in any jurisdiction in circumstances which have resulted or will result in an invitation to the public within the meaning of the Companies (Jersey) Law 1991 (as amended).

## Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (i) an "**Exempt Offer**" in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (the "**DFSA**"); and
- (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

## Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in

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

### **Kingdom of Bahrain**

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it will not make this offer available to the public in Bahrain. This Information Memorandum has not been reviewed by the Central Bank of Bahrain (the "**CBB**") and the CBB takes no responsibility for the accuracy of the statements or the information contained in this Information Memorandum or for the performance of the Notes or related investment, nor shall the CBB have any liability to any person for damage or loss resulting from reliance on any statement or information contained herein.

### **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 10 or Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations place restrictions on secondary market activity with respect to the Notes, including as follows:

- (a) a Saudi Investor (referred to as a "**transferor**") who has acquired Notes pursuant to a private placement may not offer or sell Notes to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:
  - (i) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;
  - (ii) the Notes are offered or sold to a sophisticated investor; or
  - (iii) the Notes are being offered or sold in such other circumstances as the CMA may prescribe for these purposes.
- (b) if the requirement of paragraph (a) (i) above cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals one million or an equivalent amount;

- (c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Notes if he/she sells his entire holding of Notes to one transferee; and
- (d) the provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of the Notes.

### **Malaysia**

This Information Memorandum has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the "CMSA") nor has the approval of the Securities Commission of Malaysia been obtained for any offering of the Notes in Malaysia.

Accordingly, the Notes may not be offered, sold or delivered, and no invitation to subscribe for or purchase the Notes may be made directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than in relation to secondary trades in Malaysia effected between sophisticated investors (as defined in the Guidance Note on the Secondary Trading of Foreign Currency Denominated Debentures and Foreign Currency Denominated Islamic Securities issued by the Securities Commission of Malaysia on 15 September 2005) where such secondary trades also fall within Schedule 8 (or Section 257(3) of the CMSA).

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals.

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

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

### **Republic of Indonesia**

Each Dealer represents and agrees that it has not offered or sold and will not offer or sell the Notes to be issued under the Programme, directly or indirectly, in the Republic of Indonesia or to citizens of the Republic of Indonesia (wherever they may be located), entities or residents in the Republic of Indonesia in a manner which constitutes a public offering under the laws and regulations of the Republic of Indonesia.

### **Singapore**

This Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the "SFA") and accordingly, the Notes may not be offered or sold, nor may the Notes be the subject of an invitation for subscription or purchase, nor may this Information Memorandum 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 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 acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

- (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,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 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 (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law; or
- (4) as specified in Section 276(7) of the SFA.

#### **State of Qatar**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes in the State of Qatar, except (i) in compliance with all applicable laws and regulations of the State of Qatar; and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

#### **Sultanate of Oman**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme and this Information Memorandum have not and will not be distributed to any person in the Sultanate of Oman unless: (i) the provisions of the Capital Market Law of Oman (Royal Decree 80/98) and its Executive Regulations (issued pursuant to Decision 1/2009) are observed, and (ii) the prior consent of the Capital Market Authority is obtained.

The information contained in the Information Memorandum neither constitutes a public offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy, Non-Omani securities in the Sultanate of Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued pursuant to Decision 1/2009).

#### **Switzerland**

This Information Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Information Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act (the "CISA"), and neither this Information Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Notes which are "structured products" as such term is understood within the meaning of the CISA may only be offered, sold or advertised, and this Information Memorandum and any other offering or

marketing material relating to such Notes may only be distributed in Switzerland by way of private placement to qualified investors within the meaning of the CISA. The Notes do not constitute participations in a collective investment scheme in the meaning of the CISA. Neither this Information Memorandum nor any other offering or marketing material relating to the offering, the Issuer or the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision of any Swiss regulatory authority, such as, the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

Should any Series of Notes be publicly offered, admitted to trading or listed in Switzerland, this will be set out in the relevant Pricing Supplement and the Issuer will prepare supplemental documents to the extent required by Swiss law and the rules and regulations of the SIX Swiss Exchange. Investors should in such case also consult any such document before making any investment decision.

#### **Taiwan**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (i) it has not offered or sold and will not offer or sell any of the Notes directly or indirectly within Taiwan and (ii) the Notes may only be made available to Taiwan resident investors for purchase outside Taiwan. No person or entity has been authorized to offer, sell or give advice regarding or otherwise intermediate the offering and sale of the Notes in Taiwan.

#### **The Republic of Korea**

The Notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act (the "FSCMA") of the Republic of Korea ("**Korea**") and the regulation thereunder. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (a) it has not offered, sold or transferred, and will not offer, sell or transfer, directly or indirectly, in Korea or to any resident of Korea, any Prohibited Derivatives-linked Notes (as defined below); and (b) it has not offered, sold or transferred, and will not offer, sell or transfer, directly or indirectly, in Korea or to any resident of Korea any Note which is not a Prohibited Derivatives-linked Note, except in accordance with the FSCMA, the regulation thereunder (including Article 2-2 of the Securities Issuance and Disclosure Regulation issued by the Financial Services Commission of Korea) and the Foreign Exchange Transactions Act of Korea.

For the purposes hereof, "**Prohibited Derivatives-linked Note**" means any Note for which: (i) the redemption amount when determined in accordance with the terms and conditions of the Note can be less than the face amount thereof, or (ii) the redemption amount of which and/or any interest amount payable thereunder is linked to equity or equity-related index.

#### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

## GENERAL INFORMATION

1. The Issuer prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRSs**") as adopted by the European Union.
2. There has been no material adverse change in the prospects of the Issuer since 31 December 2012.
3. There has been no significant change in the financial or trading position of the Issuer since 31 December 2012.
4. Save as disclosed under "*Risks relating to the Issuer - Macro-prudential, regulatory and legal risks to the Issuer's business model*" on page 3 of this Information Memorandum, neither the Issuer nor any of the Issuer's subsidiary undertakings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Issuer or any of its subsidiary undertakings or the group as a whole of which the Issuer is aware), during the 12 month period before the date of this Information Memorandum which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and its subsidiary undertakings.
5. KPMG Channel Islands Limited ("**KPMG**") of 37 Esplanade, St. Helier, Jersey JE4 8WQ, Channel Islands has audited without qualification the Financial Statements contained in the Annual Report and Accounts of the Issuer for the financial years ended 31 December 2011 and 31 December 2012. All audit partners of KPMG are members of United Kingdom recognised accountancy bodies and KPMG is subject to oversight by the Institute of Chartered Accountants in England and Wales.
6. Where any Subordinated Notes form part of the regulatory capital of the Issuer, no repayment of such Notes will be made without the prior consent of or indication from each of the Jersey Financial Services Commission and the United Kingdom Prudential Regulation Authority (or any successor authority/ies in its/their function as the supervisor of authorised institutions) that it does not object.
7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and, as the case may be, CMU. Each Pricing Supplement shall specify any other clearing system which shall have accepted the relevant Notes for clearance. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be set out in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system which shall have accepted the relevant Notes for clearance together with any further appropriate information.
8. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Principal Paying Agent, the CMU Lodging and Paying Agent or the relevant Registrar (as the case may be) in relation to each Tranche of Notes.
9. The continuation of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 15 July 2013.
10. The Issuer will, at its registered office, at the registered office of HSBC Bank plc and at the specified offices of the Paying Agents, make available for inspection during normal office hours, free of charge, upon oral or written request, paper copies of this Information Memorandum (including all information incorporated by reference herein) and the audited consolidated financial statements of the Issuer and its subsidiary undertakings for the years ended 31 December 2011 and 31 December 2012. Written or oral requests for such documents should be directed to the specified office of any Paying Agent.
11. For so long as Notes are capable of being issued under the Programme, paper copies of the following documents may be inspected during normal business hours at the specified office of the Principal Paying Agent:
  - (a) the Dealer Agreement;
  - (b) the Agency Agreement;

- (c) the Trust Deed;
- (d) the constitutional documents of the Issuer;
- (e) any Pricing Supplement, save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must provide evidence satisfactory to the Issuer as to the identity of such holder; and
- (f) in the case of an issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

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