



## HSBC HOLDINGS PLC

*(a company incorporated with limited liability in England with registered number 617987)*

*as Issuer*

**¥79,300,000,000 0.575% Senior Unsecured Fixed Rate Bonds due 2024**

**¥13,100,000,000 0.797% Senior Unsecured Fixed Rate Bonds due 2026**

**¥67,600,000,000 0.924% Senior Unsecured Fixed Rate Bonds due 2028**

On 14 September 2018, HSBC Holdings plc (the "**Issuer**") issued ¥79,300,000,000 0.575% Senior Unsecured Fixed Rate Bonds due 2024 (the "**Bonds (Fourth Series 2018)**"), ¥13,100,000,000 0.797% Senior Unsecured Fixed Rate Bonds due 2026 (the "**Bonds (Fifth Series 2018)**") and ¥67,600,000,000 0.924% Senior Unsecured Fixed Rate Bonds due 2028 (the "**Bonds (Sixth Series 2018)**") (and together, the Bonds (Fourth Series 2018), the Bonds (Fifth Series 2018) and the Bonds (Sixth Series 2018), the "**Bonds**"), which are described in this document. This document (and all documents incorporated by reference herein) (together, the "**Listing Particulars**") has been prepared for the purpose of providing disclosure information with regard to the Bonds to be admitted to the Official List of the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") and trading on its Global Exchange Market. Euronext Dublin's Global Exchange Market is not a regulated market for the purposes of the Markets in Financial Instruments Directive (2014/65/EU, as amended) ("**MiFID**"). **These Listing Particulars constitute listing particulars for the purposes of listing on Euronext Dublin's Official List and trading on its Global Exchange Market.** Application has been made for these Listing Particulars to be approved by Euronext Dublin and the Bonds to be admitted to Euronext Dublin's Official List and trading on its Global Exchange Market. **Investors should note that securities to be admitted to Euronext Dublin'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.**

**These Listing Particulars do not constitute (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC (as amended) (the "Prospectus Directive"). These Listing Particulars have been prepared solely with regard to the Bonds which are (i) not to be admitted to listing or trading on any regulated market for the purposes of MiFID and (ii) not to be offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive). These Listing Particulars have not been approved or reviewed by any regulator which is a competent authority under the Prospectus Directive.**

The Bonds are issued in the denomination of ¥100,000,000 each.

**AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS. SEE PAGE 6 FOR RISK FACTORS.**

The Bonds were each assigned a credit rating of A2 by Moody's Investors Service Ltd. and A by S&P Global Ratings, acting through S&P Global Ratings Europe Limited.

The Bonds have not been and will not be 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 except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

## IMPORTANT NOTICES

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

*The managers named under "Subscription and Sale" below (the "**Managers**") 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 Managers as to the accuracy or completeness of these Listing Particulars or any document incorporated by reference herein or any further information supplied in connection with any Bonds. The Managers accept no liability in relation to these Listing Particulars or their 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 these Listing Particulars and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Managers.*

*These Listing Particulars should not be considered as a recommendation by the Issuer or any of the Managers that any recipient of these Listing Particulars should purchase any of the Bonds. Each investor contemplating purchasing the Bonds 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 these Listing Particulars constitutes an offer or invitation by or on behalf of the Issuer or the Managers or any of them to any person to subscribe for or to purchase any of the Bonds.*

*Neither the delivery of these Listing Particulars nor the offering, sale or delivery of any Bonds 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 these Listing Particulars 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 Managers expressly do not undertake to review the financial condition or affairs of the Issuer or its subsidiary undertakings during the life of the Bonds.*

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

*All references in these Listing Particulars to "\$", "**dollars**", "**U.S.\$**", "**USD**" and "**U.S. Dollars**" are to the lawful currency of the United States of America and all references to "**yen**", "**JPY**" or "**¥**" are to the lawful currency for the time being of Japan.*

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## OVERVIEW

*This overview must be read as an introduction to these Listing Particulars and any decision to invest in the Bonds should be based on a consideration of these Listing Particulars as a whole, including the documents incorporated by reference.*

*This overview refers to certain provisions of the Conditions and is qualified by the more detailed information contained elsewhere in these Listing Particulars.*

*Words and expressions defined in the "Terms and Conditions of the Bonds (Fourth Series 2018)", "Terms and Conditions of the Bonds (Fifth Series 2018)", "Terms and Conditions of the Bonds (Sixth Series 2018)" below or elsewhere in these Listing Particulars have the same meanings in this overview.*

<b>The Issuer:</b>	HSBC Holdings plc
<b>Lead Managers:</b>	HSBC Securities (Japan) Limited, Tokyo Branch Daiwa Securities Co. Ltd. Mizuho Securities Co., Ltd. SMBC Nikko Securities Inc.
<b>Managers:</b>	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Nomura Securities Co., Ltd.
<b>Fiscal Agent:</b>	Mizuho Bank, Ltd.
<b>The Bonds:</b>	¥79,300,000,000 0.575% Senior Unsecured Fixed Rate Bonds due 2024  ¥13,100,000,000 0.797% Senior Unsecured Fixed Rate Bonds due 2026  ¥67,600,000,000 0.924% Senior Unsecured Fixed Rate Bonds due 2028
<b>Issue Price:</b>	100 per cent.
<b>Issue Date:</b>	14 September 2018
<b>Interest:</b>	<p>The Bonds (Fourth Series 2018) bear fixed rate interest at the rate of 0.575 per cent. per annum of their principal amount for the period from, and including, 15 September 2018 to, and including, 13 September 2023, payable semi-annually in arrear on 13 March and 13 September of each year in respect of the half year period to and including each such interest payment date.</p> <p>The Bonds (Fourth Series 2018) bear floating rate interest for the period from and including 14 September 2023 to and including the Floating Rate Interest Payment Date (as defined below) falling in September 2024, payable semi-annually in arrear on 13 March 2024 and 13 September 2024 (each such date, subject to adjustment for business days, being a "<b>Floating Rate Interest Payment Date</b>") and the period from and including 14 September 2023 and ending on and including the first Floating Rate Interest Payment Date and each successive period beginning on but excluding a Floating Rate Interest Payment Date and ending on and including the next succeeding Floating Rate Interest Payment Date being a "<b>Floating Rate Interest Period</b>"). The floating rate of interest applicable to the Bonds (Fourth Series 2018) in relation to each Floating Rate Interest Period shall be a rate equal to the sum of 0.40 per cent. per annum and the offered rate for 6-month</p>

Japanese yen deposits in the London interbank market which appears on the Reuters Page LIBOR01 as of 11.00 a.m. (London time) on the second London Business Day before the first day of such Floating Rate Interest Period; *provided, however, that* such rate of interest shall not be less than 0 per cent.

The Bonds (Fifth Series 2018) bear fixed rate interest at the rate of 0.797 per cent. per annum of their principal amount for the period from and including 15 September 2018 to and including 14 September 2025, payable semi-annually in arrear on 14 March and 14 September of each year in respect of the half year period to and including each such interest payment date.

The Bonds (Fifth Series 2018) bear floating rate interest for the period from and including 15 September 2025 to and including the Floating Rate Interest Payment Date (as defined below) falling in September 2026, payable semi-annually in arrear on 14 March 2026 and 14 September 2026 (each such date, subject to adjustment for business days, being a "**Floating Rate Interest Payment Date**" and the period from and including 15 September 2025 and ending on and including the first Floating Rate Interest Payment Date and each successive period beginning on but excluding a Floating Rate Interest Payment Date and ending on and including the next succeeding Floating Rate Interest Payment Date being a "**Floating Rate Interest Period**"). The floating rate of interest applicable to the Bonds (Fifth Series 2018) in relation to each Floating Rate Interest Period shall be a rate equal to the sum of 0.55 per cent. per annum and the offered rate for 6-month Japanese yen deposits in the London interbank market which appears on the Reuters Page LIBOR01 as of 11.00 a.m. (London time) on the second London Business Day before the first day of such Floating Rate Interest Period; *provided, however, that* such rate of interest shall not be less than 0 per cent.

The Bonds (Sixth Series 2018) bear interest from, and including, 15 September 2018, payable semi-annually in arrear on 14 March and 14 September of each year in respect of the half year period to and including each such interest payment date.

From and including 15 September 2018 to and including 14 September 2027, the Bonds (Sixth Series 2018) bear interest at the rate of 0.924 per cent. per annum of their principal amount.

From and including 15 September 2027 to and including 14 September 2028, the Bonds (Sixth Series 2018) bear interest at a rate equal to the sum of the applicable JPY 1-year Swap Offered Rate as of the day which is two Business Days prior to 14 September 2027 and 0.60 per cent per annum; *provided, however, that* such rate of interest shall not be less than 0 per cent.

**Initial Interest Payment Date:** 13 March 2019 (Fourth Series 2018); 14 March 2019 (Fifth Series 2018 and Sixth Series 2018).

**Prescription:** The period of extinctive prescription shall be 10 years for the principal of the Bonds and 5 years for the interest on the Bonds.

**Status:** The Bonds constitute direct and unsecured obligations of the Issuer, and rank and will rank *pari passu* without any preference among themselves and *pari passu* with all other unsubordinated

and unsecured obligations of the Issuer, present and future, other than any such obligations preferred by law.

**UK Bail-in Power  
Acknowledgement:**

By its acquisition of the Bonds, each holder of Bonds (a "**Bondholder**") acknowledges, accepts, consents and agrees, agrees to be bound by: (a) the exercise of any UK Bail-in Power (as defined below) by the Relevant UK Resolution Authority (as defined below) that may result in (i) the reduction of all, or a portion, of the Amounts Due (as defined below); (ii) the conversion of all, or a portion, of the Amounts Due into the Issuer's or another person's ordinary shares, other securities or other obligations (and the issue to, or conferral on, the Bondholder of such ordinary shares, other securities or other obligations), including by means of an amendment, modification or variation of the terms of the Bonds; (iii) the cancellation of the Bonds; and/or (iv) the amendment or alteration of the date for redemption of the Bonds or amendment of the amount of interest payable on the Bonds, or the Interest Payment Dates, including by suspending payment for a temporary period; and (b) the variation of the terms of the Bonds, if necessary, to give effect to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

For these purposes:

**"UK Bail-in Power"** means any write-down, conversion, transfer, modification or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the United Kingdom, relating to the transposition of the BRRD or otherwise relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings), including but not limited to the Banking Act and the instruments, rules and standards created thereunder, pursuant to which (i) any obligation of a Regulated Entity (or other affiliate of such Regulated Entity) can be reduced, cancelled, modified or converted into shares, other securities or other obligations of such Regulated Entity or any other person (or suspended for a temporary period); and (ii) any right in a contract governing an obligation of a Regulated Entity may be deemed to have been exercised.

**"Relevant UK Resolution Authority"** means any authority with the ability to exercise a UK Bail-in Power.

The exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds shall not constitute an Event of Default.

**Form and Denomination:** The Bonds are issued in the denomination of ¥100,000,000 each. The Book-Entry Transfer Law (as defined in the Conditions) shall apply to the Bonds and the transfer of the Bonds and other matters relating to the Bonds shall be dealt with in accordance with the Book-Entry Transfer Law and the Business Regulations (as defined in the Conditions). Bond Certificates shall not be issued, except in limited cases set forth in the Book-Entry Transfer Law.

**Final Redemption:** Bonds (Fourth Series 2018): 13 September 2024 (subject to adjustment for non-business days) at 100 per cent. of their principal amount.

Bonds (Fifth Series 2018): 14 September 2026 (subject to adjustment for non-business days) at 100 per cent. of their principal amount.

Bonds (Sixth Series 2018): 14 September 2028 at 100 per cent. of their principal amount.

**Redemption for Tax Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, if:

- (a) on the occasion of the next payment due under the Bonds,
  - (i) the Issuer has or will become obliged to pay Additional Amounts as provided in Condition 6 (in the Conditions of the Bonds for each Series); or
  - (ii) interest payments under or with respect to the Bonds are no longer fully deductible for United Kingdom corporation tax purposes; or

as a result of any change in, or amendment to, the laws or regulations of the United Kingdom (or any authority or political subdivision therein or thereof having power to tax) or any change in the official application or interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 September 2018; and

- (b) in the case of (i) above, such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

as described in the Conditions of the Bonds for each Series.

**Events of Default:** The Bonds contain certain events of default provisions, as further described in the Conditions of the Bonds of the relevant Series; however, there are no provisions for cross default.

**Taxation:** All payments of principal and interest in respect of the Bonds by the Issuer will be made free and clear of, and without withholding of or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature, present or future, as are imposed or levied by or on behalf of the United Kingdom (or any authority or political subdivision therein or thereof having power to tax), unless such withholding or deduction is required by law.

In such event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts receivable by the Bondholders or, as the case may be, the pledgees in respect of the Bonds after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Bonds in the absence of such withholding or deduction, subject to certain exceptions as described in the Conditions of the Bonds for each Series.

<b>Governing Law:</b>	The Bonds are governed by, and shall be construed in accordance with, the laws of Japan.
<b>Listing and Trading:</b>	Application has been made for these Listing Particulars to be approved by Euronext Dublin and the Bonds to be admitted to Euronext Dublin's Official List and to trading on its Global Exchange Market.
<b>Clearing Systems:</b>	Japan Securities Depository Center, Incorporated (" <b>JASDEC</b> " and " <b>Book-Entry Transfer Institution</b> ") will act as book-entry transfer institution ( <i>furikae kikan</i> ) of the Bonds under the Book-Entry Transfer Law.
<b>Selling Restrictions:</b>	See " <i>Subscription and Sale</i> ".
<b>Risk Factors:</b>	Investing in the Bonds involves risks. See " <i>Risk Factors</i> ".
<b>ISIN:</b>	Bonds (Fourth Series 2018): JP582666AJ90 Bonds (Fifth Series 2018): JP582666BJ99 Bonds (Sixth Series 2018): JP582666CJ98



## RISK FACTORS

*Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider risk factors associated with any investment in the Bonds, the business of the Issuer and the industry in which it operates together with the Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2017 and all other information contained in these Listing Particulars, including, in particular, the risk factors described below and the risk factors set out in the registration document, incorporated by reference (the "**Registration Document**"). The Issuer considers such risk factors to be the principal risk factors that may affect the Issuer's ability to fulfil its obligations under the Bonds and/or risk factors that are material for the purposes of assessing the market risk associated with the Bonds. Words and expressions defined in the Conditions or elsewhere in these Listing Particulars have the same meanings in this section.*

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

*Terms and expressions in these risk factors shall, unless otherwise defined or unless the context otherwise requires, have the same meaning and be construed in accordance with Conditions of the Bonds.*

### **Risks relating to the Issuer**

The section entitled "*Risk Factors*" on pages 98 to 106 of the Annual Report of the Issuer for the year ended 31 December 2017 on Form 20-F dated 20 February 2018 filed with the U.S. Securities and Exchange Commission ("**SEC**") (as set out at: <http://www.hsbc.com/-/media/hsbc-com/investorrelationsassets/hsbc-results/2017/annual-results/hsbc-usa-inc/180220-form-20-f.pdf>) (the "**Form 20-F**"), as incorporated by reference herein, sets out a description of the risk factors that may affect the ability of the Issuer to fulfil its obligations to investors in relation to the Bonds.

### **Risks relating to the Bonds**

*The Bonds are the subject of the UK Bail-in Power, which may result in the Bonds being written down to zero or converted into other securities, including unlisted equity securities.*

On 1 January 2015, the UK Banking Act 2009, as amended (the "**Banking Act**"), and other primary and secondary legislative instruments were amended to give effect to the BRRD in the UK. The stated aim of the BRRD is to provide supervisory authorities, including the Relevant UK Resolution Authority, with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' contributions to bank bail-outs and/or exposure to losses.

As the parent company of a UK bank, the Issuer is subject to the Banking Act, which gives wide powers in respect of UK banks and their parent and other group companies to Her Majesty's Treasury ("**HM Treasury**"), the Bank of England (the "**BoE**"), the PRA and the Financial Conduct Authority in circumstances where a UK bank has encountered or is likely to encounter financial difficulties.

As a result, the Bonds are subject to existing UK Bail-in Power under the Banking Act and may be subject to future UK Bail-in Power under existing or future legislative and regulatory proposals, including measures implementing the BRRD. In particular, the Banking Act was amended to implement a "bail-in" tool, which may be exercised by the BoE (as a Relevant UK Resolution Authority) and forms part of the UK Bail-in Power.

Where the conditions for resolution exist, the BoE may use the bail-in tool (individually or in combination with other resolution tools) to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities of a failing financial institution and/or convert certain debt claims into another security, including ordinary shares of the surviving entity. In addition, the BoE may use the bail-in tool to, among other things, replace or substitute the issuer as obligor in respect of debt instruments, modify the terms of debt instruments (including altering the maturity (if any) and/or the amount of interest payable and/or

imposing a temporary suspension on payments) and discontinue the listing and admission to trading of financial instruments. The BoE must apply the bail-in tool in accordance with a specified preference order. In particular, the Banking Act requires resolution authorities to write-down or convert debts in the following order: (i) additional Tier 1 instruments, (ii) Tier 2 instruments, (iii) other subordinated claims that do not qualify as additional Tier 1 or Tier 2 instruments and (iv) eligible senior claims. Although the bail-in tool has a safeguard designed to leave no creditor worse off than in the case of insolvency, due to the discretion afforded to the BoE, the claims of some creditors whose claims would rank equally with the Bondholders' may be excluded from being subject to the bail-in tool. The greater number of such excluded creditors there are, the greater the potential impact of the bail-in tool on other creditors who have not been excluded (which may include the Bondholders).

As a result, the Bonds, which are subject to the bail-in tool, will be written down or converted to common equity if the reduction of additional Tier 1 instruments, Tier 2 instruments and subordinated claims that do not qualify as an additional Tier 1 or Tier 2 instrument, does not sufficiently reduce the aggregate amount of liabilities that must be written down or converted to prevent the HSBC Group's failure.

Moreover, to the extent the UK Bail-in Power is exercised pursuant to the Banking Act or otherwise, any securities issued upon conversion of the Bonds may not meet the listing requirements of any securities exchange, and the Issuer's outstanding listed securities may be delisted from the securities exchanges on which they are listed. Any securities the Bondholders receive upon conversion of their Bonds (whether debt or equity) may not be listed for at least an extended period of time, if at all, or may be on the verge of being delisted by the relevant exchange, including, for example, the Issuer's American depositary receipts listed on the New York Stock Exchange or the Issuer's ordinary shares listed on the London Stock Exchange or otherwise. Additionally, there may be limited, if any, disclosure with respect to the business, operations or financial statements of the issuer of any securities issued upon conversion of the Bonds, or the disclosure with respect to any existing issuer may not be current to reflect changes in the business, operations or financial statements as a result of the exercise of the UK Bail-in Power.

Moreover, the exercise of the UK Bail-in Power and/or other actions implementing the UK Bail-in Power may require interests in the Bonds to be held or taken, as the case may be, through clearing systems, intermediaries or persons other than the Book-Entry Transfer Institution. As a result, there may not be an active market for any securities the Bondholders may hold after the exercise of the UK Bail-in Power.

The Bondholders should consider the risk that they may lose all of the investment, including the principal amount plus any accrued interest, if the UK Bail-in Power is acted upon or that any remaining outstanding Bonds or securities into which the Bonds are converted, including the Issuer's ordinary shares, may be of little value at the time of threat of bail-in and, as a result, the Bonds are not necessarily expected to follow the trading behaviour associated with other types of securities.

Specifically, by its acquisition of the Bonds, each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) will acknowledge, accept, consent and agree, notwithstanding any other term of the Bonds or any other agreements, arrangements or understandings between the Issuer and any Bondholder, to be bound by (a) the effect of the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority; and (b) the variation of the Conditions of Bonds, if necessary, to give effect to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority. No repayment or payment of Amounts Due will become due and payable or be paid after the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise. Moreover, each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) will consent to the exercise of the UK Bail-in Power as it may be imposed without any prior notice by the Relevant UK Resolution Authority of its decision to exercise such power with respect to the Bonds.

***Bondholders' rights may be limited in respect of the exercise of the UK Bail-in Power by the Relevant UK Resolution Authority.***

There may be limited protections, if any, that will be available to the Bondholders subject to the UK Bail-in Power and to the broader resolution powers of the Relevant UK Resolution Authority. For example, although under the Banking Act the BoE's resolution instrument with respect to the exercise of the bail-in tool must set out the provisions allowing for the Bonds to be transferred, cancelled or modified (or any combination of these), the resolution instrument may make any other provision that the BoE considers to be appropriate in exercising its specific powers. Such other provisions are expected to be specific and

tailored to the circumstances that have led to the exercise of the bail-in tool under the Banking Act and there is uncertainty as to the extent to which usual processes or procedures under English law will be available to the Bondholders. Accordingly, the Bondholders may have limited or circumscribed rights to challenge any decision of the BoE or other relevant UK resolution authority to exercise its UK Bail-in Power.

***Other powers contemplated by the Banking Act may affect the rights of Bondholders under, and the value of their investment in, the Bonds.***

In addition to the bail-in tool, the Banking Act includes powers to (a) transfer all or some of the securities issued by a UK bank or its parent, or all or some of the property, rights and liabilities of a UK bank or its parent (which would include the Bonds), to a commercial purchaser or, in the case of securities, into temporary public ownership (to HM Treasury or an HM Treasury nominee), or, in the case of property, rights or liabilities, to a bridge bank (an entity owned by the BoE); (b) together with another resolution tool only, transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down; (c) override any default provisions, contracts or other agreements, including provisions that would otherwise allow a party to terminate a contract or accelerate the payment of an obligation; (d) commence certain insolvency procedures in relation to a UK bank; and (e) override, vary or impose contractual obligations, for reasonable consideration, between a UK bank or its parent and its group undertakings (including undertakings which have ceased to be members of the group), in order to enable any transferee or successor bank of the UK bank to operate effectively.

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

The powers set out in the Banking Act could affect how credit institutions (and their parent companies) and investment firms are managed as well as, in certain circumstances, the rights of creditors. Accordingly, the taking of any actions contemplated by the Banking Act may affect the rights of Bondholders under the Bonds, and the value of their Bonds may be affected by the exercise of any such powers or threat thereof.

***The records, etc. under the Book-Entry Transfer System.***

It is not yet clear what procedures and timelines will need to be followed in connection with the exercise of the UK Bail-in Power. It is possible that a public notice of the exercise of the UK Bail-in Power could be given immediately before or even after the effective date of such exercise. Also, even if the Issuer and/or the Fiscal Agent request the Book-Entry Transfer Institution immediately upon the exercise of the UK Bail-in Power to take necessary actions in accordance with the UK Bail-in Power (including but not limited to mark-down of the value of the Bonds as recorded under the Book-Entry Transfer System and/or to suspension of the transfers through the Book-Entry Transfer System), a period of time may be required before implementation of such actions. As a result, there can be no assurance that mark-down of the value of Bonds as recorded under the Book-Entry Transfer System and/or suspension of transfers through the Book-Entry Transfer System will be implemented before or simultaneously with the effectiveness of any exercise of the UK Bail-in Power, and there is a possibility that the Bonds have been already written down or converted and therefore the Issuer has been already released from its payment obligations under the Bonds even when there are still records of the Bonds in the case of the exercise of the UK Bail-in Power. In addition, when the Bonds are converted into shares or other securities or obligations of the Issuer or any other person pursuant to a UK Bail-in Power, the procedures for conversion and delivery of the shares, etc. may not be conducted within the framework of the Book-Entry Transfer System.

***The circumstances under which the Relevant UK Resolution Authority would exercise its UK Bail-in Power or other resolution tools under the Banking Act or future legislative or regulatory proposals are uncertain, which may affect the value of the Bonds.***

There remains significant uncertainty regarding the ultimate nature and scope of the resolution powers under the Banking Act (and such significant uncertainty may exist with respect to any other resolution powers or tools enacted under future legislative or regulatory proposals, including changes proposed to the BRRD in November 2016), as well as the manner in which such powers would affect the Issuer and the Bonds if such powers were exercised.

For example, although the exercise of certain resolution tools under the Banking Act are subject to certain pre-conditions thereunder, there remains uncertainty regarding the specific factors (including, but not limited to, factors outside the Issuer's control or not directly related to the Issuer) which the BoE would consider in deciding whether to exercise such powers with respect to the Issuer or the Bonds. In particular, because the Banking Act allows for the BoE to exercise its discretion in choosing which resolution tool or tools to apply, it will be difficult to predict whether the exercise of the BoE's resolution powers will result in a principal write-off or conversion to equity. The Bondholders may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such resolution powers and consequently its potential effect on the Issuer or the Bonds.

Accordingly, it is not yet possible to assess the full impact of the exercise of the UK Bail-in Power pursuant to the Banking Act or otherwise on the Issuer, and there can be no assurance that the taking of any actions contemplated therein would not adversely affect the Bondholders' rights, the price or value of the Bondholders' investment in the Bonds and/or the Issuer's ability to satisfy its obligations under the Bonds.

***Other changes in law may adversely affect the rights of a Bondholder.***

Changes in law after the date hereof may affect the rights of Bondholders as well as the market value of the Bonds. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Bonds, which may have an adverse effect on an investment in the Bonds.

In addition, any change in law or regulation that results in the Issuer's having to pay Additional Amounts to the Bondholders could constitute a tax event that may entitle the Issuer to redeem the Bonds, in whole (but not in part), as more particularly described in Condition 6 (*Redemption and Purchase*) of the Conditions of the Bonds. Further, Bonds may be redeemed at the option of the Issuer if there are changes in the requirements in relation to own funds and eligible liabilities and/or loss absorbing capacity instruments, as more particularly described in Condition 6 (*Redemption and Purchase*) of the Conditions of the Bonds.

In particular, in light of the UK's vote to exit the EU following the referendum on 23 June 2016 ("**Brexit**") and the results of the UK's general election held on 8 June 2017, there could be significant changes to EU laws applicable in the UK. The full impact of the Brexit decision remains uncertain and a process of negotiation has commenced, which may take a number of years and will determine the future terms of the UK's relationship with the EU. While Brexit should not in and of itself affect the validity of the Banking Act (through which the BRRD is implemented), it is possible that subsequent changes in law affecting the rights of Bondholders could take place.

Such legislative and regulatory uncertainty could also affect the ability of Bondholders to accurately value the Bonds, as well as the liquidity of the Bonds and, therefore, affect the trading price of the Bonds given the extent and impact on the Bonds that one or more regulatory or legislative changes could have on the Bonds.

***Bonds subject to optional redemption by the Issuer.***

An optional redemption feature as described in Condition 6 (*Redemption and Purchase*) of the Conditions of the Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Bonds, the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

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

***The Issuer may issue securities pari passu with the Bonds and/or secured debt.***

There is no restriction on the amount of securities that the Issuer may issue that rank *pari passu* with the Bonds. In particular, the Financial Stability Board (the "**FSB**") final standards for total loss absorbing capacity ("**TLAC**") requirements for global systemically important banks will apply to the Issuer once implemented in the UK (which are due to be implemented from January 2019 onwards). While the BoE will have powers to set the BRRD minimum requirement for own funds and eligible liabilities ("**MREL**")

thresholds at individual bank level, the policy intention is that the MREL standards for UK banks and groups to which TLAC applies will be consistent with TLAC requirements. The Issuer expects to issue between US\$60 billion and US\$80 billion in aggregate principal amount of senior debt securities) over a period of time expected to be in excess of three years (starting from 2016). The Issuer has issued approximately US\$53 billion as of 31 August 2018 in order to meet these TLAC requirements.

Furthermore, the Issuer (and its subsidiaries) may incur additional debt, including secured debt. The Bonds will be effectively subordinated to any indebtedness or other liabilities of the Issuer's subsidiaries and to any of its indebtedness that is secured by property or assets to the extent of the value of the property or assets securing such indebtedness.

In the event of the Issuer's winding up, the Bondholders may recover from the value of the Issuer's assets to satisfy claims of the Bondholders only after secured creditors of the Issuer have been paid in full. In addition, the claims of *pari passu* creditors may reduce the amount recoverable by the Bondholders. Therefore, the Bondholders may lose all or some of investment of the Bondholders in the Bonds in the event of winding up of the Issuer.

***The Issuer's holding company structure may mean that its rights to participate in assets of any of the Issuer's subsidiaries upon its liquidation may be subject to prior claims of some of its creditors, including when the Issuer has loaned or otherwise advanced the proceeds received from the issuance of the Bonds to such subsidiary.***

The Bonds are the Issuer's obligations exclusively and are not guaranteed by any person, including any of its subsidiaries. The Issuer is a non-operating holding company and, as such, its principal source of income is derived from its operating subsidiaries that hold the principal assets of the Issuer together with its subsidiary undertakings. As a separate legal entity, the Issuer relies on, among other things, remittance of its subsidiaries' loan interest payments and dividends in order to be able to meet its obligations to the Bondholders as they fall due. The ability of the Issuer's subsidiaries and affiliates to pay dividends could be restricted by changes in regulation, contractual restrictions, exchange controls and other requirements, which may restrict its ability to pay any amounts due under the Bonds.

In addition, because the Issuer is a holding company, the Issuer's rights to participate in the assets of any subsidiary if it is liquidated will be subject to the prior claims of its creditors and any preference shareholders, except to the extent that the Issuer may be a creditor with recognized claims ranking ahead of or *pari passu* with such prior claims against the subsidiary.

The Issuer also has absolute discretion as to how it makes its investments in, or advance funds to, its subsidiaries, including the proceeds of issuances of debt securities, such as the Bonds, and as to how it may restructure existing investments and funding in the future. The ranking of the Issuer's claims in respect of such investments and funding in the event of the liquidation of a subsidiary, and their treatment in resolution, will depend in part on their form and structure and the types of claim that they give rise to. The purposes of such investments and funding, and any such restructuring, may include, among other things, the provision of different amounts or types of capital or funding to particular subsidiaries, including for the purposes of meeting regulatory requirements, such as the implementation of the European Banking Authority's minimum requirement for own funds and eligible liabilities (or any equivalent requirements imposed by the PRA), or the FSB's minimum TLAC requirements, in respect of such subsidiaries, which may require funding to be made on a subordinated basis.

In addition, the terms of some loans or investments in capital instruments issued by the Issuer's subsidiaries may contain contractual mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of such subsidiary, would result in a write-down of the claim or a change in the ranking and type of claim that the Issuer has against such subsidiary. Such loans to and investments in the Issuer's subsidiaries may also be subject to the exercise of the UK Bail-in Power. Any changes in the legal or regulatory form or ranking of a loan or investment could also affect its treatment in resolution.

If any of the Issuer's subsidiaries were wound up, liquidated or dissolved (i) the Bondholders would have no right to proceed against the assets of such subsidiary and (ii) the liquidator of such subsidiary would first apply the assets of such subsidiary to settle the claims of such subsidiary's creditors and/or preference shareholders (including holders of such subsidiary's senior debt and Tier 2 and additional Tier 1 capital instruments) before the Issuer would be entitled to receive any distributions.

***Under the Conditions of Bonds, the Bondholders will be bound by the variation of the events of default and enforcement in certain circumstances, which will result in a further limitation of remedies for the Bondholders.***

Certain circumstances, described in Condition 9 (*Events of Default and Enforcement*) of the Conditions of the Bonds will result in a further limitation of remedies for the Bondholders under the Bonds.

In such case, the Bondholders will lose the right to declare the principal amount and accrued but unpaid payments with respect to the Bonds to be due and payable in the case of non-payment of interest on the Bonds after a 14-day grace period and payment of the principal amount of the Bonds will be accelerated only upon certain events of a winding-up, as described in Condition 9 (*Events of Default and Enforcement*) of the Conditions of the Bonds shall be available to the Bondholders for recovery of amounts owing in respect of any non-payment of any amount that has become due and payable under the Bonds.

***Uncertainty relating to the London interbank offered rate ("LIBOR") calculation process may adversely affect the value of the Bonds.***

Regulators and law enforcement agencies in the UK and elsewhere are conducting civil and criminal investigations into the calculation of daily LIBOR by banks that contributed to the British Bankers' Association (the "BBA") when it was the body which exclusively set the relevant LIBOR benchmark rates. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR. ICE Benchmark Administration Limited has been appointed as the independent LIBOR administrator, effective 1 February 2014. Actions by ICE Benchmark Administration Limited, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined. Some of these reforms are already effective, while others are still to be implemented or formulated. For example, on 27 July 2017, the Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021, and it appears highly likely that LIBOR will be discontinued or modified by 2021. Moreover, any of the proposals for reform or the general increased regulatory scrutiny of LIBOR could increase the costs and risks of administering or otherwise participating in the setting of a LIBOR rate and complying with any such regulations or requirements. As a result, it is not possible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR to allow for the calculation of LIBOR in its current form, whether LIBOR rates will cease to be published or supported before or after 2021, or whether any additional reforms to LIBOR may be enacted in the UK or elsewhere. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of LIBOR-based securities, such as the Bonds. Uncertainty as to the nature of any potential changes or reforms to LIBOR may adversely affect the trading market for the Bonds.

To the extent LIBOR is discontinued or is no longer quoted, the rate of interest for the relevant period of the Bonds will be determined using the alternative methods described in Condition 5 (*Interest*) of the Conditions of the Bonds. In particular, if the Issuer, in consultation with the Reference Agent, determines that LIBOR has ceased to be published on the relevant screen page or otherwise, an independent financial institution appointed by the Issuer, or failing such appointment, the Issuer, will have the discretion to select an alternative base rate for purposes of determining the rate of interest including resetting the rate of interest, as well as to make certain changes or adjustment to Conditions of Bonds. The independent financial institution and the Issuer's economic interests could be adverse to the Bondholders' interests as an investor in the Bonds, and neither it nor the Issuer will have any obligation to consider the Bondholders' interests as a Bondholder in taking any action that might affect the value of the Bonds. Moreover, this alternative method may result in interest payments that are lower than, or that do not otherwise correlate over time with, the payments that would have been made on the Bonds if LIBOR was available in its current form. Additionally, if LIBOR is no longer calculated or administered and no alternative base rate is determined (including because the same costs and risks that may lead to the discontinuation or unavailability of LIBOR make the alternative base rate impossible or impracticable to determine), the rate of the interest including resetting the rate of interest on the Bonds may be determined on the basis of the last LIBOR that will have had been published before the time of determination (and could be several years before such time). Any such consequence could have a material adverse effect on the value of and return on the Bonds. In addition, if the Conditions of Bonds are adjusted pursuant to the methods described in Condition 5 (*Interest*) of the Conditions of the Bonds so as to provide for an alternative base rate, there can be no assurance that any applicable Margin will be adjusted for any difference between the original base rate and the alternative base

rate applicable to the Bonds or that any adjustment made will correspond to the difference between the original base rate and the alternative base rate when assessed at any particular date.

***The Bonds are not bank deposits.***

An investment in the Bonds is not equivalent to an investment in a bank deposit and carries risks that are very different from the risk profile of such a deposit.

The issue price, interest rate and yield to maturity of the Bonds are expected to reflect the additional risks borne by the Bondholders therein when compared to those of depositors. For example, the Bonds do not benefit from any protection provided pursuant to Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes or any national implementing measures implementing such directive in any jurisdiction (such as the UK Financial Services Compensation Scheme). Therefore, if the Issuer becomes insolvent or defaults on its obligations, the Bondholders could lose their entire investment. Additionally, given that the Bonds are not bank deposits, they would be subject to the bail-in tool before it is applied to bank deposits (to the extent that such deposits are subject to the bail-in tool at all). See "*The Bonds are the subject of the UK Bail-in Power, which may result in the Bonds being written down to zero or converted into other securities, including unlisted equity securities.*" above.

***Resettable Bonds.***

The rate of interest on the Bonds (Sixth Series 2018) will be reset by reference to the certain reference rate as described in Condition 5 (*Interest*) of the Conditions of the Bonds. The reset of the rate of interest in accordance with such provisions may affect the secondary market for, and the market value of, such series of the Bonds. Following any such reset of the rate of interest applicable to such series of the Bonds, the reset rate of interest may be lower than the initial rate of interest of such series of the Bonds. In addition, the reset would be affected by discontinuity of LIBOR, please see "*Uncertainty relating to the London interbank offered rate ("LIBOR") calculation process may adversely affect the value of the Bonds.*" above.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, each of which has been submitted to and filed with Euronext Dublin, shall be deemed to be incorporated by reference in, and to form part of, these Listing Particulars:

- the Registration Document of the Issuer dated 6 March 2018, excluding the section entitled "*Directors of the Issuer*";
- the 2016 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2016 (the "**2016 Annual Report and Accounts**");
- the 2017 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2017 (the "**2017 Annual Report and Accounts**");
- the Report on Transition to IFRS 9 'Financial Instruments' as at 1 January 2018 and issued on 27 February 2018 (the "**IFRS 9 Report**"). The IFRS 9 Report provides information relevant to understanding the impact of IFRS 9 on the Issuer's financial position at 1 January 2018. The financial information contained therein does not constitute financial statements prepared in accordance with the International Financial Reporting Standards and should be read in conjunction with the 2017 Annual Report and Accounts;
- the Form 20-F;
- the earnings release for the three month period ended 31 March 2018 (the "**Q1 2018 Earnings Release**"). The Q1 2018 The Earnings Release is available on the Issuer's website at: <http://www.hsbc.com/investor-relations/group-results-andreporting>;
- the unaudited consolidated interim report for the six month period ended 30 June 2018 as filed with the SEC on Form 6-K on 6 August 2018 (the "**Unaudited Consolidated Interim Report**"). The Unaudited Consolidated Interim Report is available on the Issuer's website at: <https://www.hsbc.com/investor-relations/group-results-and-reporting/groupreporting-archive>. The Unaudited Consolidated Interim Report has also been filed with the SEC and is available in electronic form at <https://www.sec.gov/Archives/edgar/data/1089113/000162828018010505/livefiling6kgrouppinterimdoc.htm>; and
- the earnings release for the nine month period ended 30 September 2018 as filed with the SEC on Form 6-K on 29 October 2018 (the "**Q3 2018 Earnings Release**"). The Q3 2018 Earnings Release is available on the Issuer's website at: <http://www.hsbc.com/investor-relations/group-results-and-reporting>. The Q3 2018 Earnings Release has also been filed with the SEC and is available in electronic form at <https://www.sec.gov/Archives/edgar/data/1089113/000162828018012983/livedocq32018earningsrele.htm>.

The Issuer will, at its registered office, make available for inspection during normal business hours and free of charge, upon oral or written request, a copy of these Listing Particulars and any document incorporated by reference in these Listing Particulars. Written or oral requests for inspection of such documents should be directed to the registered office of the Issuer. Additionally, these Listing Particulars and all the documents incorporated by reference herein will be available for viewing at [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investor relations', 'Fixed income investors', 'Issuance programmes' for these Listing Particulars and the Registration Document and 'Investor relations' and 'Financial and regulatory reports' for the remaining documents). For the avoidance of doubt, any websites referred to in these Listing Particulars or any information appearing on such websites and pages do not form part of these Listing Particulars.

Any information incorporated by reference in the above documents does not form part of these Listing Particulars and to the extent that only certain parts of the above documents are specified to be incorporated by reference hereunder, the non-incorporated parts of such documents are either not relevant for investors or covered elsewhere in these Listing Particulars.



## TERMS AND CONDITIONS OF THE BONDS (FOURTH SERIES 2018)

Below is the English translation of the Terms and Conditions of the Bonds (Fourth Series 2018). In the event of any difference in meaning between the English translation and the original Japanese version, the Japanese version shall prevail.

These Conditions of Bonds shall apply to the issue of HSBC HOLDINGS PLC JAPANESE YEN CALLABLE BONDS – FOURTH SERIES (2018) (the "**Bonds**") pursuant to lawful authorisation by HSBC Holdings plc (the "**Issuer**").

### 1. **Aggregate Principal Amount, Date of Issuance, Denomination and Form**

The aggregate principal amount of the Bonds is ¥79,300,000,000.

The date of issuance of the Bonds is September 14, 2018 (the "**Issue Date**").

The Bonds are issued in the denomination of ¥100,000,000 each.

The Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, Etc. of Japan (Law No. 75, 2001, as amended) (the "**Book-Entry Transfer Law**") shall apply to the Bonds and the transfer of and other matters relating to the Bonds shall be dealt with in accordance with the Book-Entry Transfer Law and the business regulations and other rules relating to book-entry transfer of corporate bonds, etc. (collectively, the "**Business Rules**") from time to time adopted by the Book-Entry Transfer Institution (as defined in Condition 4).

The certificates for the Bonds (the "**Bond Certificates**") shall not be issued except in such exceptional events as provided under the Book-Entry Transfer Law where the holders of the Bonds (the "**Bondholders**") may make a request for the issue of Bond Certificates. If Bond Certificates are issued, such Bond Certificates shall be only in bearer form with unmatured interest coupons attached and the Bondholders may not request that the Bond Certificates be exchanged for Bond Certificates in registered form or divided or consolidated.

If Bond Certificates are issued, the manner of the calculation and payment of principal of and interest on the Bonds, the exercise of the rights under the Bonds by the Bondholders and the transfer of the Bonds, and all other matters in respect of the Bonds shall be subject to the then applicable Japanese laws and regulations and the then prevailing market practice in Japan. In the event of any inconsistency between the provisions of these Conditions of Bonds and then applicable Japanese laws and regulations and then prevailing market practice in Japan, such Japanese laws and regulations and market practice in Japan shall prevail.

All expenses incurred in connection with the issue of Bond Certificates shall be borne by the Issuer.

### 2. **Status of the Bonds**

The Bonds constitute direct and unsecured obligations of the Issuer, ranking *pari passu* without any preference among themselves and *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future, other than any such obligations preferred by law.

### 3. **Appointment of Fiscal Agent, Issuing Agent and Paying Agent and Non-appointment of Commissioned Company for Bondholders**

- (1) Sumitomo Mitsui Banking Corporation acts as fiscal agent, issuing agent and paying agent (the "**Fiscal Agent**", unless the context otherwise requires, the term "**Fiscal Agent**" means an agent acting in all these capacities) of the Issuer in respect of the Bonds. The Fiscal Agent shall perform the duties and functions provided for in these Conditions of Bonds, the Fiscal and Reference Agency Agreement (the "**Fiscal Agency Agreement**") dated September 7, 2018 between the Issuer and the Fiscal Agent, and the Business Rules. The Fiscal Agent is acting solely as agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with the Bondholders. A copy of the Fiscal Agency Agreement to which these Conditions of Bonds are attached shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any

Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

- (2) No commissioned company for bondholders is appointed in respect of the Bonds.
- (3) The Issuer may from time to time vary the appointment of the Fiscal Agent, provided that the appointment of the Fiscal Agent shall continue until a replacement fiscal agent, issuing agent and paying agent shall be effectively appointed (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules). In such case the Issuer shall give prior public notice thereof to the Bondholders.
- (4) The Issuer shall, without delay, appoint a replacement fiscal agent, issuing agent and paying agent (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules) and give public notice to that effect to the Bondholders if the Book-Entry Transfer Institution notifies the Issuer that the Fiscal Agent will be disqualified from acting as a designated issuing agent or paying agent.
- (5) As at the effective date of the appointment, the replacement fiscal agent, issuing agent and paying agent shall succeed to and be substituted for the retiring Fiscal Agent, and shall perform its duties and functions provided for in these Conditions of Bonds, the Fiscal Agency Agreement and the Business Rules, with the same effect as if the replacement fiscal agent, issuing agent and paying agent had been named as the fiscal agent, issuing agent and paying agent therein and herein.

#### 4. **Book-Entry Transfer Institution**

In relation to the Bonds, Japan Securities Depository Center, Incorporated (the "**Book-Entry Transfer Institution**") acts as book-entry transfer institution (*furikae kikan*) under the Book-Entry Transfer Law.

In these Conditions of Bonds, all references to the Book-Entry Transfer Institution shall be deemed to include any successor book-entry transfer institution as designated by the competent minister pursuant to the Book-Entry Transfer Law.

#### 5. **Interest**

- (1) The Bonds shall bear fixed rate interest, in respect of the period from and including September 15, 2018 to and including September 13, 2023, at the rate of 0.575% per annum of the principal amount thereof, payable in Japanese yen semi-annually in arrear on March 13 and September 13 of each year in respect of the 6-month period to and including each such date; provided, however, that the first interest shall be payable on March 13, 2019 in respect of period from and including September 15, 2018 to and including March 13, 2019. Interest for any period of other than 6 months within the period from and including September 15, 2018 to and including September 13, 2023 shall be payable for the actual number of days included in such period computed on the basis of a 365-day year. Each date set for payment of interest in this Condition 5 within the period from and including September 15, 2018 to and including September 13, 2023 is hereinafter referred to as a "**Fixed Rate Interest Payment Date**".
- (2)
  - (a) The Bonds shall bear floating rate interest, in respect of the period from and including September 14, 2023 to and including the Floating Rate Interest Payment Date (as defined below) falling in September 2024, at the rate determined in accordance with Condition 5(2)(b) or (as the case may be) Condition 5(3), payable in Japanese yen semi-annually in arrear on March 13, 2024 and September 13, 2024 in respect of the Floating Rate Interest Period (as defined below) ending on and including each such date; provided that, if any such date would otherwise fall on a day which is not a Tokyo Business Day (as defined below), the relevant due date for payment of interest shall be postponed to the next succeeding Tokyo Business Day unless it would thereby fall into the next calendar month, in which event such due date shall be brought forward to the immediately preceding Tokyo Business Day, and the interest shall be payable in respect of the Floating Rate Interest Period ending on and including the due date as modified pursuant to this proviso. Interest

due for any Floating Rate Interest Period or any part thereof shall be payable for the actual number of days included in such Floating Rate Interest Period or the applicable part thereof on the basis of a 360-day year. Each due date set for payment of interest as provided above is hereinafter referred to as a "**Floating Rate Interest Payment Date**" (together with a Fixed Rate Interest Payment Date, an "**Interest Payment Date**").

In these Conditions of Bonds:

- (i) "**Tokyo Business Day**" means a day on which banks are open for business (including dealings in foreign exchange and foreign currency deposits) in Tokyo; and
  - (ii) "**Floating Rate Interest Period**" means the period beginning on and including September 14, 2023 and ending on and including the first Floating Rate Interest Payment Date and each successive period beginning on but excluding a Floating Rate Interest Payment Date and ending on and including the next succeeding Floating Rate Interest Payment Date.
- (b) The Bonds shall bear floating rate interest, in respect of each Floating Rate Interest Period, on the principal amount thereof at the rate per annum (the "**Floating Rate of Interest**") from time to time determined as follows; provided that such Floating Rate of Interest shall not be less than 0%:
- (i) At or prior to 10:00 a.m. (Tokyo time) on the Tokyo Business Day immediately following the Interest Rate Quotation Date (as defined below) (an "**Interest Rate Determination Date**"), the Issuer will ascertain in respect of the relevant Floating Rate Interest Period the offered rate for 6-month Japanese yen deposits in the London interbank market which appears on the Reuters Page LIBOR01 (as defined below) as of 11:00 a.m. (London time) on the second London Business Day (as defined below) before the first day of such Floating Rate Interest Period (each such day being hereinafter referred to as an "**Interest Rate Quotation Date**"). The Floating Rate of Interest for such Floating Rate Interest Period shall be the rate equal to 0.40% per annum (the "**Margin**") plus the above offered rate so ascertained by the Issuer.

In these Conditions of Bonds:

- (x) "**London Business Day**" means a day on which banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London; and
- (y) "**Reuters Page LIBOR01**" means the page designated as "**LIBOR01**" displayed on Reuters (or any successor service) which page displays the London interbank offered rate ("**LIBOR**") calculated and published by Reuters (or any successor service) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for Japanese yen deposits and designated maturities, based on estimated interbank borrowing rates which are provided by a panel of contributor banks.
- (ii) If the above offered rate does not appear on the Reuters Page LIBOR01, or if such page is unavailable, in either case, as of 11:00 a.m. (London time) on any Interest Rate Quotation Date, the Issuer will request on the Interest Rate Determination Date the principal Tokyo office, if any, of each of the Reference Banks (as defined below) to provide the Issuer with the offered quotation (expressed as a rate per annum) for 6-month Japanese yen deposits commencing on the second London Business Day following such Interest Rate Quotation Date offered by its principal London office to leading banks in the London interbank market at approximately 11:00 a.m. (London time) on such Interest Rate Quotation Date. In such case:

- If on such Interest Rate Determination Date 6 or more Reference Banks provide the Issuer with such offered quotations, the Floating Rate of Interest for the relevant Floating Rate Interest Period shall be the rate equal to the Margin plus the arithmetic mean (rounded, if necessary, to the nearest 5th decimal place with 5 or more in the 6th decimal place to be rounded upwards) of the offered quotations of those Reference Banks providing such quotations (disregarding 2 of the lowest and 2 of the highest of such quotations).
- If on such Interest Rate Determination Date not less than 2 but not more than 5 Reference Banks provide the Issuer with such offered quotations, the Floating Rate of Interest for the relevant Floating Rate Interest Period shall be the rate equal to the Margin plus the arithmetic mean (rounded, if necessary, to the nearest 5th decimal place with 5 or more in the 6th decimal place to be rounded upwards) of the offered quotations of those Reference Banks providing such quotations.
- If on such Interest Rate Determination Date only 1 or none of the Reference Banks provides the Issuer with such offered quotations, the Issuer shall ascertain the offered rate for 6-month Japanese yen deposits in the London interbank market which appears on the Reuters Page LIBOR01 as of 11:00 a.m. (London time) on the London Business Day immediately preceding the relevant Interest Rate Quotation Date (if the offered rate for 6-month Japanese yen deposits in the London interbank market does not appear on the Reuters Page LIBOR01 or the Reuters Page LIBOR01 is unavailable at such time on such day, on the preceding but closest London Business Day on which the offered rate appears at such time). The Floating Rate of Interest for the relevant Floating Rate Interest Period shall be the rate equal to the Margin plus such rate so ascertained by the Issuer; provided that, if such London Business Day falls on or before the preceding Interest Rate Quotation Date, if any, the Floating Rate of Interest shall be the Floating Rate of Interest in effect for the last preceding Floating Rate Interest Period.

In these Conditions of Bonds, "**Reference Bank**" means a bank which provided its offered quotation used to calculate the offered rate for 6-month Japanese yen deposits in the London interbank market which appeared on the Reuters Page LIBOR01 as of 11:00 a.m. (London time) on the London Business Day most closely preceding the Interest Rate Quotation Date in respect of the relevant Interest Rate Determination Date (if the offered rate for 6-month Japanese yen deposits in the London interbank market does not appear on the Reuters Page LIBOR01 or the Reuters Page LIBOR01 is unavailable on such day, on the preceding but closest London Business Day on which the offered rate appears).

- (c) The Issuer shall, at approximately 10:00 a.m. (Tokyo time) on each Interest Rate Determination Date, calculate the amount of interest per currency unit for the relevant Floating Rate Interest Period (the "**Interest Amount Per Currency Unit**") with respect to the Bonds for the purpose of the Business Rules. The Interest Amount Per Currency Unit of each Floating Rate Interest Period shall be calculated, pursuant to the Business Rules, by multiplying the Floating Rate of Interest by a fraction, the numerator of which is the actual number of days in the relevant Floating Rate Interest Period concerned and the denominator of which is 360. The calculation of the Interest Amount Per Currency Unit for a part of any Floating Rate Interest Period shall be made for the actual number of days included in such part on the basis of a 360-day year. The total amount of interest payable to each Bondholder shall be calculated in accordance with the Business Rules.
- (d) As soon as practicable after the determination of the Floating Rate of Interest for any Floating Rate Interest Period, but no later than 5 Tokyo Business Days following the commencement of any Floating Rate Interest Period, the Issuer shall notify the Fiscal Agent in writing of such Floating Rate of Interest and the relevant Interest Amount Per Currency Unit and Floating Rate Interest Payment Date; provided that public notices for

these matters for any Floating Rate Interest Period need not be given. As soon as practicable after receiving such notice, the Fiscal Agent shall make such matters available for perusal by the Bondholders at the head office of the Fiscal Agent during normal business hours.

- (e) If, after giving notice of any Floating Rate of Interest, the relevant Interest Amount Per Currency Unit and Floating Rate Interest Payment Date pursuant to sub-paragraph (d) above, the relevant Floating Rate Interest Period is lengthened or shortened, the Issuer shall promptly determine what adjustment is appropriate. As soon as practicable after the determination of such adjustment, the Issuer shall notify the Fiscal Agent in writing of the Interest Amount Per Currency Unit and the Floating Rate Interest Payment Date, as amended pursuant to such adjustment; provided that public notices for such amendment need not be given. As soon as practicable after the date on which the Fiscal Agent receives such notice, the Fiscal Agent shall make such matters available for perusal by the Bondholders at the head office of the Fiscal Agent during normal business hours.
  - (f) Any Floating Rate of Interest, Interest Amount Per Currency Unit or Floating Rate Interest Payment Date determined in accordance with the provisions of this Condition 5(2) shall (in the absence of manifest error) be final and binding upon all parties, including the Bondholders.
- (3) If the Issuer (in consultation with the Reference Agent (as defined below)) determines that LIBOR has ceased to be published on the Reuters Page LIBOR01 as a result of LIBOR ceasing to be calculated or administered, then the following provisions shall apply:
- the Issuer shall use reasonable endeavours to appoint an Independent Adviser (as defined below) to determine an alternative rate (the "**Alternative Reference Rate**") and an alternative screen page or source (the "**Alternative Relevant Screen Page**") no later than 5 Tokyo Business Days prior to the Interest Rate Determination Date relating to the next (or, as the case may be, the first) Floating Rate Interest Period (the "**IA Determination Cut-off Date**") for the purposes of determining the Floating Rate of Interest for all future Floating Rate Interest Periods (subject to the subsequent operation of this Condition 5(3));  
**"Independent Adviser"** means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense;
  - the Alternative Reference Rate shall be such rate as the Independent Adviser determines has replaced LIBOR in customary market usage for the purposes of determining floating rates of interest in respect of bonds denominated in Japanese yen, or, if the Independent Adviser determines that there is no such rate, such other rate as the Independent Adviser determines in its sole discretion is most comparable to LIBOR, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Reference Rate;
  - if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine an Alternative Reference Rate and Alternative Relevant Screen Page prior to the IA Determination Cut-off Date, then the Issuer (in consultation with the Reference Agent and acting in good faith and a commercially reasonable manner) shall determine which (if any) rate has replaced LIBOR in customary market usage for purposes of determining floating rates of interest in respect of bonds denominated in Japanese yen, or, if it determines that there is no such rate, which (if any) rate is most comparable to LIBOR, and the Alternative Reference Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Reference Rate; provided, however, that if this Condition 5(3)(c) applies and the Issuer is unable to determine an Alternative Reference Rate and Alternative Relevant Screen Page on or prior to the Interest Rate Determination Date relating to the next (or, as the case may be, the first) Floating Rate Interest Period, the Floating Rate of Interest applicable to such Floating Rate Interest Period shall be equal to the Floating Rate of Interest last determined in respect of a preceding Floating Rate Interest Period or, in the case of the first Floating Rate Interest

Period, the Floating Rate of Interest applicable to the first Floating Rate Interest Period should be the rate specified in Condition 5(1);

- if an Alternative Reference Rate and Alternative Relevant Screen Page is determined in accordance with the preceding provisions, such Alternative Reference Rate and Alternative Relevant Screen Page shall replace LIBOR and the Reuters Page LIBOR01 for all future Floating Rate Interest Periods (subject to the subsequent operation of this Condition 5(3));
  - if the Independent Adviser or, in accordance with Condition 5(3)(c), the Issuer determines an Alternative Reference Rate in accordance with the above provisions, the Independent Adviser or the Issuer (as the case may be) may also, following consultation with the Reference Agent, specify changes to the Interest Rate Determination Date, the Interest Rate Quotation Date, any times as of which rate or quotations are obtained, the day count fraction, the business day convention, the definitions of business days, and the method for determining the base rate of interest in relation to the Bonds if the Alternative Reference Rate is not available on the Alternative Relevant Screen Page, in order to follow market practice in relation to the Alternative Reference Rate, and shall also specify any other changes (including to the Margin) which the Issuer, following consultation with the Independent Adviser (where appointed), determines in good faith are reasonably necessary to ensure the proper operation and comparability to LIBOR of the Alternative Reference Rate, which changes shall apply to the Bonds for all future Floating Rate Interest Periods (subject to the subsequent operation of this Condition 5(3)) and the Issuer shall effect such amendments to these Conditions of Bonds and such consequential amendments to the Fiscal Agency Agreement as the Issuer may deem appropriate in order to give effect to this Condition 5(3). To the extent permitted by applicable Japanese law, no consent of the Bondholders shall be required in connection with effecting the Alternative Reference Rate, Alternative Relevant Screen Page or such other changes (including for the execution of any documents or the taking of other steps by the Issuer, the Fiscal Agent or the Reference Agent (if required)); and
  - the Issuer shall, promptly following the determination of any Alternative Reference Rate and Alternative Relevant Screen Page and/or any changes pursuant to Condition 5(3)(e), notify the Fiscal Agent and the Reference Agent of such matters in writing, and shall cause the Fiscal Agent to give public notice thereof to the Bondholders as soon as practicable thereafter.
- (4) Sumitomo Mitsui Banking Corporation acts as the Issuer's reference agent (the "**Reference Agent**") at its head office in Tokyo, Japan in respect of the Bonds. Pursuant to the Fiscal Agency Agreement, the Issuer shall entrust the Reference Agent with (i) the performance of all of its obligations (other than those to give public notices) under Condition 5(2) relating to the ascertainment, calculation and determination of any offered quotation or interest rate (including, but not limited to, the Floating Rate of Interest and Interest Amount Per Currency Unit) and (ii) all such other things as may be required to be made or done by the Reference Agent under Condition 5(3) at the times and otherwise. The Reference Agent shall act solely on behalf of the Issuer and shall assume no obligation towards or relationship of agency or trust for or with the Bondholders. (i) Determination specified in the first sentence of Condition 5(3), (ii) determination of an Alternative Reference Rate specified in Condition 5(3)(c) and (iii) specification of relevant changes in order to follow market practice in relation to the Alternative Reference Rate specified in Condition 5(3)(e), shall be made by the Independent Adviser or the Issuer (as applicable) as provided therein, and the Reference Agent shall only express its opinion to the Issuer in consultation with it as provided therein. The Reference Agent shall not be liable for any damages arising out of its opinion specified in the preceding sentence towards the Issuer or the Bondholders. Any notice required to be given by the Issuer to the Fiscal Agent under Condition 5 need not be given if and so long as the Fiscal Agent and the Reference Agent are one and the same bank. The Issuer may from time to time vary the appointment of the Reference Agent; provided that the appointment of the Reference Agent shall continue until the replacement reference agent is effectively appointed. In such case the Issuer shall give prior public notice thereof.
- (5) The Bonds shall cease to bear interest from but excluding the date on which they become due for redemption; provided, however, that if the Issuer fails to redeem any of the Bonds when due in

accordance with these Conditions of Bonds, then interest accrued on the principal amount of the Bonds then outstanding shall be paid in Japanese yen for the actual number of days in the period from, but excluding, the due date to, and including, the date of the actual redemption of such Bonds, (i) in respect of the period from and including September 15, 2018 to and including September 13, 2023, computed on the basis of a 365-day year at the rate specified in Condition 5(1), and (ii) in respect of the period from and including September 14, 2023 thereafter, computed on the basis of such actual number of days divided by 360 at the interest rate to be determined applying Conditions 5(2) and 5(3) *mutatis mutandis* as if the Floating Rate Interest Payment Dates continued to occur after such due date. Such period, however, shall not exceed the date on which the Fiscal Agent (acting in its capacity of paying agent under the Business Rules, hereinafter the "**Paying Agent**") allocates the necessary funds for the full redemption of the Bonds received by it among the relevant participants which have opened their accounts with the Book-Entry Transfer Institution to make book-entry transfer of the Bonds (*kiko kanyusha*) (the "**Institution Participants**"); provided that if such overdue allocation is not possible under the Business Rules, such period shall not exceed 14 days after the date on which the last public notice is given by the Issuer or the Fiscal Agent in accordance with Condition 7(3). In respect of the period from and including September 14, 2023, the Issuer shall notify each interest rate so determined to the Fiscal Agent in writing in accordance with the provisions of Condition 5(2)(d), whereupon, no later than 5 Tokyo Business Days following the date it receives the notice from the Issuer, the Fiscal Agent shall make such interest rate available for perusal by the Bondholders at the head office of the Fiscal Agent during normal business hours. Public notice for such interest rate need not be given.

#### 6. **Redemption and Purchase**

- (1) Unless previously redeemed or purchased and cancelled as provided in Condition 6(2), (3), (4) or (5), the Bonds shall be redeemed on September 13, 2024 at a price equal to 100% of the principal amount; provided that, if such date would otherwise fall on a day which is not a Tokyo Business Day, the due date for the redemption of the Bonds shall be postponed to the next succeeding Tokyo Business Day unless it would thereby fall into the next calendar month, in which event such due date shall be brought forward to the immediately preceding Tokyo Business Day.
- (2) If, as a result of a change in or amendment to the laws of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax (the "**Taxing Jurisdiction**"), or any change in the official application or interpretation of such laws (including a decision of any court or tribunal), or any change in, or in the official application or interpretation of, or execution of, or amendment to, any treaty or treaties affecting taxation to which the United Kingdom is a party, which change, amendment or execution becomes effective on or after the Issue Date:
  - (a) on the next succeeding Interest Payment Date the Issuer would be obliged to pay any Additional Amounts (as defined in Condition 8(1)) pursuant to Condition 8; or
  - (b) if the Issuer were to seek to redeem the Bonds (for which purpose no regard shall be had as to whether or not the Issuer would otherwise be entitled to redeem the Bonds), the Issuer would (notwithstanding its having made such reasonable endeavours available to it) be obliged to pay any Additional Amounts pursuant to Condition 8; or
  - (c) on the next succeeding Interest Payment Date, interest payments (or funding costs of the Issuer as recognised in its accounts) under or with respect to the Bonds are no longer fully deductible for United Kingdom corporation tax purposes,

then, subject to Condition 6(7), the Bonds may be redeemed, in whole but not in part, at the option of the Issuer, at any time at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption; provided that (i) any date fixed for redemption during the Floating Rate Interest Period shall be a Floating Rate Interest Payment Date and (ii) no such public notice of redemption as provided below shall be given earlier than 90 days prior to the earliest date on which, in the case of (a) or (b) above, the Issuer would be obliged to pay such Additional Amounts or, in the case of (c) above, such interest payments (or funding costs) are no longer fully deductible for United Kingdom corporation tax purposes, were a payment in respect of the Bonds then due.

In the event of redemption to be made under this Condition 6(2), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i), in the case of (a) or (b) above, that the Issuer is or will be obliged to pay such Additional Amounts pursuant to Condition 8(1) or, in the case of (c) above, that such interest payments (or funding costs) are no longer fully deductible for United Kingdom corporation tax purposes, (ii) that it elects to redeem the Bonds pursuant to this Condition 6(2), (iii) the date for such redemption, (iv) that the conditions precedent to the right of the Issuer so to redeem under this Condition 6(2) have occurred or that such conditions precedent are reasonably expected to occur on or prior to the date on which the relevant payment of principal or interest of the Bonds would otherwise be made (together with details of facts relating thereto), (v) (in the case of (b) above) that its obligation to pay such Additional Amounts could not be avoided by the Issuer having made reasonable endeavours available to it and (vi) that it has obtained a Relevant Supervisory Consent (as defined in Condition 6(7)), and a written opinion of an independent legal adviser or accountant of recognised standing confirming the matters set forth in items (i) and (iv) above.

Such certificate and opinion shall be delivered to the Fiscal Agent at least 30 days prior to the proposed redemption date, and the Issuer shall give public notice to the Bondholders of such matters at least 14 days prior to the proposed redemption date. Such proposed redemption date shall be a Tokyo Business Day, and such delivery to the Fiscal Agent and public notice to the Bondholders shall be irrevocable.

Such certificate and opinion delivered by the Issuer to the Fiscal Agent pursuant to this Condition 6(2) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 6(2) shall be borne by the Issuer.

- (3) Subject to Condition 6(7), the Bonds may be redeemed, in whole but not in part, at the option of the Issuer, on each Call Date (as defined below) at a price equal to 100% of the principal amount together with interest accrued to and including such date for redemption.

**"Call Date"** means September 13, 2023 and any subsequent Floating Rate Interest Payment Date.

In the event of redemption to be made under this Condition 6(3), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i) that it elects to redeem the Bonds pursuant to this Condition 6(3) and (ii) that it has obtained a Relevant Supervisory Consent.

Such certificate shall be delivered to the Fiscal Agent at least 30 days prior to the redemption date, and the Issuer shall give public notice to the Bondholders of such redemption at least 14 days prior to the redemption date. Such notice to the Fiscal Agent and public notice to the Bondholders shall be irrevocable.

Such certificate delivered by the Issuer to the Fiscal Agent pursuant to this Condition 6(3) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 6(3) shall be borne by the Issuer.

- (4) Following the occurrence of a Loss Absorption Disqualification Event (as defined below) and subject to Condition 6(7), the Bonds may be redeemed, in whole but not in part, at the option of the Issuer (such option to redeem being referred to herein as a "**Loss Absorption Disqualification Event Early Redemption Option**"), at any time within 90 days of the occurrence of the relevant Loss Absorption Disqualification Event at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption; provided that any date fixed for redemption during the Floating Rate Interest Period shall be a Floating Rate Interest Payment Date.



In the event of redemption to be made under this Condition 6(4), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i) that a Loss Absorption Disqualification Event has occurred and is continuing (together with details of facts relating thereto), (ii) that it elects to redeem the Bonds pursuant to this Condition 6(4), (iii) the date for such redemption and (iv) that it has obtained a Relevant Supervisory Consent.

Such certificate shall be delivered to the Fiscal Agent at least 30 days prior to the proposed redemption date, and the Issuer shall give public notice to the Bondholders of such redemption at least 14 days prior to the proposed redemption date. Such proposed redemption date shall be a Tokyo Business Day, and such delivery to the Fiscal Agent and public notice to the Bondholders shall be irrevocable.

Such certificate delivered by the Issuer to the Fiscal Agent pursuant to this Condition 6(4) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 6(4) shall be borne by the Issuer.

This Condition 6(4) will not apply if such application would cause a Loss Absorption Disqualification Event to occur.

For the avoidance of doubt, the Issuer may not exercise the Loss Absorption Disqualification Event Early Redemption Option solely on the basis that Condition 9(1) has caused or is likely (in the opinion of the Issuer) to cause the occurrence of a Loss Absorption Disqualification Event, in which case, pursuant to Condition 9(7), Condition 9(2) shall apply.

**"Group"** means the Issuer and its consolidated subsidiaries.

**"Loss Absorption Disqualification Event"** shall be deemed to have occurred if the Bonds have become fully or partially ineligible to meet the Issuer's and/or the Group's minimum requirements for (A) eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as determined in accordance with and pursuant to the relevant Loss Absorption Regulations (as defined below) applicable to the Issuer and/or the Group, as a result of any:

- (a) Loss Absorption Regulations becoming effective on or after the Issue Date; or
- (b) amendment to, or change in, any Loss Absorption Regulations, or any change in the application or official interpretation of any Loss Absorption Regulations, in any such case becoming effective on or after the Issue Date,

provided, however, that a Loss Absorption Disqualification Event shall not occur where the exclusion of the Bonds from the relevant minimum requirement(s) is due to the remaining maturity of the Bonds being less than any period prescribed by any applicable eligibility criteria for such minimum requirement(s) under the relevant Loss Absorption Regulations effective with respect to the Issuer and/or the Group on the Issue Date.

**"Loss Absorption Regulations"** means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies from time to time relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments in effect in the United Kingdom, including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as implementing or regulatory technical standards) adopted by the European Commission and applicable to the Issuer from time to time (whether or not such requirements, guidelines or policies are applied generally or specifically to the Issuer or to the Issuer and any holding or subsidiary company of the Issuer or any subsidiary of any such holding company).

- (5) Subject to Condition 6(7), the Issuer and any of its subsidiaries may at any time purchase the Bonds in the open market or otherwise and at any price. Such Bonds may be held, resold or cancelled, except as otherwise provided for by applicable laws and in the Business Rules.

- (6) Except as otherwise provided in these Conditions of Bonds, the Issuer may not redeem or repay the principal of the Bonds in whole or in part prior to the maturity thereof.
- (7) The Issuer may only exercise a right to redeem or purchase the Bonds pursuant to Condition 6(2), (3), (4) or (5) if the Issuer has first obtained any Relevant Supervisory Consent. For these purposes, a certificate signed by a duly authorised signatory of the Issuer stating that it has obtained a Relevant Supervisory Consent delivered to the Fiscal Agent pursuant to Condition 6 (2), (3) or (4) shall be conclusive as to the Issuer having obtained such consent and shall be binding on the Bondholders.

**"Relevant Supervisory Consent"** means, in relation to any redemption or purchase of any Bonds, any required permission of the Relevant UK Resolution Authority (as defined in Condition 16(1)) for such redemption or purchase under the prevailing Loss Absorption Regulations.

## 7. **Payment**

- (1) Payment of principal and interest in respect of the Bonds shall be made by the Paying Agent to the Bondholders, directly in case when such Bondholders are the Institution Participants, and in other cases through the relevant account management institutions (*kouza kanri kikan*) (the "**Account Management Institutions**") with which such Bondholders have opened their accounts to have the Bonds recorded in accordance with the Book-Entry Transfer Law and the Business Rules.
- (2) If a Fixed Rate Interest Payment Date is not a Tokyo Business Day, the Bondholders shall not be entitled to payment of the amount due until the next following Tokyo Business Day, nor shall they be entitled to the payment of any further or additional interest or other payment in respect of such delay.
- (3) If the full amount of principal of or interest on the Bonds payable on any due date is received by the Paying Agent after such due date, the Issuer shall, or shall cause the Fiscal Agent to, give public notice to the Bondholders to that effect and of the method of payment and the date of such payment as soon as practicable but not later than 14 days after receipt of such amount by the Paying Agent. If at the time of such receipt either the method or the date of such payment (or both) is not determinable, the Issuer or the Fiscal Agent shall give public notice to the Bondholders of such receipt and of the method and/or the date of such payment to the extent the same has been determined, and give at a later date public notice to the Bondholders of the method and/or the date of such payment promptly upon determination thereof. All expenses incurred in connection with the said public notice shall be borne by the Issuer.

## 8. **Taxation**

- (1) All payments (whether in respect of principal, interest or otherwise) in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Taxing Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in the receipt by the Bondholder of such amounts as would have been received by such Bondholder if no such withholding or deduction had been required, except that no such Additional Amounts shall be payable in respect of any Bond (i) to, or to a third party on behalf of, a Bondholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Taxing Jurisdiction other than the mere holding of such Bond or (ii) (only in the event that the Bond Certificates are issued) more than 30 days after the Relevant Date (as defined below) except to the extent the Bondholder would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days.

**"Relevant Date"** means whichever is the later of (i) the date on which the relevant payment of principal or interest first becomes due and (ii) if the full amount payable on such due date has not been duly received by the Paying Agent on or prior to such due date, the date on which, such full amount having been so received by the Paying Agent, the last public notice to that effect has been duly given by the Issuer or the Fiscal Agent in accordance with Condition 7(3).

- (2) Any reference in these Conditions of Bonds to principal or interest shall be deemed also to refer to any Additional Amounts which may be payable in respect of principal or interest, respectively, under this Condition 8. All expenses necessary for the procedures under this Condition 8 shall be borne by the Issuer.
- (3) Notwithstanding any other provision in these Conditions of Bonds, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code of 1986 Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay Additional Amounts or otherwise indemnify a Bondholder for any FATCA withholding deducted or withheld by the Issuer, the 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.

9. **Events of Default and Enforcement**

- (1) Subject to Condition 9(7), if default is made in the payment of any amount of interest in respect of the Bonds on the due date for payment thereof and such default continues for 14 days, any Bondholder may, at its option, by giving written notice by or on behalf of such Bondholder to the Issuer at the head office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the head office of the Fiscal Agent, the certificate (the "**Certificate**") certifying the holding of the relevant Bond and issued by the Book-Entry Transfer Institution or the relevant Account Management Institution), declare that any Bond(s) held by such Bondholder shall be forthwith due and payable, whereupon the same shall become immediately due and payable at a price equal to 100% of the principal amount together with interest accrued to and including such date, without further action or formality, unless, prior to receipt of such notice by the Fiscal Agent, such default shall have been cured; provided that it shall not be such a default to withhold or refuse any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (ii) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers of recognised standing as to such validity or applicability.
- (2) In the case this Condition 9(2) applies to the Bonds instead of Condition 9(1) pursuant to the provisions of Condition 9(7):
  - (a) if default is made in the payment of any amount of interest in respect of the Bonds on the due date for payment thereof and such default continues for 14 days, any Bondholder may, in order to enforce payment, at its discretion and without further notice, institute proceedings for the winding up of the Issuer in England; provided that it shall not be such a default to withhold or refuse any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (ii) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers of recognised standing as to such validity or applicability; and
  - (b) any Bondholder 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 winding up of the Issuer in England and/or prove in any winding up or administration of the Issuer in England, to enforce any obligation, condition or provision binding on the Issuer under the Bonds (other than any obligation for the payment of any principal, interest or expenses in respect of such Bonds 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 winding up of the Issuer be obliged to pay any sum or sums (whether in respect of principal or interest or other sums in respect of the relevant Bonds or by way of damages in respect of any breach of any such obligation, condition or provision or otherwise howsoever). The Bondholders may only institute proceedings for the winding up of the Issuer to enforce the obligations above referred to in this paragraph (b) and/or prove in any winding up or administration of the Issuer in

England if a default by the Issuer thereunder is not remedied within 60 days (or such longer period as approved by an Extraordinary Resolution (as defined in Condition 10(3))) after notice of such default has been given to the Issuer by any Bondholder at the head office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the head office of the Fiscal Agent, the Certificate) requiring such default to be remedied.

- (3) In addition to Condition 9(1) or (as the case may be) Condition 9(2), if an order is made or an effective resolution is passed for the winding up of the Issuer in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved by an Extraordinary Resolution), any Bondholder may, at its option, by giving written notice by or on behalf of such Bondholder to the Issuer at the head office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the head office of the Fiscal Agent, the Certificate), declare that any Bond(s) held by such Bondholder shall be forthwith due and payable, whereupon the same shall become immediately due and payable at a price equal to 100% of the principal amount together with interest accrued to and including such date, without further action or formality.
- (4) If (x) the Issuer has failed to remedy a default within the time specified in Condition 9(2)(b) or the event specified in Condition 9(3) has occurred or (y) any circumstance exists which would with the lapse of time or the giving of notice or both constitute such event, the Issuer shall, immediately or in case of (y) above immediately when such circumstance comes to knowledge of the Issuer, notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent. If the event specified in Condition 9(1) or 9(2)(a) (such event, the events specified in Condition 9(3) and the failure by the Issuer to remedy a default within the time specified in Condition 9(2)(b) each being referred to herein as an "**Event of Default**") has occurred or any circumstance exists which would with the lapse of time constitute such event, the Issuer shall also immediately notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent.
- (5) No remedy against the Issuer (including any right of set-off) other than as specifically provided by this Condition 9 shall be available to the Bondholders whether for the recovery of amounts owing in respect of the Bonds or in respect of any breach by the Issuer of any obligation, condition or provision under the Bonds or otherwise.
- (6) All expenses necessary for the procedures under this Condition 9 shall be borne by the Issuer.
- (7) If Condition 9(1) has caused or (in the opinion of the Issuer) is likely to cause the occurrence of a Loss Absorption Disqualification Event, then Condition 9(2) shall, without the need for any further consent from the Bondholders, apply to the Bonds at all times thereafter instead of Condition 9(1). As soon as practicable after the application of Condition 9(2) to the Bonds instead of Condition 9(1) (but no later than 14 days after the application), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i) that Condition 9(1) has caused or is likely to cause the occurrence of a Loss Absorption Disqualification Event (together with details of facts relating thereto) and (ii) the date of such application. For these purposes such certificate delivered to the Fiscal Agent shall be conclusive of such matters and shall be binding on the Bondholders. The Issuer shall also give public notice to the Bondholders of such matters within 30 days after such application.

Such certificate delivered by the Issuer to the Fiscal Agent pursuant to this Condition 9(7) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 9(7) shall be borne by the Issuer.

## 10. **Bondholders' Meetings**

- (1) The Issuer shall convene a Bondholders' meeting to consider any matters which relate to the interests of the Bondholders in the event that: (a) Bondholders holding one-tenth (1/10) or more of the aggregate principal amount of the Bonds then outstanding, acting either jointly or individually,

so request in writing to the Fiscal Agent on behalf of the Issuer at the head office of the Fiscal Agent, provided that such Bondholders shall have presented to the Fiscal Agent the Certificates; or (b) the Issuer should deem it necessary to hold a Bondholders' meeting, in each case, by giving written notice at least 35 days prior to the proposed date of the meeting to the Fiscal Agent.

When a Bondholders' meeting is to be convened, the Issuer shall give public notice to the Bondholders of the Bondholders' meeting at least 21 days prior to the date of such meeting; and ensure that the Fiscal Agent, on behalf of the Issuer, shall take the steps necessary for the convocation of the Bondholders' meeting and to expedite the proceedings thereof.

- (2) The Bondholders may exercise their vote by themselves at the relevant Bondholders' meeting, by proxy, in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method pursuant to the rules established by the Issuer or the Fiscal Agent on behalf of the Issuer. At any Bondholders' meeting, each Bondholder shall have voting rights in proportion to the principal amount of the Bonds (for the time being outstanding) held by such Bondholder; provided, however, that the Certificates shall have been presented to the Fiscal Agent at its head office, at least 7 days prior to the date set for such meeting and to the Issuer or the Fiscal Agent at such meeting, on the date thereof; and, provided, further, that the Bondholder shall not make an application for book-entry transfer or an application for obliteration of the Bonds unless the Bondholder returns the relevant Certificate to the Book-Entry Transfer Institution or the relevant Account Management Institution of such Bondholder. The Issuer may have its representative attend such meeting and express its opinion thereat.
- (3) Resolutions at such Bondholders' meeting shall be passed by more than one-half (1/2) of the aggregate amount of voting rights held by the Bondholders who are entitled to exercise their voting rights (the "**Voting Rights Holders**") and present at such meeting; provided, however, that an Extraordinary Resolution is required with respect to the following items:
  - (a) giving a grace of payment, an exemption from liabilities resulting from a default, or settlement, to be effected with respect to all the Bonds (other than the matters referred to in (b) below);
  - (b) any acts of litigation to be made with respect to all the Bonds, or all acts pertaining to the bankruptcy, corporate reorganisation or similar proceedings of the Issuer;
  - (c) the election or dismissal of representative(s) of the Bondholders who may be appointed and authorised by resolution of a Bondholders' meeting to make decisions on matters to be resolved at a Bondholders' meeting (provided each of such representative(s) must hold one-thousandth (1/1,000) or more of the aggregate principal amount of the Bonds (for the time being outstanding)) (the "**Representative(s) of the Bondholders**") or an executor (the "**Executor**") who may be appointed and authorised by resolution of a Bondholders' meeting so as to execute the resolutions of the Bondholders' meeting, or the change in any matters entrusted to them; and
  - (d) any other matters where the Extraordinary Resolution is required under the provisions of these Conditions of Bonds.

"**Extraordinary Resolution**" means a resolution passed at a Bondholders' meeting by one-fifth (1/5) or more of the aggregate amount of the voting rights held by the Voting Rights Holders representing the aggregate principal amount of the Bonds then outstanding and two-thirds (2/3) or more of the aggregate amount of the voting rights held by the Voting Rights Holders present at such meeting.

For the purposes of calculating the number of votes exercised at a Bondholders' meeting, the Bondholders who have exercised their votes by proxy or in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method shall be deemed to have attended and voted at such meeting.

- (4) The resolution passed pursuant to this Condition 10 shall be binding on all the Bondholders whether present or not at such Bondholders' meeting to the extent permitted by the applicable Japanese law, and shall be carried out by the Representative(s) of the Bondholders or the Executor.

- (5) For the purpose of this Condition 10, the Bonds then held by the Issuer or any of its subsidiaries shall be disregarded and deemed not to be outstanding.
- (6) The Bondholders' meetings shall be held in Tokyo, Japan.
- (7) All expenses necessary for the procedures under this Condition 10 shall be borne by the Issuer.

11. **Merger, Consolidation, Etc.**

The Issuer may, without the consent of the Bondholders, consolidate or amalgamate with or merge into any other corporation or convey or sell or transfer or lease its properties and assets substantially as an entirety to any other corporation, provided that:

- (a) the corporation formed by such consolidation or amalgamation or into which the Issuer is merged or to which conveyance, transfer or lease of the properties and assets of the Issuer, substantially as an entirety, is made (i) shall expressly assume, by a supplemental agreement executed by such successor corporation and/or the Issuer with the Fiscal Agent, the due and punctual payment of any principal or interest in respect of all the Bonds and the performance of every obligation and covenant under these Conditions of Bonds on the part of the Issuer to be performed or observed and (ii) the definition of "**Taxing Jurisdiction**" shall be amended, if applicable, to replace the United Kingdom with the jurisdiction in which such successor corporation is resident for tax purposes;
- (b) immediately after giving effect to such transaction and treating any indebtedness that becomes an obligation of the Issuer, as a result of such transaction as having been incurred by the Issuer at the time of such transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing; and
- (c) the Issuer and the successor corporation have delivered to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating, and a written opinion of independent legal advisers of recognised standing confirming, that such consolidation, merger, conveyance, transfer or lease comply with this Condition 11.

Such certificate and opinion delivered to the Fiscal Agent pursuant to this Condition 11 shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

Upon any consolidation or amalgamation with or merger into any other corporation, or any conveyance, transfer or lease of the properties and assets of the Issuer substantially as an entirety to any other corporation in accordance with this Condition 11, the successor corporation formed by such consolidation or amalgamation or into which the Issuer is merged or the successor corporation to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under these Conditions of Bonds with the same effect as if such successor corporation had been named as the Issuer herein, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under these Conditions of Bonds.

12. **Registration Book**

The registration book for the Bonds shall be prepared, administered and kept by the Fiscal Agent at its head office on behalf of the Issuer.

13. **Prescription**

The period of extinctive prescription shall be 10 years for the principal of the Bonds and 5 years for the interest on the Bonds.

14. **Public Notices**

All public notices relating to the Bonds shall be published once in the Japanese Official Gazette (if possible) and once in a daily Japanese newspaper published in both Tokyo and Osaka reporting on general affairs. Direct notification to individual Bondholders need not be made. Such public notices to be given by the Issuer shall, upon the request and at the expense of the Issuer, be given by the Fiscal Agent on behalf of the Issuer. The Fiscal Agency Agreement provides that the Issuer shall request the Fiscal Agent in writing to give such public notices on behalf of the Issuer whenever necessary under these Conditions of Bonds.

15. **Currency Indemnity**

In the event of a judgment or order being rendered or issued by any court for the payment of the principal of or interest on the Bonds or any other amount payable in respect of the Bonds, and such judgment or order being expressed in a currency other than Japanese yen, any amount received or recovered in such currency by any Bondholder in respect of such judgment or order shall only constitute a discharge to the Issuer to the extent of the amount received or recovered in Japanese yen and the Issuer undertakes to pay to such Bondholder the amount necessary to make up any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which any amount expressed in Japanese yen is (or is to be treated as) converted into such currency other than Japanese yen for the purposes of any such judgment or order, and (ii) the date or dates of discharge of such judgment or order (or part thereof). To the extent permitted by any applicable law, the above undertaking shall constitute a separate and independent obligation of the Issuer from its other obligations, shall give rise to a separate and independent cause of action against the Issuer, shall apply irrespective of any indulgence granted by any Bondholder from time to time and shall continue in full force and effect notwithstanding any judgment or order.

16. **Agreement with Respect to the Exercise of the UK Bail-in Power**

(1) By its acquisition of the Bonds, each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) acknowledges, accepts, consents and agrees, notwithstanding any other term of the Bonds or any other agreements, arrangements or understandings between the Issuer and any Bondholder, to be bound by:

- (a) the effect of the exercise of any UK Bail-in Power (as defined below) by the Relevant UK Resolution Authority that may include and result in any of the following, or some combination thereof: (i) the reduction of all, or a portion, of the Amounts Due (as defined below); (ii) the conversion of all, or a portion, of the Amounts Due into the Issuer's or another person's ordinary shares, other securities or other obligations (and the issue to, or conferral on, the Bondholder of such ordinary shares, other securities or other obligations), including by means of an amendment, modification or variation of these Conditions of Bonds; (iii) the cancellation of the Bonds; and/or (iv) the amendment or alteration of the date for redemption of the Bonds or amendment of the amount of interest payable on the Bonds, or the Interest Payment Dates, including by suspending payment for a temporary period; and
- (b) the variation of these Conditions of Bonds, if necessary, to give effect to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

No repayment or payment of Amounts Due shall become due and payable or be paid after the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.

Each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) consents to the exercise of any UK Bail-in Power as it may be imposed without any prior notice by the Relevant UK Resolution Authority of its decision to exercise such power with respect to the Bonds.

"**Amounts Due**" means the principal amount of, and any accrued but unpaid interest, including any Additional Amounts, on, the Bonds. References to such amounts will include amounts that

have become due and payable, but which have not been paid, prior to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

"**Banking Act**" means the UK Banking Act 2009, as amended.

"**BRRD**" means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended from time to time.

"**PRA**" means the UK Prudential Regulation Authority or any successor entity.

"**Regulated Entity**" refers to any BRRD Undertaking as such term is defined under the PRA Rulebook promulgated by the PRA, as amended from time to time, which includes certain credit institutions, investment firms and certain of their parent or holding companies or any comparable future definition intended to designate entities within the scope of the UK recovery and resolution regime.

"**Relevant UK Resolution Authority**" means any authority with the ability to exercise a UK Bail-in Power.

"**UK Bail-in Power**" means any write-down, conversion, transfer, modification or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the United Kingdom, relating to the transposition of the BRRD or otherwise relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings), including but not limited to the Banking Act and the instruments, rules and standards created thereunder, pursuant to which (i) any obligation of a Regulated Entity (or other affiliate of such Regulated Entity) can be reduced, cancelled, modified or converted into shares, other securities or other obligations of such Regulated Entity or any other person (or suspended for a temporary period); and (ii) any right in a contract governing an obligation of a Regulated Entity may be deemed to have been exercised.

- (2) The exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds shall not constitute an Event of Default.
- (3) Upon the exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds, the Issuer shall immediately notify the Fiscal Agent in writing of such exercise and give public notice of the same to the Bondholders through the Fiscal Agent. For avoidance of doubt, any delay or failure by the Issuer in delivering any notice or public notice referred to in this Condition 16(3) shall not affect the validity and enforceability of the UK Bail-in Power.
- (4) By its acquisition of the Bonds, to the fullest extent permitted by applicable law (including, without limitation, the Business Rules), each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) shall be deemed to have authorized, directed and requested the Book-Entry Transfer Institution and the Institution Participant or the Account Management Institution, as the case may be, to take any and all necessary action, if required, to implement the exercise of any UK Bail-in Power with respect to the Bonds as it may be imposed, without any further action or direction on the part of such Bondholder or beneficial owner, and the Fiscal Agent.
- (5) To the fullest extent permitted by applicable law, the Bondholders in respect of any claims of such Bondholders to payment of any principal or interest in respect of the Bonds, by their acceptance of the Bonds, shall be deemed to have waived any right of set-off or counterclaim that such Bondholders might otherwise have.
- (6) Any Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) that acquires the Bonds in the secondary market and any successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of any Bondholder shall be deemed to acknowledge, agree to be bound by and consent to the same provisions in this Condition 16 to the same extent as the Bondholders that acquire the Bonds upon their initial issuance, including, without limitation, with respect to the acknowledgement and agreement to be bound by and consent to these Conditions of Bonds related to the UK Bail-in power.



17. **Governing Law and Jurisdiction**

Except as to the authorisation relating to the issue of the Bonds by the Issuer, the Bonds and all the rights and obligations of all the parties concerned, including the Bondholders, arising thereunder shall in all respects be governed by and construed in accordance with the laws of Japan.

Except as otherwise provided in these Conditions of Bonds, the place of performance of obligations pertaining to the Bonds is Tokyo, Japan.

Any legal or other court procedural action against the Issuer arising from or relating to the Bonds or these Conditions of Bonds may be instituted, on a non-exclusive basis, in the Tokyo District Court, to the jurisdiction of which the Issuer hereby expressly, unconditionally and irrevocably agrees to submit.

The Issuer hereby appoints the Representative in Japan of The Hongkong and Shanghai Banking Corporation Limited as the authorised agent of the Issuer upon whom process or any judicial or other court documents may be served in any legal or other court procedural action arising from or relating to the Bonds or these Conditions of Bonds that may be instituted in Tokyo, Japan; the Issuer hereby designates the address from time to time of the Tokyo Branch of The Hongkong and Shanghai Banking Corporation Limited, currently at HSBC Building, 11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-0027, Japan, as the address to receive such process or any judicial or other court documents; and the Issuer hereby agrees to take, from time to time and so long as any of the Bonds shall remain outstanding, any and all action (including the execution and filing of any and all documents and instruments) that may be necessary to effect and to continue such appointment and designation in full force and effect. If at any time such agent shall not, for any reason, serve as such authorised agent, the Issuer shall immediately appoint, and it hereby undertakes to take any and all action that may be necessary to effect the appointment of, a successor authorised agent in Tokyo, Japan. In such case the Issuer shall promptly notify the Fiscal Agent in writing of the appointment of such successor agent and give public notice thereof.

Nothing in this Condition 17 shall affect the right of the Bondholders to institute legal or other court procedural action against the Issuer in any court of competent jurisdiction under applicable laws or to serve process or any judicial or other court documents in any manner otherwise permitted by law.

18. **Modifications and Amendments**

To the fullest extent permitted by applicable law, certain modifications and amendments to these Conditions of Bonds may be made without the consent of any Bondholder, only for the purpose of curing any ambiguity, or of correcting or supplementing any defective provisions contained herein, adding covenants for the benefit of the Bondholders, surrendering rights or powers conferred on the Issuer, or in any other manner which the Issuer may deem necessary and desirable and which will not adversely affect the interest of the Bondholders. The Issuer shall immediately notify the Fiscal Agent in writing of any such modification and amendment and give public notice of the same to the Bondholders as soon as practicable thereafter. All expenses necessary for the procedures under this Condition 18 shall be borne by the Issuer.

## TERMS AND CONDITIONS OF THE BONDS (FIFTH SERIES 2018)

*Below is the English translation of the Terms and Conditions of the Bonds (Fifth Series 2018). In the event of any difference in meaning between the English translation and the original Japanese version, the Japanese version shall prevail.*

These Conditions of Bonds shall apply to the issue of HSBC HOLDINGS PLC JAPANESE YEN CALLABLE BONDS – FIFTH SERIES (2018) (the "**Bonds**") pursuant to lawful authorisation by HSBC Holdings plc (the "**Issuer**").

### 1. **Aggregate Principal Amount, Date of Issuance, Denomination and Form**

The aggregate principal amount of the Bonds is ¥13,100,000,000.

The date of issuance of the Bonds is September 14, 2018 (the "**Issue Date**").

The Bonds are issued in the denomination of ¥100,000,000 each.

The Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, Etc. of Japan (Law No. 75, 2001, as amended) (the "**Book-Entry Transfer Law**") shall apply to the Bonds and the transfer of and other matters relating to the Bonds shall be dealt with in accordance with the Book-Entry Transfer Law and the business regulations and other rules relating to book-entry transfer of corporate bonds, etc. (collectively, the "**Business Rules**") from time to time adopted by the Book-Entry Transfer Institution (as defined in Condition 4).

The certificates for the Bonds (the "**Bond Certificates**") shall not be issued except in such exceptional events as provided under the Book-Entry Transfer Law where the holders of the Bonds (the "**Bondholders**") may make a request for the issue of Bond Certificates. If Bond Certificates are issued, such Bond Certificates shall be only in bearer form with unmatured interest coupons attached and the Bondholders may not request that the Bond Certificates be exchanged for Bond Certificates in registered form or divided or consolidated.

If Bond Certificates are issued, the manner of the calculation and payment of principal of and interest on the Bonds, the exercise of the rights under the Bonds by the Bondholders and the transfer of the Bonds, and all other matters in respect of the Bonds shall be subject to the then applicable Japanese laws and regulations and the then prevailing market practice in Japan. In the event of any inconsistency between the provisions of these Conditions of Bonds and then applicable Japanese laws and regulations and then prevailing market practice in Japan, such Japanese laws and regulations and market practice in Japan shall prevail.

All expenses incurred in connection with the issue of Bond Certificates shall be borne by the Issuer.

### 2. **Status of the Bonds**

The Bonds constitute direct and unsecured obligations of the Issuer, ranking *pari passu* without any preference among themselves and *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future, other than any such obligations preferred by law.

### 3. **Appointment of Fiscal Agent, Issuing Agent and Paying Agent and Non-appointment of Commissioned Company for Bondholders**

- (1) Sumitomo Mitsui Banking Corporation acts as fiscal agent, issuing agent and paying agent (the "**Fiscal Agent**", unless the context otherwise requires, the term "**Fiscal Agent**" means an agent acting in all these capacities) of the Issuer in respect of the Bonds. The Fiscal Agent shall perform the duties and functions provided for in these Conditions of Bonds, the Fiscal and Reference Agency Agreement (the "**Fiscal Agency Agreement**") dated September 7, 2018 between the Issuer and the Fiscal Agent, and the Business Rules. The Fiscal Agent is acting solely as agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with the Bondholders. A copy of the Fiscal Agency Agreement to which these Conditions of Bonds are attached shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any

Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

- (2) No commissioned company for bondholders is appointed in respect of the Bonds.
- (3) The Issuer may from time to time vary the appointment of the Fiscal Agent, provided that the appointment of the Fiscal Agent shall continue until a replacement fiscal agent, issuing agent and paying agent shall be effectively appointed (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules). In such case the Issuer shall give prior public notice thereof to the Bondholders.
- (4) The Issuer shall, without delay, appoint a replacement fiscal agent, issuing agent and paying agent (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules) and give public notice to that effect to the Bondholders if the Book-Entry Transfer Institution notifies the Issuer that the Fiscal Agent will be disqualified from acting as a designated issuing agent or paying agent.
- (5) As at the effective date of the appointment, the replacement fiscal agent, issuing agent and paying agent shall succeed to and be substituted for the retiring Fiscal Agent, and shall perform its duties and functions provided for in these Conditions of Bonds, the Fiscal Agency Agreement and the Business Rules, with the same effect as if the replacement fiscal agent, issuing agent and paying agent had been named as the fiscal agent, issuing agent and paying agent therein and herein.

#### 4. **Book-Entry Transfer Institution**

In relation to the Bonds, Japan Securities Depository Center, Incorporated (the "**Book-Entry Transfer Institution**") acts as book-entry transfer institution (*furikae kikan*) under the Book-Entry Transfer Law.

In these Conditions of Bonds, all references to the Book-Entry Transfer Institution shall be deemed to include any successor book-entry transfer institution as designated by the competent minister pursuant to the Book-Entry Transfer Law.

#### 5. **Interest**

- (1) The Bonds shall bear fixed rate interest, in respect of the period from and including September 15, 2018 to and including September 14, 2025, at the rate of 0.797% per annum of the principal amount thereof, payable in Japanese yen semi-annually in arrear on March 14 and September 14 of each year in respect of the 6-month period to and including each such date. Interest for any period of other than 6 months within the period from and including September 15, 2018 to and including September 14, 2025 shall be payable for the actual number of days included in such period computed on the basis of a 365-day year. Each date set for payment of interest in this Condition 5 within the period from and including September 15, 2018 to and including September 14, 2025 is hereinafter referred to as a "**Fixed Rate Interest Payment Date**".
- (2)
  - (a) The Bonds shall bear floating rate interest, in respect of the period from and including September 15, 2025 to and including the Floating Rate Interest Payment Date (as defined below) falling in September 2026, at the rate determined in accordance with Condition 5(2)(b) or (as the case may be) Condition 5(3), payable in Japanese yen semi-annually in arrear on March 14, 2026 and September 14, 2026 in respect of the Floating Rate Interest Period (as defined below) ending on and including each such date; provided that, if any such date would otherwise fall on a day which is not a Tokyo Business Day (as defined below), the relevant due date for payment of interest shall be postponed to the next succeeding Tokyo Business Day unless it would thereby fall into the next calendar month, in which event such due date shall be brought forward to the immediately preceding Tokyo Business Day, and the interest shall be payable in respect of the Floating Rate Interest Period ending on and including the due date as modified pursuant to this proviso. Interest due for any Floating Rate Interest Period or any part thereof shall be payable for the actual number of days included in such Floating Rate Interest Period or the applicable part

thereof on the basis of a 360-day year. Each due date set for payment of interest as provided above is hereinafter referred to as a "**Floating Rate Interest Payment Date**" (together with a Fixed Rate Interest Payment Date, an "**Interest Payment Date**").

In these Conditions of Bonds:

- (i) "**Tokyo Business Day**" means a day on which banks are open for business (including dealings in foreign exchange and foreign currency deposits) in Tokyo; and
  - (ii) "**Floating Rate Interest Period**" means the period beginning on and including September 15, 2025 and ending on and including the first Floating Rate Interest Payment Date and each successive period beginning on but excluding a Floating Rate Interest Payment Date and ending on and including the next succeeding Floating Rate Interest Payment Date.
- (b) The Bonds shall bear floating rate interest, in respect of each Floating Rate Interest Period, on the principal amount thereof at the rate per annum (the "**Floating Rate of Interest**") from time to time determined as follows; provided that such Floating Rate of Interest shall not be less than 0%:
- (i) At or prior to 10:00 a.m. (Tokyo time) on the Tokyo Business Day immediately following the Interest Rate Quotation Date (as defined below) (an "**Interest Rate Determination Date**"), the Issuer will ascertain in respect of the relevant Floating Rate Interest Period the offered rate for 6-month Japanese yen deposits in the London interbank market which appears on the Reuters Page LIBOR01 (as defined below) as of 11:00 a.m. (London time) on the second London Business Day (as defined below) before the first day of such Floating Rate Interest Period (each such day being hereinafter referred to as an "**Interest Rate Quotation Date**"). The Floating Rate of Interest for such Floating Rate Interest Period shall be the rate equal to 0.55% per annum (the "**Margin**") plus the above offered rate so ascertained by the Issuer.

In these Conditions of Bonds:

- (x) "**London Business Day**" means a day on which banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London; and
  - (y) "**Reuters Page LIBOR01**" means the page designated as "**LIBOR01**" displayed on Reuters (or any successor service) which page displays the London interbank offered rate ("**LIBOR**") calculated and published by Reuters (or any successor service) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for Japanese yen deposits and designated maturities, based on estimated interbank borrowing rates which are provided by a panel of contributor banks.
- (ii) If the above offered rate does not appear on the Reuters Page LIBOR01, or if such page is unavailable, in either case, as of 11:00 a.m. (London time) on any Interest Rate Quotation Date, the Issuer will request on the Interest Rate Determination Date the principal Tokyo office, if any, of each of the Reference Banks (as defined below) to provide the Issuer with the offered quotation (expressed as a rate per annum) for 6-month Japanese yen deposits commencing on the second London Business Day following such Interest Rate Quotation Date offered by its principal London office to leading banks in the London interbank market at approximately 11:00 a.m. (London time) on such Interest Rate Quotation Date. In such case:
- If on such Interest Rate Determination Date 6 or more Reference Banks provide the Issuer with such offered quotations, the Floating Rate of

Interest for the relevant Floating Rate Interest Period shall be the rate equal to the Margin plus the arithmetic mean (rounded, if necessary, to the nearest 5th decimal place with 5 or more in the 6th decimal place to be rounded upwards) of the offered quotations of those Reference Banks providing such quotations (disregarding 2 of the lowest and 2 of the highest of such quotations).

- If on such Interest Rate Determination Date not less than 2 but not more than 5 Reference Banks provide the Issuer with such offered quotations, the Floating Rate of Interest for the relevant Floating Rate Interest Period shall be the rate equal to the Margin plus the arithmetic mean (rounded, if necessary, to the nearest 5th decimal place with 5 or more in the 6th decimal place to be rounded upwards) of the offered quotations of those Reference Banks providing such quotations.
- If on such Interest Rate Determination Date only 1 or none of the Reference Banks provides the Issuer with such offered quotations, the Issuer shall ascertain the offered rate for 6-month Japanese yen deposits in the London interbank market which appears on the Reuters Page LIBOR01 as of 11:00 a.m. (London time) on the London Business Day immediately preceding the relevant Interest Rate Quotation Date (if the offered rate for 6-month Japanese yen deposits in the London interbank market does not appear on the Reuters Page LIBOR01 or the Reuters Page LIBOR01 is unavailable at such time on such day, on the preceding but closest London Business Day on which the offered rate appears at such time). The Floating Rate of Interest for the relevant Floating Rate Interest Period shall be the rate equal to the Margin plus such rate so ascertained by the Issuer; provided that, if such London Business Day falls on or before the preceding Interest Rate Quotation Date, if any, the Floating Rate of Interest shall be the Floating Rate of Interest in effect for the last preceding Floating Rate Interest Period.

In these Conditions of Bonds, "**Reference Bank**" means a bank which provided its offered quotation used to calculate the offered rate for 6-month Japanese yen deposits in the London interbank market which appeared on the Reuters Page LIBOR01 as of 11:00 a.m. (London time) on the London Business Day most closely preceding the Interest Rate Quotation Date in respect of the relevant Interest Rate Determination Date (if the offered rate for 6-month Japanese yen deposits in the London interbank market does not appear on the Reuters Page LIBOR01 or the Reuters Page LIBOR01 is unavailable on such day, on the preceding but closest London Business Day on which the offered rate appears).

- (c) The Issuer shall, at approximately 10:00 a.m. (Tokyo time) on each Interest Rate Determination Date, calculate the amount of interest per currency unit for the relevant Floating Rate Interest Period (the "**Interest Amount Per Currency Unit**") with respect to the Bonds for the purpose of the Business Rules. The Interest Amount Per Currency Unit of each Floating Rate Interest Period shall be calculated, pursuant to the Business Rules, by multiplying the Floating Rate of Interest by a fraction, the numerator of which is the actual number of days in the relevant Floating Rate Interest Period concerned and the denominator of which is 360. The calculation of the Interest Amount Per Currency Unit for a part of any Floating Rate Interest Period shall be made for the actual number of days included in such part on the basis of a 360-day year. The total amount of interest payable to each Bondholder shall be calculated in accordance with the Business Rules.
- (d) As soon as practicable after the determination of the Floating Rate of Interest for any Floating Rate Interest Period, but no later than 5 Tokyo Business Days following the commencement of any Floating Rate Interest Period, the Issuer shall notify the Fiscal Agent in writing of such Floating Rate of Interest and the relevant Interest Amount Per Currency Unit and Floating Rate Interest Payment Date; provided that public notices for these matters for any Floating Rate Interest Period need not be given. As soon as practicable after receiving such notice, the Fiscal Agent shall make such matters available

for perusal by the Bondholders at the head office of the Fiscal Agent during normal business hours.

- (e) If, after giving notice of any Floating Rate of Interest, the relevant Interest Amount Per Currency Unit and Floating Rate Interest Payment Date pursuant to sub-paragraph (d) above, the relevant Floating Rate Interest Period is lengthened or shortened, the Issuer shall promptly determine what adjustment is appropriate. As soon as practicable after the determination of such adjustment, the Issuer shall notify the Fiscal Agent in writing of the Interest Amount Per Currency Unit and the Floating Rate Interest Payment Date, as amended pursuant to such adjustment; provided that public notices for such amendment need not be given. As soon as practicable after the date on which the Fiscal Agent receives such notice, the Fiscal Agent shall make such matters available for perusal by the Bondholders at the head office of the Fiscal Agent during normal business hours.
- (f) Any Floating Rate of Interest, Interest Amount Per Currency Unit or Floating Rate Interest Payment Date determined in accordance with the provisions of this Condition 5(2) shall (in the absence of manifest error) be final and binding upon all parties, including the Bondholders.
- (3) If the Issuer (in consultation with the Reference Agent (as defined below)) determines that LIBOR has ceased to be published on the Reuters Page LIBOR01 as a result of LIBOR ceasing to be calculated or administered, then the following provisions shall apply:
- the Issuer shall use reasonable endeavours to appoint an Independent Adviser (as defined below) to determine an alternative rate (the "**Alternative Reference Rate**") and an alternative screen page or source (the "**Alternative Relevant Screen Page**") no later than 5 Tokyo Business Days prior to the Interest Rate Determination Date relating to the next (or, as the case may be, the first) Floating Rate Interest Period (the "**IA Determination Cut-off Date**") for the purposes of determining the Floating Rate of Interest for all future Floating Rate Interest Periods (subject to the subsequent operation of this Condition 5(3));
- "**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense;
- the Alternative Reference Rate shall be such rate as the Independent Adviser determines has replaced LIBOR in customary market usage for the purposes of determining floating rates of interest in respect of bonds denominated in Japanese yen, or, if the Independent Adviser determines that there is no such rate, such other rate as the Independent Adviser determines in its sole discretion is most comparable to LIBOR, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Reference Rate;
  - if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine an Alternative Reference Rate and Alternative Relevant Screen Page prior to the IA Determination Cut-off Date, then the Issuer (in consultation with the Reference Agent and acting in good faith and a commercially reasonable manner) shall determine which (if any) rate has replaced LIBOR in customary market usage for purposes of determining floating rates of interest in respect of bonds denominated in Japanese yen, or, if it determines that there is no such rate, which (if any) rate is most comparable to LIBOR, and the Alternative Reference Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Reference Rate; provided, however, that if this Condition 5(3)(c) applies and the Issuer is unable to determine an Alternative Reference Rate and Alternative Relevant Screen Page on or prior to the Interest Rate Determination Date relating to the next (or, as the case may be, the first) Floating Rate Interest Period, the Floating Rate of Interest applicable to such Floating Rate Interest Period shall be equal to the Floating Rate of Interest last determined in respect of a preceding Floating Rate Interest Period or, in the case of the first Floating Rate Interest Period, the Floating Rate of Interest applicable to the first Floating Rate Interest Period should be the rate specified in Condition 5(1);

- if an Alternative Reference Rate and Alternative Relevant Screen Page is determined in accordance with the preceding provisions, such Alternative Reference Rate and Alternative Relevant Screen Page shall replace LIBOR and the Reuters Page LIBOR01 for all future Floating Rate Interest Periods (subject to the subsequent operation of this Condition 5(3));
  - if the Independent Adviser or, in accordance with Condition 5(3)(c), the Issuer determines an Alternative Reference Rate in accordance with the above provisions, the Independent Adviser or the Issuer (as the case may be) may also, following consultation with the Reference Agent, specify changes to the Interest Rate Determination Date, the Interest Rate Quotation Date, any times as of which rate or quotations are obtained, the day count fraction, the business day convention, the definitions of business days, and the method for determining the base rate of interest in relation to the Bonds if the Alternative Reference Rate is not available on the Alternative Relevant Screen Page, in order to follow market practice in relation to the Alternative Reference Rate, and shall also specify any other changes (including to the Margin) which the Issuer, following consultation with the Independent Adviser (where appointed), determines in good faith are reasonably necessary to ensure the proper operation and comparability to LIBOR of the Alternative Reference Rate, which changes shall apply to the Bonds for all future Floating Rate Interest Periods (subject to the subsequent operation of this Condition 5(3)) and the Issuer shall effect such amendments to these Conditions of Bonds and such consequential amendments to the Fiscal Agency Agreement as the Issuer may deem appropriate in order to give effect to this Condition 5(3). To the extent permitted by applicable Japanese law, no consent of the Bondholders shall be required in connection with effecting the Alternative Reference Rate, Alternative Relevant Screen Page or such other changes (including for the execution of any documents or the taking of other steps by the Issuer, the Fiscal Agent or the Reference Agent (if required)); and
  - the Issuer shall, promptly following the determination of any Alternative Reference Rate and Alternative Relevant Screen Page and/or any changes pursuant to Condition 5(3)(e), notify the Fiscal Agent and the Reference Agent of such matters in writing, and shall cause the Fiscal Agent to give public notice thereof to the Bondholders as soon as practicable thereafter.
- (4) Sumitomo Mitsui Banking Corporation acts as the Issuer's reference agent (the "**Reference Agent**") at its head office in Tokyo, Japan in respect of the Bonds. Pursuant to the Fiscal Agency Agreement, the Issuer shall entrust the Reference Agent with (i) the performance of all of its obligations (other than those to give public notices) under Condition 5(2) relating to the ascertainment, calculation and determination of any offered quotation or interest rate (including, but not limited to, the Floating Rate of Interest and Interest Amount Per Currency Unit) and (ii) all such other things as may be required to be made or done by the Reference Agent under Condition 5(3) at the times and otherwise. The Reference Agent shall act solely on behalf of the Issuer and shall assume no obligation towards or relationship of agency or trust for or with the Bondholders. (i) Determination specified in the first sentence of Condition 5(3), (ii) determination of an Alternative Reference Rate specified in Condition 5(3)(c) and (iii) specification of relevant changes in order to follow market practice in relation to the Alternative Reference Rate specified in Condition 5(3)(e), shall be made by the Independent Adviser or the Issuer (as applicable) as provided therein, and the Reference Agent shall only express its opinion to the Issuer in consultation with it as provided therein. The Reference Agent shall not be liable for any damages arising out of its opinion specified in the preceding sentence towards the Issuer or the Bondholders. Any notice required to be given by the Issuer to the Fiscal Agent under Condition 5 need not be given if and so long as the Fiscal Agent and the Reference Agent are one and the same bank. The Issuer may from time to time vary the appointment of the Reference Agent; provided that the appointment of the Reference Agent shall continue until the replacement reference agent is effectively appointed. In such case the Issuer shall give prior public notice thereof.
- (5) The Bonds shall cease to bear interest from but excluding the date on which they become due for redemption; provided, however, that if the Issuer fails to redeem any of the Bonds when due in accordance with these Conditions of Bonds, then interest accrued on the principal amount of the Bonds then outstanding shall be paid in Japanese yen for the actual number of days in the period from, but excluding, the due date to, and including, the date of the actual redemption of such Bonds,

(i) in respect of the period from and including September 15, 2018 to and including September 14, 2025, computed on the basis of a 365-day year at the rate specified in Condition 5(1), and (ii) in respect of the period from and including September 15, 2025 thereafter, computed on the basis of such actual number of days divided by 360 at the interest rate to be determined applying Conditions 5(2) and 5(3) *mutatis mutandis* as if the Floating Rate Interest Payment Dates continued to occur after such due date. Such period, however, shall not exceed the date on which the Fiscal Agent (acting in its capacity of paying agent under the Business Rules, hereinafter the "**Paying Agent**") allocates the necessary funds for the full redemption of the Bonds received by it among the relevant participants which have opened their accounts with the Book-Entry Transfer Institution to make book-entry transfer of the Bonds (*kiko kanyusha*) (the "**Institution Participants**"); provided that if such overdue allocation is not possible under the Business Rules, such period shall not exceed 14 days after the date on which the last public notice is given by the Issuer or the Fiscal Agent in accordance with Condition 7(3). In respect of the period from and including September 15, 2025, the Issuer shall notify each interest rate so determined to the Fiscal Agent in writing in accordance with the provisions of Condition 5(2)(d), whereupon, no later than 5 Tokyo Business Days following the date it receives the notice from the Issuer, the Fiscal Agent shall make such interest rate available for perusal by the Bondholders at the head office of the Fiscal Agent during normal business hours. Public notice for such interest rate need not be given.

#### 6. **Redemption and Purchase**

- (1) Unless previously redeemed or purchased and cancelled as provided in Condition 6(2), (3), (4) or (5), the Bonds shall be redeemed on September 14, 2026 at a price equal to 100% of the principal amount; provided that, if such date would otherwise fall on a day which is not a Tokyo Business Day, the due date for the redemption of the Bonds shall be postponed to the next succeeding Tokyo Business Day unless it would thereby fall into the next calendar month, in which event such due date shall be brought forward to the immediately preceding Tokyo Business Day.
- (2) If, as a result of a change in or amendment to the laws of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax (the "**Taxing Jurisdiction**"), or any change in the official application or interpretation of such laws (including a decision of any court or tribunal), or any change in, or in the official application or interpretation of, or execution of, or amendment to, any treaty or treaties affecting taxation to which the United Kingdom is a party, which change, amendment or execution becomes effective on or after the Issue Date:
  - (a) on the next succeeding Interest Payment Date the Issuer would be obliged to pay any Additional Amounts (as defined in Condition 8(1)) pursuant to Condition 8; or
  - (b) if the Issuer were to seek to redeem the Bonds (for which purpose no regard shall be had as to whether or not the Issuer would otherwise be entitled to redeem the Bonds), the Issuer would (notwithstanding its having made such reasonable endeavours available to it) be obliged to pay any Additional Amounts pursuant to Condition 8; or
  - (c) on the next succeeding Interest Payment Date, interest payments (or funding costs of the Issuer as recognised in its accounts) under or with respect to the Bonds are no longer fully deductible for United Kingdom corporation tax purposes,

then, subject to Condition 6(7), the Bonds may be redeemed, in whole but not in part, at the option of the Issuer, at any time at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption; provided that (i) any date fixed for redemption during the Floating Rate Interest Period shall be a Floating Rate Interest Payment Date and (ii) no such public notice of redemption as provided below shall be given earlier than 90 days prior to the earliest date on which, in the case of (a) or (b) above, the Issuer would be obliged to pay such Additional Amounts or, in the case of (c) above, such interest payments (or funding costs) are no longer fully deductible for United Kingdom corporation tax purposes, were a payment in respect of the Bonds then due.

In the event of redemption to be made under this Condition 6(2), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i), in the case of (a) or (b) above, that the Issuer is or will be obliged to pay such Additional Amounts pursuant to Condition 8(1) or, in the case of (c) above, that such interest payments (or funding costs) are no



longer fully deductible for United Kingdom corporation tax purposes, (ii) that it elects to redeem the Bonds pursuant to this Condition 6(2), (iii) the date for such redemption, (iv) that the conditions precedent to the right of the Issuer so to redeem under this Condition 6(2) have occurred or that such conditions precedent are reasonably expected to occur on or prior to the date on which the relevant payment of principal or interest of the Bonds would otherwise be made (together with details of facts relating thereto), (v) (in the case of (b) above) that its obligation to pay such Additional Amounts could not be avoided by the Issuer having made reasonable endeavours available to it and (vi) that it has obtained a Relevant Supervisory Consent (as defined in Condition 6(7)), and a written opinion of an independent legal adviser or accountant of recognised standing confirming the matters set forth in items (i) and (iv) above.

Such certificate and opinion shall be delivered to the Fiscal Agent at least 30 days prior to the proposed redemption date, and the Issuer shall give public notice to the Bondholders of such matters at least 14 days prior to the proposed redemption date. Such proposed redemption date shall be a Tokyo Business Day, and such delivery to the Fiscal Agent and public notice to the Bondholders shall be irrevocable.

Such certificate and opinion delivered by the Issuer to the Fiscal Agent pursuant to this Condition 6(2) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 6(2) shall be borne by the Issuer.

- (3) Subject to Condition 6(7), the Bonds may be redeemed, in whole but not in part, at the option of the Issuer, on each Call Date (as defined below) at a price equal to 100% of the principal amount together with interest accrued to and including such date for redemption.

"**Call Date**" means September 14, 2025 and any subsequent Floating Rate Interest Payment Date.

In the event of redemption to be made under this Condition 6(3), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i) that it elects to redeem the Bonds pursuant to this Condition 6(3) and (ii) that it has obtained a Relevant Supervisory Consent.

Such certificate shall be delivered to the Fiscal Agent at least 30 days prior to the redemption date, and the Issuer shall give public notice to the Bondholders of such redemption at least 14 days prior to the redemption date. Such notice to the Fiscal Agent and public notice to the Bondholders shall be irrevocable.

Such certificate delivered by the Issuer to the Fiscal Agent pursuant to this Condition 6(3) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 6(3) shall be borne by the Issuer.

- (4) Following the occurrence of a Loss Absorption Disqualification Event (as defined below) and subject to Condition 6(7), the Bonds may be redeemed, in whole but not in part, at the option of the Issuer (such option to redeem being referred to herein as a "**Loss Absorption Disqualification Event Early Redemption Option**"), at any time within 90 days of the occurrence of the relevant Loss Absorption Disqualification Event at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption; provided that any date fixed for redemption during the Floating Rate Interest Period shall be a Floating Rate Interest Payment Date.

In the event of redemption to be made under this Condition 6(4), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i) that a Loss Absorption Disqualification Event has occurred and is continuing (together with details of facts

relating thereto), (ii) that it elects to redeem the Bonds pursuant to this Condition 6(4), (iii) the date for such redemption and (iv) that it has obtained a Relevant Supervisory Consent.

Such certificate shall be delivered to the Fiscal Agent at least 30 days prior to the proposed redemption date, and the Issuer shall give public notice to the Bondholders of such redemption at least 14 days prior to the proposed redemption date. Such proposed redemption date shall be a Tokyo Business Day, and such delivery to the Fiscal Agent and public notice to the Bondholders shall be irrevocable.

Such certificate delivered by the Issuer to the Fiscal Agent pursuant to this Condition 6(4) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 6(4) shall be borne by the Issuer.

This Condition 6(4) will not apply if such application would cause a Loss Absorption Disqualification Event to occur.

For the avoidance of doubt, the Issuer may not exercise the Loss Absorption Disqualification Event Early Redemption Option solely on the basis that Condition 9(1) has caused or is likely (in the opinion of the Issuer) to cause the occurrence of a Loss Absorption Disqualification Event, in which case, pursuant to Condition 9(7), Condition 9(2) shall apply.

**"Group"** means the Issuer and its consolidated subsidiaries.

**"Loss Absorption Disqualification Event"** shall be deemed to have occurred if the Bonds have become fully or partially ineligible to meet the Issuer's and/or the Group's minimum requirements for (A) eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as determined in accordance with and pursuant to the relevant Loss Absorption Regulations (as defined below) applicable to the Issuer and/or the Group, as a result of any:

- (a) Loss Absorption Regulations becoming effective on or after the Issue Date; or
- (b) amendment to, or change in, any Loss Absorption Regulations, or any change in the application or official interpretation of any Loss Absorption Regulations, in any such case becoming effective on or after the Issue Date,

provided, however, that a Loss Absorption Disqualification Event shall not occur where the exclusion of the Bonds from the relevant minimum requirement(s) is due to the remaining maturity of the Bonds being less than any period prescribed by any applicable eligibility criteria for such minimum requirement(s) under the relevant Loss Absorption Regulations effective with respect to the Issuer and/or the Group on the Issue Date.

**"Loss Absorption Regulations"** means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies from time to time relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments in effect in the United Kingdom, including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as implementing or regulatory technical standards) adopted by the European Commission and applicable to the Issuer from time to time (whether or not such requirements, guidelines or policies are applied generally or specifically to the Issuer or to the Issuer and any holding or subsidiary company of the Issuer or any subsidiary of any such holding company).

- (5) Subject to Condition 6(7), the Issuer and any of its subsidiaries may at any time purchase the Bonds in the open market or otherwise and at any price. Such Bonds may be held, resold or cancelled, except as otherwise provided for by applicable laws and in the Business Rules.
- (6) Except as otherwise provided in these Conditions of Bonds, the Issuer may not redeem or repay the principal of the Bonds in whole or in part prior to the maturity thereof.

- (7) The Issuer may only exercise a right to redeem or purchase the Bonds pursuant to Condition 6(2), (3), (4) or (5) if the Issuer has first obtained any Relevant Supervisory Consent. For these purposes, a certificate signed by a duly authorised signatory of the Issuer stating that it has obtained a Relevant Supervisory Consent delivered to the Fiscal Agent pursuant to Condition 6 (2), (3) or (4) shall be conclusive as to the Issuer having obtained such consent and shall be binding on the Bondholders.

**"Relevant Supervisory Consent"** means, in relation to any redemption or purchase of any Bonds, any required permission of the Relevant UK Resolution Authority (as defined in Condition 16(1)) for such redemption or purchase under the prevailing Loss Absorption Regulations.

## 7. **Payment**

- (1) Payment of principal and interest in respect of the Bonds shall be made by the Paying Agent to the Bondholders, directly in case when such Bondholders are the Institution Participants, and in other cases through the relevant account management institutions (*kouza kanri kikan*) (the "**Account Management Institutions**") with which such Bondholders have opened their accounts to have the Bonds recorded in accordance with the Book-Entry Transfer Law and the Business Rules.
- (2) If a Fixed Rate Interest Payment Date is not a Tokyo Business Day, the Bondholders shall not be entitled to payment of the amount due until the next following Tokyo Business Day, nor shall they be entitled to the payment of any further or additional interest or other payment in respect of such delay.
- (3) If the full amount of principal or interest on the Bonds payable on any due date is received by the Paying Agent after such due date, the Issuer shall, or shall cause the Fiscal Agent to, give public notice to the Bondholders to that effect and of the method of payment and the date of such payment as soon as practicable but not later than 14 days after receipt of such amount by the Paying Agent. If at the time of such receipt either the method or the date of such payment (or both) is not determinable, the Issuer or the Fiscal Agent shall give public notice to the Bondholders of such receipt and of the method and/or the date of such payment to the extent the same has been determined, and give at a later date public notice to the Bondholders of the method and/or the date of such payment promptly upon determination thereof. All expenses incurred in connection with the said public notice shall be borne by the Issuer.

## 8. **Taxation**

- (1) All payments (whether in respect of principal, interest or otherwise) in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Taxing Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in the receipt by the Bondholder of such amounts as would have been received by such Bondholder if no such withholding or deduction had been required, except that no such Additional Amounts shall be payable in respect of any Bond (i) to, or to a third party on behalf of, a Bondholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Taxing Jurisdiction other than the mere holding of such Bond or (ii) (only in the event that the Bond Certificates are issued) more than 30 days after the Relevant Date (as defined below) except to the extent the Bondholder would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days.

**"Relevant Date"** means whichever is the later of (i) the date on which the relevant payment of principal or interest first becomes due and (ii) if the full amount payable on such due date has not been duly received by the Paying Agent on or prior to such due date, the date on which, such full amount having been so received by the Paying Agent, the last public notice to that effect has been duly given by the Issuer or the Fiscal Agent in accordance with Condition 7(3).

- (2) Any reference in these Conditions of Bonds to principal or interest shall be deemed also to refer to any Additional Amounts which may be payable in respect of principal or interest, respectively,

under this Condition 8. All expenses necessary for the procedures under this Condition 8 shall be borne by the Issuer.

- (3) Notwithstanding any other provision in these Conditions of Bonds, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code of 1986 Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay Additional Amounts or otherwise indemnify a Bondholder for any FATCA withholding deducted or withheld by the Issuer, the 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.

9. **Events of Default and Enforcement**

- (1) Subject to Condition 9(7), if default is made in the payment of any amount of interest in respect of the Bonds on the due date for payment thereof and such default continues for 14 days, any Bondholder may, at its option, by giving written notice by or on behalf of such Bondholder to the Issuer at the head office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the head office of the Fiscal Agent, the certificate (the "**Certificate**") certifying the holding of the relevant Bond and issued by the Book-Entry Transfer Institution or the relevant Account Management Institution), declare that any Bond(s) held by such Bondholder shall be forthwith due and payable, whereupon the same shall become immediately due and payable at a price equal to 100% of the principal amount together with interest accrued to and including such date, without further action or formality, unless, prior to receipt of such notice by the Fiscal Agent, such default shall have been cured; provided that it shall not be such a default to withhold or refuse any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (ii) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers of recognised standing as to such validity or applicability.

- (2) In the case this Condition 9(2) applies to the Bonds instead of Condition 9(1) pursuant to the provisions of Condition 9(7):

- (a) if default is made in the payment of any amount of interest in respect of the Bonds on the due date for payment thereof and such default continues for 14 days, any Bondholder may, in order to enforce payment, at its discretion and without further notice, institute proceedings for the winding up of the Issuer in England; provided that it shall not be such a default to withhold or refuse any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (ii) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers of recognised standing as to such validity or applicability; and
- (b) any Bondholder 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 winding up of the Issuer in England and/or prove in any winding up or administration of the Issuer in England, to enforce any obligation, condition or provision binding on the Issuer under the Bonds (other than any obligation for the payment of any principal, interest or expenses in respect of such Bonds 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 winding up of the Issuer be obliged to pay any sum or sums (whether in respect of principal or interest or other sums in respect of the relevant Bonds or by way of damages in respect of any breach of any such obligation, condition or provision or otherwise howsoever). The Bondholders may only institute proceedings for the winding up of the Issuer to enforce the obligations above referred to in this paragraph (b) and/or prove in any winding up or administration of the Issuer in England if a default by the Issuer thereunder is not remedied within 60 days (or such longer period as approved by an Extraordinary Resolution (as defined in Condition 10(3))) after

notice of such default has been given to the Issuer by any Bondholder at the head office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the head office of the Fiscal Agent, the Certificate) requiring such default to be remedied.

- (3) In addition to Condition 9(1) or (as the case may be) Condition 9(2), if an order is made or an effective resolution is passed for the winding up of the Issuer in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved by an Extraordinary Resolution), any Bondholder may, at its option, by giving written notice by or on behalf of such Bondholder to the Issuer at the head office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the head office of the Fiscal Agent, the Certificate), declare that any Bond(s) held by such Bondholder shall be forthwith due and payable, whereupon the same shall become immediately due and payable at a price equal to 100% of the principal amount together with interest accrued to and including such date, without further action or formality.
- (4) If (x) the Issuer has failed to remedy a default within the time specified in Condition 9(2)(b) or the event specified in Condition 9(3) has occurred or (y) any circumstance exists which would with the lapse of time or the giving of notice or both constitute such event, the Issuer shall, immediately or in case of (y) above immediately when such circumstance comes to knowledge of the Issuer, notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent. If the event specified in Condition 9(1) or 9(2)(a) (such event, the events specified in Condition 9(3) and the failure by the Issuer to remedy a default within the time specified in Condition 9(2)(b) each being referred to herein as an "**Event of Default**") has occurred or any circumstance exists which would with the lapse of time constitute such event, the Issuer shall also immediately notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent.
- (5) No remedy against the Issuer (including any right of set-off) other than as specifically provided by this Condition 9 shall be available to the Bondholders whether for the recovery of amounts owing in respect of the Bonds or in respect of any breach by the Issuer of any obligation, condition or provision under the Bonds or otherwise.
- (6) All expenses necessary for the procedures under this Condition 9 shall be borne by the Issuer.
- (7) If Condition 9(1) has caused or (in the opinion of the Issuer) is likely to cause the occurrence of a Loss Absorption Disqualification Event, then Condition 9(2) shall, without the need for any further consent from the Bondholders, apply to the Bonds at all times thereafter instead of Condition 9(1). As soon as practicable after the application of Condition 9(2) to the Bonds instead of Condition 9(1) (but no later than 14 days after the application), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i) that Condition 9(1) has caused or is likely to cause the occurrence of a Loss Absorption Disqualification Event (together with details of facts relating thereto) and (ii) the date of such application. For these purposes such certificate delivered to the Fiscal Agent shall be conclusive of such matters and shall be binding on the Bondholders. The Issuer shall also give public notice to the Bondholders of such matters within 30 days after such application.

Such certificate delivered by the Issuer to the Fiscal Agent pursuant to this Condition 9(7) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 9(7) shall be borne by the Issuer.

## 10. **Bondholders' Meetings**

- (1) The Issuer shall convene a Bondholders' meeting to consider any matters which relate to the interests of the Bondholders in the event that: (a) Bondholders holding one-tenth (1/10) or more of the aggregate principal amount of the Bonds then outstanding, acting either jointly or individually, so request in writing to the Fiscal Agent on behalf of the Issuer at the head office of the Fiscal Agent, provided that such Bondholders shall have presented to the Fiscal Agent the Certificates;

or (b) the Issuer should deem it necessary to hold a Bondholders' meeting, in each case, by giving written notice at least 35 days prior to the proposed date of the meeting to the Fiscal Agent.

When a Bondholders' meeting is to be convened, the Issuer shall give public notice to the Bondholders of the Bondholders' meeting at least 21 days prior to the date of such meeting; and ensure that the Fiscal Agent, on behalf of the Issuer, shall take the steps necessary for the convocation of the Bondholders' meeting and to expedite the proceedings thereof.

- (2) The Bondholders may exercise their vote by themselves at the relevant Bondholders' meeting, by proxy, in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method pursuant to the rules established by the Issuer or the Fiscal Agent on behalf of the Issuer. At any Bondholders' meeting, each Bondholder shall have voting rights in proportion to the principal amount of the Bonds (for the time being outstanding) held by such Bondholder; provided, however, that the Certificates shall have been presented to the Fiscal Agent at its head office, at least 7 days prior to the date set for such meeting and to the Issuer or the Fiscal Agent at such meeting, on the date thereof; and, provided, further, that the Bondholder shall not make an application for book-entry transfer or an application for obliteration of the Bonds unless the Bondholder returns the relevant Certificate to the Book-Entry Transfer Institution or the relevant Account Management Institution of such Bondholder. The Issuer may have its representative attend such meeting and express its opinion thereat.
- (3) Resolutions at such Bondholders' meeting shall be passed by more than one-half (1/2) of the aggregate amount of voting rights held by the Bondholders who are entitled to exercise their voting rights (the "**Voting Rights Holders**") and present at such meeting; provided, however, that an Extraordinary Resolution is required with respect to the following items:
  - (a) giving a grace of payment, an exemption from liabilities resulting from a default, or settlement, to be effected with respect to all the Bonds (other than the matters referred to in (b) below);
  - (b) any acts of litigation to be made with respect to all the Bonds, or all acts pertaining to the bankruptcy, corporate reorganisation or similar proceedings of the Issuer;
  - (c) the election or dismissal of representative(s) of the Bondholders who may be appointed and authorised by resolution of a Bondholders' meeting to make decisions on matters to be resolved at a Bondholders' meeting (provided each of such representative(s) must hold one-thousandth (1/1,000) or more of the aggregate principal amount of the Bonds (for the time being outstanding)) (the "**Representative(s) of the Bondholders**") or an executor (the "**Executor**") who may be appointed and authorised by resolution of a Bondholders' meeting so as to execute the resolutions of the Bondholders' meeting, or the change in any matters entrusted to them; and
  - (d) any other matters where the Extraordinary Resolution is required under the provisions of these Conditions of Bonds.

"**Extraordinary Resolution**" means a resolution passed at a Bondholders' meeting by one-fifth (1/5) or more of the aggregate amount of the voting rights held by the Voting Rights Holders representing the aggregate principal amount of the Bonds then outstanding and two-thirds (2/3) or more of the aggregate amount of the voting rights held by the Voting Rights Holders present at such meeting.

For the purposes of calculating the number of votes exercised at a Bondholders' meeting, the Bondholders who have exercised their votes by proxy or in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method shall be deemed to have attended and voted at such meeting.

- (4) The resolution passed pursuant to this Condition 10 shall be binding on all the Bondholders whether present or not at such Bondholders' meeting to the extent permitted by the applicable Japanese law, and shall be carried out by the Representative(s) of the Bondholders or the Executor.

- (5) For the purpose of this Condition 10, the Bonds then held by the Issuer or any of its subsidiaries shall be disregarded and deemed not to be outstanding.
- (6) The Bondholders' meetings shall be held in Tokyo, Japan.
- (7) All expenses necessary for the procedures under this Condition 10 shall be borne by the Issuer.

11. **Merger, Consolidation, Etc.**

The Issuer may, without the consent of the Bondholders, consolidate or amalgamate with or merge into any other corporation or convey or sell or transfer or lease its properties and assets substantially as an entirety to any other corporation, provided that:

- (a) the corporation formed by such consolidation or amalgamation or into which the Issuer is merged or to which conveyance, transfer or lease of the properties and assets of the Issuer, substantially as an entirety, is made (i) shall expressly assume, by a supplemental agreement executed by such successor corporation and/or the Issuer with the Fiscal Agent, the due and punctual payment of any principal or interest in respect of all the Bonds and the performance of every obligation and covenant under these Conditions of Bonds on the part of the Issuer to be performed or observed and (ii) the definition of "**Taxing Jurisdiction**" shall be amended, if applicable, to replace the United Kingdom with the jurisdiction in which such successor corporation is resident for tax purposes;
- (b) immediately after giving effect to such transaction and treating any indebtedness that becomes an obligation of the Issuer, as a result of such transaction as having been incurred by the Issuer at the time of such transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing; and
- (c) the Issuer and the successor corporation have delivered to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating, and a written opinion of independent legal advisers of recognised standing confirming, that such consolidation, merger, conveyance, transfer or lease comply with this Condition 11.

Such certificate and opinion delivered to the Fiscal Agent pursuant to this Condition 11 shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

Upon any consolidation or amalgamation with or merger into any other corporation, or any conveyance, transfer or lease of the properties and assets of the Issuer substantially as an entirety to any other corporation in accordance with this Condition 11, the successor corporation formed by such consolidation or amalgamation or into which the Issuer is merged or the successor corporation to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under these Conditions of Bonds with the same effect as if such successor corporation had been named as the Issuer herein, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under these Conditions of Bonds.

12. **Registration Book**

The registration book for the Bonds shall be prepared, administered and kept by the Fiscal Agent at its head office on behalf of the Issuer.

13. **Prescription**

The period of extinctive prescription shall be 10 years for the principal of the Bonds and 5 years for the interest on the Bonds.

14. **Public Notices**

All public notices relating to the Bonds shall be published once in the Japanese Official Gazette (if possible) and once in a daily Japanese newspaper published in both Tokyo and Osaka reporting on general affairs. Direct notification to individual Bondholders need not be made. Such public notices to be given by the Issuer shall, upon the request and at the expense of the Issuer, be given by the Fiscal Agent on behalf of the Issuer. The Fiscal Agency Agreement provides that the Issuer shall request the Fiscal Agent in writing to give such public notices on behalf of the Issuer whenever necessary under these Conditions of Bonds.

15. **Currency Indemnity**

In the event of a judgment or order being rendered or issued by any court for the payment of the principal of or interest on the Bonds or any other amount payable in respect of the Bonds, and such judgment or order being expressed in a currency other than Japanese yen, any amount received or recovered in such currency by any Bondholder in respect of such judgment or order shall only constitute a discharge to the Issuer to the extent of the amount received or recovered in Japanese yen and the Issuer undertakes to pay to such Bondholder the amount necessary to make up any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which any amount expressed in Japanese yen is (or is to be treated as) converted into such currency other than Japanese yen for the purposes of any such judgment or order, and (ii) the date or dates of discharge of such judgment or order (or part thereof). To the extent permitted by any applicable law, the above undertaking shall constitute a separate and independent obligation of the Issuer from its other obligations, shall give rise to a separate and independent cause of action against the Issuer, shall apply irrespective of any indulgence granted by any Bondholder from time to time and shall continue in full force and effect notwithstanding any judgment or order.

16. **Agreement with Respect to the Exercise of the UK Bail-in Power**

(1) By its acquisition of the Bonds, each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) acknowledges, accepts, consents and agrees, notwithstanding any other term of the Bonds or any other agreements, arrangements or understandings between the Issuer and any Bondholder, to be bound by:

- (a) the effect of the exercise of any UK Bail-in Power (as defined below) by the Relevant UK Resolution Authority that may include and result in any of the following, or some combination thereof: (i) the reduction of all, or a portion, of the Amounts Due (as defined below); (ii) the conversion of all, or a portion, of the Amounts Due into the Issuer's or another person's ordinary shares, other securities or other obligations (and the issue to, or conferral on, the Bondholder of such ordinary shares, other securities or other obligations), including by means of an amendment, modification or variation of these Conditions of Bonds; (iii) the cancellation of the Bonds; and/or (iv) the amendment or alteration of the date for redemption of the Bonds or amendment of the amount of interest payable on the Bonds, or the Interest Payment Dates, including by suspending payment for a temporary period; and
- (b) the variation of these Conditions of Bonds, if necessary, to give effect to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

No repayment or payment of Amounts Due shall become due and payable or be paid after the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.

Each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) consents to the exercise of any UK Bail-in Power as it may be imposed without any prior notice by the Relevant UK Resolution Authority of its decision to exercise such power with respect to the Bonds.

"**Amounts Due**" means the principal amount of, and any accrued but unpaid interest, including any Additional Amounts, on, the Bonds. References to such amounts will include amounts that



have become due and payable, but which have not been paid, prior to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

"**Banking Act**" means the UK Banking Act 2009, as amended.

"**BRRD**" means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended from time to time.

"**PRA**" means the UK Prudential Regulation Authority or any successor entity.

"**Regulated Entity**" refers to any BRRD Undertaking as such term is defined under the PRA Rulebook promulgated by the PRA, as amended from time to time, which includes certain credit institutions, investment firms and certain of their parent or holding companies or any comparable future definition intended to designate entities within the scope of the UK recovery and resolution regime.

"**Relevant UK Resolution Authority**" means any authority with the ability to exercise a UK Bail-in Power.

"**UK Bail-in Power**" means any write-down, conversion, transfer, modification or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the United Kingdom, relating to the transposition of the BRRD or otherwise relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings), including but not limited to the Banking Act and the instruments, rules and standards created thereunder, pursuant to which (i) any obligation of a Regulated Entity (or other affiliate of such Regulated Entity) can be reduced, cancelled, modified or converted into shares, other securities or other obligations of such Regulated Entity or any other person (or suspended for a temporary period); and (ii) any right in a contract governing an obligation of a Regulated Entity may be deemed to have been exercised.

- (2) The exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds shall not constitute an Event of Default.
- (3) Upon the exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds, the Issuer shall immediately notify the Fiscal Agent in writing of such exercise and give public notice of the same to the Bondholders through the Fiscal Agent. For avoidance of doubt, any delay or failure by the Issuer in delivering any notice or public notice referred to in this Condition 16(3) shall not affect the validity and enforceability of the UK Bail-in Power.
- (4) By its acquisition of the Bonds, to the fullest extent permitted by applicable law (including, without limitation, the Business Rules), each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) shall be deemed to have authorized, directed and requested the Book-Entry Transfer Institution and the Institution Participant or the Account Management Institution, as the case may be, to take any and all necessary action, if required, to implement the exercise of any UK Bail-in Power with respect to the Bonds as it may be imposed, without any further action or direction on the part of such Bondholder or beneficial owner, and the Fiscal Agent.
- (5) To the fullest extent permitted by applicable law, the Bondholders in respect of any claims of such Bondholders to payment of any principal or interest in respect of the Bonds, by their acceptance of the Bonds, shall be deemed to have waived any right of set-off or counterclaim that such Bondholders might otherwise have.
- (6) Any Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) that acquires the Bonds in the secondary market and any successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of any Bondholder shall be deemed to acknowledge, agree to be bound by and consent to the same provisions in this Condition 16 to the same extent as the Bondholders that acquire the Bonds upon their initial issuance, including, without limitation, with respect to the acknowledgement and agreement to be bound by and consent to these Conditions of Bonds related to the UK Bail-in power.

17. **Governing Law and Jurisdiction**

Except as to the authorisation relating to the issue of the Bonds by the Issuer, the Bonds and all the rights and obligations of all the parties concerned, including the Bondholders, arising thereunder shall in all respects be governed by and construed in accordance with the laws of Japan.

Except as otherwise provided in these Conditions of Bonds, the place of performance of obligations pertaining to the Bonds is Tokyo, Japan.

Any legal or other court procedural action against the Issuer arising from or relating to the Bonds or these Conditions of Bonds may be instituted, on a non-exclusive basis, in the Tokyo District Court, to the jurisdiction of which the Issuer hereby expressly, unconditionally and irrevocably agrees to submit.

The Issuer hereby appoints the Representative in Japan of The Hongkong and Shanghai Banking Corporation Limited as the authorised agent of the Issuer upon whom process or any judicial or other court documents may be served in any legal or other court procedural action arising from or relating to the Bonds or these Conditions of Bonds that may be instituted in Tokyo, Japan; the Issuer hereby designates the address from time to time of the Tokyo Branch of The Hongkong and Shanghai Banking Corporation Limited, currently at HSBC Building, 11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-0027, Japan, as the address to receive such process or any judicial or other court documents; and the Issuer hereby agrees to take, from time to time and so long as any of the Bonds shall remain outstanding, any and all action (including the execution and filing of any and all documents and instruments) that may be necessary to effect and to continue such appointment and designation in full force and effect. If at any time such agent shall not, for any reason, serve as such authorised agent, the Issuer shall immediately appoint, and it hereby undertakes to take any and all action that may be necessary to effect the appointment of, a successor authorised agent in Tokyo, Japan. In such case the Issuer shall promptly notify the Fiscal Agent in writing of the appointment of such successor agent and give public notice thereof.

Nothing in this Condition 17 shall affect the right of the Bondholders to institute legal or other court procedural action against the Issuer in any court of competent jurisdiction under applicable laws or to serve process or any judicial or other court documents in any manner otherwise permitted by law.

18. **Modifications and Amendments**

To the fullest extent permitted by applicable law, certain modifications and amendments to these Conditions of Bonds may be made without the consent of any Bondholder, only for the purpose of curing any ambiguity, or of correcting or supplementing any defective provisions contained herein, adding covenants for the benefit of the Bondholders, surrendering rights or powers conferred on the Issuer, or in any other manner which the Issuer may deem necessary and desirable and which will not adversely affect the interest of the Bondholders. The Issuer shall immediately notify the Fiscal Agent in writing of any such modification and amendment and give public notice of the same to the Bondholders as soon as practicable thereafter. All expenses necessary for the procedures under this Condition 18 shall be borne by the Issuer.

## TERMS AND CONDITIONS OF THE BONDS (SIXTH SERIES 2018)

*Below is the English translation of the Terms and Conditions of the Bonds (Sixth Series 2018). In the event of any difference in meaning between the English translation and the original Japanese version, the Japanese version shall prevail.*

These Conditions of Bonds shall apply to the issue of HSBC HOLDINGS PLC JAPANESE YEN CALLABLE BONDS – SIXTH SERIES (2018) (the "**Bonds**") pursuant to lawful authorisation by HSBC Holdings plc (the "**Issuer**").

### 1. **Aggregate Principal Amount, Date of Issuance, Denomination and Form**

The aggregate principal amount of the Bonds is ¥67,600,000,000.

The date of issuance of the Bonds is September 14, 2018 (the "**Issue Date**").

The Bonds are issued in the denomination of ¥100,000,000 each.

The Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, Etc. of Japan (Law No. 75, 2001, as amended) (the "**Book-Entry Transfer Law**") shall apply to the Bonds and the transfer of and other matters relating to the Bonds shall be dealt with in accordance with the Book-Entry Transfer Law and the business regulations and other rules relating to book-entry transfer of corporate bonds, etc. (collectively, the "**Business Rules**") from time to time adopted by the Book-Entry Transfer Institution (as defined in Condition 4).

The certificates for the Bonds (the "**Bond Certificates**") shall not be issued except in such exceptional events as provided under the Book-Entry Transfer Law where the holders of the Bonds (the "**Bondholders**") may make a request for the issue of Bond Certificates. If Bond Certificates are issued, such Bond Certificates shall be only in bearer form with unmatured interest coupons attached and the Bondholders may not request that the Bond Certificates be exchanged for Bond Certificates in registered form or divided or consolidated.

If Bond Certificates are issued, the manner of the calculation and payment of principal of and interest on the Bonds, the exercise of the rights under the Bonds by the Bondholders and the transfer of the Bonds, and all other matters in respect of the Bonds shall be subject to the then applicable Japanese laws and regulations and the then prevailing market practice in Japan. In the event of any inconsistency between the provisions of these Conditions of Bonds and then applicable Japanese laws and regulations and then prevailing market practice in Japan, such Japanese laws and regulations and market practice in Japan shall prevail.

All expenses incurred in connection with the issue of Bond Certificates shall be borne by the Issuer.

### 2. **Status of the Bonds**

The Bonds constitute direct and unsecured obligations of the Issuer, ranking *pari passu* without any preference among themselves and *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future, other than any such obligations preferred by law.

### 3. **Appointment of Fiscal Agent, Issuing Agent and Paying Agent and Non-appointment of Commissioned Company for Bondholders**

- (1) Sumitomo Mitsui Banking Corporation acts as fiscal agent, issuing agent and paying agent (the "**Fiscal Agent**", unless the context otherwise requires, the term "**Fiscal Agent**" means an agent acting in all these capacities) of the Issuer in respect of the Bonds. The Fiscal Agent shall perform the duties and functions provided for in these Conditions of Bonds, the Fiscal and Reference Agency Agreement (the "**Fiscal Agency Agreement**") dated September 7, 2018 between the Issuer and the Fiscal Agent, and the Business Rules. The Fiscal Agent is acting solely as agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with the Bondholders. A copy of the Fiscal Agency Agreement to which these Conditions of Bonds are attached shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any

Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

- (2) No commissioned company for bondholders is appointed in respect of the Bonds.
- (3) The Issuer may from time to time vary the appointment of the Fiscal Agent, provided that the appointment of the Fiscal Agent shall continue until a replacement fiscal agent, issuing agent and paying agent shall be effectively appointed (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules). In such case the Issuer shall give prior public notice thereof to the Bondholders.
- (4) The Issuer shall, without delay, appoint a replacement fiscal agent, issuing agent and paying agent (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules) and give public notice to that effect to the Bondholders if the Book-Entry Transfer Institution notifies the Issuer that the Fiscal Agent will be disqualified from acting as a designated issuing agent or paying agent.
- (5) As at the effective date of the appointment, the replacement fiscal agent, issuing agent and paying agent shall succeed to and be substituted for the retiring Fiscal Agent, and shall perform its duties and functions provided for in these Conditions of Bonds, the Fiscal Agency Agreement and the Business Rules, with the same effect as if the replacement fiscal agent, issuing agent and paying agent had been named as the fiscal agent, issuing agent and paying agent therein and herein.

#### 4. **Book-Entry Transfer Institution**

In relation to the Bonds, Japan Securities Depository Center, Incorporated (the "**Book-Entry Transfer Institution**") acts as book-entry transfer institution (*furikae kikan*) under the Book-Entry Transfer Law.

In these Conditions of Bonds, all references to the Book-Entry Transfer Institution shall be deemed to include any successor book-entry transfer institution as designated by the competent minister pursuant to the Book-Entry Transfer Law.

#### 5. **Interest**

- (1) The Bonds shall bear interest from and including September 15, 2018, payable in Japanese yen semi-annually in arrear on March 14 and September 14 of each year in respect of the 6-month period to and including each such date. Interest for any period of other than 6 months shall be payable for the actual number of days included in such period computed on the basis of a 365-day year. Each date set for payment of interest in this Condition 5 is hereinafter referred to as an "**Interest Payment Date**".
- (2) From and including September 15, 2018 to and including September 14, 2027, the Bonds shall bear interest at the rate of 0.924% per annum of their principal amount.
- (3)
  - (a) From and including September 15, 2027 to and including September 14, 2028, the rate of interest of the Bonds will be reset on September 14, 2027 ("**Reset Date**"), unless all Bonds are fully redeemed or purchased and cancelled. From and including the day immediately following Reset Date to and including the date on which the Bonds are finally redeemed ("**Reset Interest Period**"), the rate of interest of the Bonds ("**Reset Interest Rate**") will be equal to the sum of the applicable JPY 1-year Swap Offered Rate (as defined below) (rounded up to the nearest third decimal place) and 0.60% per annum (the "**Margin**"); provided that such Reset Interest Rate shall not be less than 0%.

"**JPY 1-year Swap Offered Rate**" means the offered rate for JPY 1-year Swaps (as defined below) which appears on the Reuters Page 58376 (as defined below) at 10:00 a.m. (Tokyo time) on the Interest Rate Determination Date (as defined below).

**"JPY 1-year Swaps"** means the semi-annual fixed leg, calculated on an actual/actual day count basis, of a fixed-for-floating Japanese yen interest rate swap transaction with a term of 1 year where the semi-annual floating leg, calculated on an actual/360 day count basis, is equivalent to the JPY 1-year Swap Floating Leg Benchmark Rate (as defined below).

**"JPY 1-year Swap Floating Leg Benchmark Rate"** means the London interbank offered rate (LIBOR) for deposits in Japanese yen for a period of six months.

**"Reuters Page 58376"** means the page 58376 displayed on Reuters (or any successor service) which page displays offered rates for Japanese yen swaps in the Tokyo interbank market (or any successor page thereto).

**"Interest Rate Determination Date"** means the day which is 2 Business Days prior to the Reset Date.

**"Business Day"** means a day on which banks are open for business in Tokyo, Japan.

As soon as practicable on the Interest Rate Determination Date, the Issuer will ascertain the JPY 1-year Swap Offered Rate.

- (b) If such rate does not appear on Reuters Page 58376 or if Reuters Page 58376 is unavailable, in either case, at 10:00 a.m. (Tokyo time) on the Interest Rate Determination Date, the Issuer will request, on the Interest Rate Determination Date, Market Makers (as defined below) to provide the Issuer with the offered quotation (expressed as a rate per annum) for JPY 1-year Swaps which they were able to offer at 10:00 a.m. (Tokyo time) on the Interest Rate Determination Date. In such case:
- (i) If 4 or more quotations are provided by Market Makers, the JPY 1-year Swap Offered Rate will be the arithmetic mean (rounded to the nearest fourth decimal place with five or more in the fifth decimal place to be rounded upwards) of the quotations provided, eliminating the highest quotation and the lowest quotation.
  - (ii) If 2 or 3 quotations are provided by Market Makers, the JPY 1-year Swap Offered Rate will be the arithmetic mean (rounded to the nearest fourth decimal place with five or more in the fifth decimal place to be rounded upwards) of the quotations provided.
  - (iii) If only 1 quotation is provided or no quotation is provided by Market Makers, the Issuer will also request Swap Brokers (as defined below) to provide the Issuer with the said offered quotation and the JPY 1-year Swap Offered Rate will be the arithmetic mean (rounded to the nearest fourth decimal place with five or more in the fifth decimal place to be rounded upwards) of the quotations provided by Market Makers and Swap Brokers; provided, however, that if the number of quotations provided by Market Makers and Swap Brokers are less than 2, the JPY 1-year Swap Offered Rate will be the offered rate for JPY 1-year Swaps which appears on Reuters Page 58376 at 10:00 a.m. (Tokyo time) on the closest Business Day immediately preceding the Interest Rate Determination Date on which the said offered rate appears at such time.

**"Market Makers"** means financial institutions which offer the swap rate indicated as Tokyo Swap Reference Rate (T.S.R.) appearing on Reuters Page 17143, or any successor page thereto, on the Interest Rate Determination Date.

**"Swap Brokers"** means primary offices of Totan ICAP Co., Ltd. and Tullett Prebon (Japan) Limited or any successor of their business of intermediation or brokerage of interest rate swaps.

if (i) the Issuer (in consultation with the Reference Agent (as defined below)) determines that the JPY 1-year Swap Floating Leg Benchmark Rate has ceased to be calculated or administered and (ii) an Independent Adviser (as defined below) appointed by the Issuer, or, if the Issuer is unable to appoint an Independent Adviser, the Issuer itself (in consultation with the Reference Agent and acting in good faith and a commercially

reasonable manner), determines that another rate (the "**Alternative JPY 1-year Swap Floating Leg Benchmark Rate**") has replaced the JPY 1-year Swap Floating Leg Benchmark Rate in customary market usage for setting a rate comparable to the offered rate for JPY 1-year Swaps, then the JPY 1-year Swap Offered Rate shall be determined in accordance with Conditions 5(3)(a) and 5(3)(b) but as if references in the above definition of JPY 1-year Swaps to the JPY 1-year Swap Floating Leg Benchmark Rate were references to the Alternative JPY 1-year Swap Floating Leg Benchmark Rate and as if references to Reuters Page 58376 were to such page of such information service (including Reuters and any successor services) as displays the offered rate for JPY 1-year Swaps (but with a floating leg consisting of the Alternative JPY 1-year Swap Floating Leg Benchmark Rate instead of the JPY 1-year Swap Floating Leg Benchmark Rate), and with such adjustments (if any) (including to the Margin) as the Independent Adviser or the Issuer (as the case may be) may (following the consultation with the Reference Agent) determine to be necessary to take account of any adjustment factor to make such rate comparable to the rate set on the basis of the JPY 1-year Swap Floating Leg Benchmark Rate. To the extent permitted by applicable Japanese law, no consent of the Bondholders shall be required in connection with effecting such replacement and adjustments. The Issuer shall, promptly following the determination of the JPY 1-year Swap Floating Leg Benchmark Rate ceasing to be calculated or administered, the Alternative JPY 1-year Swap Floating Leg Benchmark Rate having so replaced the JPY 1-year Swap Floating Leg Benchmark Rate, the page replacing Reuters 58376 and/or any adjustments to be made pursuant to this Condition 5(3)(c), notify the Fiscal Agent and the Reference Agent of such matters in writing, and shall cause the Fiscal Agent to give public notice thereof to the Bondholders as soon as practicable thereafter.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense.

- (4) After the determination of the Reset Interest Rate in accordance with Condition 5(3), the Issuer shall notify the Fiscal Agent in writing of such Reset Interest Rate, whereupon, in no later than 5 Business Days following the commencement of the Reset Interest Period, the Fiscal Agent shall make such matters available for perusal by the Bondholders at the head office of the Fiscal Agent during normal business hours. In such case, public notices need not be given.
- (5) The Reset Interest Rate determined in accordance with Condition 5(3) shall in the absence of manifest error be final and binding upon all parties, including the Bondholders.
- (6) Sumitomo Mitsui Banking Corporation acts as the Issuer's reference agent (the "**Reference Agent**") at its head office in Tokyo, Japan in respect of the Bonds. Pursuant to the Fiscal Agency Agreement, the Issuer shall entrust the Reference Agent with (i) the performance of all of its obligations (other than those to give public notices) under Conditions 5(3)(a) and 5(3)(b) relating to the ascertainment, calculation and determination of any offered quotation or interest rate (including, but not limited to, the Reset Interest Rate) and (ii) all such other things as may be required to be made or done by the Reference Agent under Condition 5(3)(c) at the times and otherwise. The Reference Agent shall act solely as agent of the Issuer and shall assume no obligation towards or relationship of agency or trust for or with the Bondholders. The determination specified in Condition 5(3)(c) shall be made by the Independent Adviser or the Issuer (as applicable) as provided therein, and the Reference Agent shall only express its opinion to the Issuer in consultation with it as provided therein. The Reference Agent shall not be liable for any damages arising out of its opinion specified in the preceding sentence towards the Issuer or the Bondholders. Any notice required to be given by the Issuer to the Fiscal Agent under Condition 5 need not be given if and so long as the Fiscal Agent and the Reference Agent are one and the same bank. The Issuer may from time to time replace the Reference Agent, provided that the appointment of the Reference Agent shall continue until the replacement reference agent is duly appointed. In such case the Issuer shall give prior public notice thereof.
- (7) The Bonds shall cease to bear interest from but excluding the date on which they become due for redemption; provided, however, that if the Issuer fails to redeem any of the Bonds when due in accordance with these Conditions of Bonds, then interest accrued on the principal amount of the Bonds then outstanding shall be paid in Japanese yen at the interest rate specified in Condition 5(2)

up to and including September 14, 2027 and the Reset Interest Rate thereafter for the actual number of days in the period from, but excluding, the due date to, and including, the date of the actual redemption of such Bonds, computed on the basis of a 365-day year. Such period, however, shall not exceed the date on which the Fiscal Agent (acting in its capacity of paying agent under the Business Rules, hereinafter the "**Paying Agent**") allocates the necessary funds for the full redemption of the Bonds received by it among the relevant participants which have opened their accounts with the Book-Entry Transfer Institution to make book-entry transfer of the Bonds (*kiko kanyusha*) (the "**Institution Participants**"); provided that if such overdue allocation is not possible under the Business Rules, such period shall not exceed 14 days after the date on which the last public notice is given by the Issuer or the Fiscal Agent in accordance with Condition 7(3).

6. **Redemption and Purchase**

- (1) Unless previously redeemed or purchased and cancelled as provided in Condition 6(2), (3), (4) or (5), the Bonds shall be redeemed on September 14, 2028 at a price equal to 100% of the principal amount.
- (2) If, as a result of a change in or amendment to the laws of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax (the "**Taxing Jurisdiction**"), or any change in the official application or interpretation of such laws (including a decision of any court or tribunal), or any change in, or in the official application or interpretation of, or execution of, or amendment to, any treaty or treaties affecting taxation to which the United Kingdom is a party, which change, amendment or execution becomes effective on or after the Issue Date:
  - (a) on the next succeeding Interest Payment Date the Issuer would be obliged to pay any Additional Amounts (as defined in Condition 8(1)) pursuant to Condition 8; or
  - (b) if the Issuer were to seek to redeem the Bonds (for which purpose no regard shall be had as to whether or not the Issuer would otherwise be entitled to redeem the Bonds), the Issuer would (notwithstanding its having made such reasonable endeavours available to it) be obliged to pay any Additional Amounts pursuant to Condition 8; or
  - (c) on the next succeeding Interest Payment Date, interest payments (or funding costs of the Issuer as recognised in its accounts) under or with respect to the Bonds are no longer fully deductible for United Kingdom corporation tax purposes,

then, subject to Condition 6(7), the Bonds may be redeemed, in whole but not in part, at the option of the Issuer, at any time at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption; provided that no such public notice of redemption as provided below shall be given earlier than 90 days prior to the earliest date on which, in the case of (a) or (b) above, the Issuer would be obliged to pay such Additional Amounts or, in the case of (c) above, such interest payments (or funding costs) are no longer fully deductible for United Kingdom corporation tax purposes, were a payment in respect of the Bonds then due.

In the event of redemption to be made under this Condition 6(2), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i), in the case of (a) or (b) above, that the Issuer is or will be obliged to pay such Additional Amounts pursuant to Condition 8(1) or, in the case of (c) above, that such interest payments (or funding costs) are no longer fully deductible for United Kingdom corporation tax purposes, (ii) that it elects to redeem the Bonds pursuant to this Condition 6(2), (iii) the date for such redemption, (iv) that the conditions precedent to the right of the Issuer so to redeem under this Condition 6(2) have occurred or that such conditions precedent are reasonably expected to occur on or prior to the date on which the relevant payment of principal or interest of the Bonds would otherwise be made (together with details of facts relating thereto), (v) (in the case of (b) above) that its obligation to pay such Additional Amounts could not be avoided by the Issuer having made reasonable endeavours available to it and (vi) that it has obtained a Relevant Supervisory Consent (as defined in Condition 6(7)), and a written opinion of an independent legal adviser or accountant of recognised standing confirming the matters set forth in items (i) and (iv) above.

Such certificate and opinion shall be delivered to the Fiscal Agent at least 30 days prior to the proposed redemption date, and the Issuer shall give public notice to the Bondholders of such

matters at least 14 days prior to the proposed redemption date. Such proposed redemption date shall be a Business Day, and such delivery to the Fiscal Agent and public notice to the Bondholders shall be irrevocable.

Such certificate and opinion delivered by the Issuer to the Fiscal Agent pursuant to this Condition 6(2) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 6(2) shall be borne by the Issuer.

- (3) Subject to Condition 6(7), the Bonds may be redeemed, in whole but not in part, at the option of the Issuer, on any date falling on or after September 14, 2027 at a price equal to 100% of the principal amount together with interest accrued to and including such date for redemption.

In the event of redemption to be made under this Condition 6(3), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i) that it elects to redeem the Bonds pursuant to this Condition 6(3) and (ii) that it has obtained a Relevant Supervisory Consent.

Such certificate shall be delivered to the Fiscal Agent at least 30 days prior to the redemption date, and the Issuer shall give public notice to the Bondholders of such redemption at least 14 days prior to the redemption date. Such proposed redemption date shall be a Business Day and such notice to the Fiscal Agent and public notice to the Bondholders shall be irrevocable.

Such certificate delivered by the Issuer to the Fiscal Agent pursuant to this Condition 6(3) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 6(3) shall be borne by the Issuer.

- (4) Following the occurrence of a Loss Absorption Disqualification Event (as defined below) and subject to Condition 6(7), the Bonds may be redeemed, in whole but not in part, at the option of the Issuer (such option to redeem being referred to herein as a "**Loss Absorption Disqualification Event Early Redemption Option**"), at any time within 90 days of the occurrence of the relevant Loss Absorption Disqualification Event at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption.

In the event of redemption to be made under this Condition 6(4), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i) that a Loss Absorption Disqualification Event has occurred and is continuing (together with details of facts relating thereto), (ii) that it elects to redeem the Bonds pursuant to this Condition 6(4), (iii) the date for such redemption and (iv) that it has obtained a Relevant Supervisory Consent.

Such certificate shall be delivered to the Fiscal Agent at least 30 days prior to the proposed redemption date, and the Issuer shall give public notice to the Bondholders of such redemption at least 14 days prior to the proposed redemption date. Such proposed redemption date shall be a Business Day, and such delivery to the Fiscal Agent and public notice to the Bondholders shall be irrevocable.

Such certificate delivered by the Issuer to the Fiscal Agent pursuant to this Condition 6(4) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 6(4) shall be borne by the Issuer.



This Condition 6(4) will not apply if such application would cause a Loss Absorption Disqualification Event to occur.

For the avoidance of doubt, the Issuer may not exercise the Loss Absorption Disqualification Event Early Redemption Option solely on the basis that Condition 9(1) has caused or is likely (in the opinion of the Issuer) to cause the occurrence of a Loss Absorption Disqualification Event, in which case, pursuant to Condition 9(7), Condition 9(2) shall apply.

**"Group"** means the Issuer and its consolidated subsidiaries.

**"Loss Absorption Disqualification Event"** shall be deemed to have occurred if the Bonds have become fully or partially ineligible to meet the Issuer's and/or the Group's minimum requirements for (A) eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as determined in accordance with and pursuant to the relevant Loss Absorption Regulations (as defined below) applicable to the Issuer and/or the Group, as a result of any:

- (a) Loss Absorption Regulations becoming effective on or after the Issue Date; or
- (b) amendment to, or change in, any Loss Absorption Regulations, or any change in the application or official interpretation of any Loss Absorption Regulations, in any such case becoming effective on or after the Issue Date,

provided, however, that a Loss Absorption Disqualification Event shall not occur where the exclusion of the Bonds from the relevant minimum requirement(s) is due to the remaining maturity of the Bonds being less than any period prescribed by any applicable eligibility criteria for such minimum requirement(s) under the relevant Loss Absorption Regulations effective with respect to the Issuer and/or the Group on the Issue Date.

**"Loss Absorption Regulations"** means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies from time to time relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments in effect in the United Kingdom, including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as implementing or regulatory technical standards) adopted by the European Commission and applicable to the Issuer from time to time (whether or not such requirements, guidelines or policies are applied generally or specifically to the Issuer or to the Issuer and any holding or subsidiary company of the Issuer or any subsidiary of any such holding company).

- (5) Subject to Condition 6(7), the Issuer and any of its subsidiaries may at any time purchase the Bonds in the open market or otherwise and at any price. Such Bonds may be held, resold or cancelled, except as otherwise provided for by applicable laws and in the Business Rules.
- (6) Except as otherwise provided in these Conditions of Bonds, the Issuer may not redeem or repay the principal of the Bonds in whole or in part prior to the maturity thereof.
- (7) The Issuer may only exercise a right to redeem or purchase the Bonds pursuant to Condition 6(2), (3), (4) or (5) if the Issuer has first obtained any Relevant Supervisory Consent. For these purposes, a certificate signed by a duly authorised signatory of the Issuer stating that it has obtained a Relevant Supervisory Consent delivered to the Fiscal Agent pursuant to Condition 6(2), (3) or (4) shall be conclusive as to the Issuer having obtained such consent and shall be binding on the Bondholders.

**"Relevant Supervisory Consent"** means, in relation to any redemption or purchase of any Bonds, any required permission of the Relevant UK Resolution Authority (as defined in Condition 16(1)) for such redemption or purchase under the prevailing Loss Absorption Regulations.

## 7. **Payment**

- (1) Payment of principal and interest in respect of the Bonds shall be made by the Paying Agent to the Bondholders, directly in case when such Bondholders are the Institution Participants, and in other cases through the relevant account management institutions (*kouza kanri kikan*) (the "**Account**

**Management Institutions**") with which such Bondholders have opened their accounts to have the Bonds recorded in accordance with the Book-Entry Transfer Law and the Business Rules.

- (2) If any due date for the payment of principal of or interest on the Bonds falls on a day which is not a Business Day, the Bondholders shall not be entitled to payment of the amount due until the next following Business Day, nor shall they be entitled to the payment of any further or additional interest or other payment in respect of such delay.
- (3) If the full amount of principal of or interest on the Bonds payable on any due date is received by the Paying Agent after such due date, the Issuer shall, or shall cause the Fiscal Agent to, give public notice to the Bondholders to that effect and of the method of payment and the date of such payment as soon as practicable but not later than 14 days after receipt of such amount by the Paying Agent. If at the time of such receipt either the method or the date of such payment (or both) is not determinable, the Issuer or the Fiscal Agent shall give public notice to the Bondholders of such receipt and of the method and/or the date of such payment to the extent the same has been determined, and give at a later date public notice to the Bondholders of the method and/or the date of such payment promptly upon determination thereof. All expenses incurred in connection with the said public notice shall be borne by the Issuer.

#### 8. **Taxation**

- (1) All payments (whether in respect of principal, interest or otherwise) in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Taxing Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in the receipt by the Bondholder of such amounts as would have been received by such Bondholder if no such withholding or deduction had been required, except that no such Additional Amounts shall be payable in respect of any Bond (i) to, or to a third party on behalf of, a Bondholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Taxing Jurisdiction other than the mere holding of such Bond or (ii) (only in the event that the Bond Certificates are issued) more than 30 days after the Relevant Date (as defined below) except to the extent the Bondholder would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days.

**"Relevant Date"** means whichever is the later of (i) the date on which the relevant payment of principal or interest first becomes due and (ii) if the full amount payable on such due date has not been duly received by the Paying Agent on or prior to such due date, the date on which, such full amount having been so received by the Paying Agent, the last public notice to that effect has been duly given by the Issuer or the Fiscal Agent in accordance with Condition 7(3).

- (2) Any reference in these Conditions of Bonds to principal or interest shall be deemed also to refer to any Additional Amounts which may be payable in respect of principal or interest, respectively, under this Condition 8. All expenses necessary for the procedures under this Condition 8 shall be borne by the Issuer.
- (3) Notwithstanding any other provision in these Conditions of Bonds, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code of 1986 Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay Additional Amounts or otherwise indemnify a Bondholder for any FATCA withholding deducted or withheld by the Issuer, the 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.

#### 9. **Events of Default and Enforcement**

- (1) Subject to Condition 9(7), if default is made in the payment of any amount of interest in respect of the Bonds on the due date for payment thereof and such default continues for 14 days, any

Bondholder may, at its option, by giving written notice by or on behalf of such Bondholder to the Issuer at the head office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the head office of the Fiscal Agent, the certificate (the "**Certificate**") certifying the holding of the relevant Bond and issued by the Book-Entry Transfer Institution or the relevant Account Management Institution), declare that any Bond(s) held by such Bondholder shall be forthwith due and payable, whereupon the same shall become immediately due and payable at a price equal to 100% of the principal amount together with interest accrued to and including such date, without further action or formality, unless, prior to receipt of such notice by the Fiscal Agent, such default shall have been cured; provided that it shall not be such a default to withhold or refuse any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (ii) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers of recognised standing as to such validity or applicability.

- (2) In the case this Condition 9(2) applies to the Bonds instead of Condition 9(1) pursuant to the provisions of Condition 9(7):
- (a) if default is made in the payment of any amount of interest in respect of the Bonds on the due date for payment thereof and such default continues for 14 days, any Bondholder may, in order to enforce payment, at its discretion and without further notice, institute proceedings for the winding up of the Issuer in England; provided that it shall not be such a default to withhold or refuse any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (ii) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers of recognised standing as to such validity or applicability; and
  - (b) any Bondholder 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 winding up of the Issuer in England and/or prove in any winding up or administration of the Issuer in England, to enforce any obligation, condition or provision binding on the Issuer under the Bonds (other than any obligation for the payment of any principal, interest or expenses in respect of such Bonds 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 winding up of the Issuer be obliged to pay any sum or sums (whether in respect of principal or interest or other sums in respect of the relevant Bonds or by way of damages in respect of any breach of any such obligation, condition or provision or otherwise howsoever). The Bondholders may only institute proceedings for the winding up of the Issuer to enforce the obligations above referred to in this paragraph (b) and/or prove in any winding up or administration of the Issuer in England if a default by the Issuer thereunder is not remedied within 60 days (or such longer period as approved by an Extraordinary Resolution (as defined in Condition 10(3))) after notice of such default has been given to the Issuer by any Bondholder at the head office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the head office of the Fiscal Agent, the Certificate) requiring such default to be remedied.
- (3) In addition to Condition 9(1) or (as the case may be) Condition 9(2), if an order is made or an effective resolution is passed for the winding up of the Issuer in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved by an Extraordinary Resolution), any Bondholder may, at its option, by giving written notice by or on behalf of such Bondholder to the Issuer at the head office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the head office of the Fiscal Agent, the Certificate), declare that any Bond(s) held by such Bondholder shall be forthwith due and payable, whereupon the same shall become immediately due and payable at a price equal to 100% of the principal amount together with interest accrued to and including such date, without further action or formality.
- (4) If (x) the Issuer has failed to remedy a default within the time specified in Condition 9(2)(b) or the event specified in Condition 9(3) has occurred or (y) any circumstance exists which would with

the lapse of time or the giving of notice or both constitute such event, the Issuer shall, immediately or in case of (y) above immediately when such circumstance comes to knowledge of the Issuer, notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent. If the event specified in Condition 9(1) or 9(2)(a) (such event, the events specified in Condition 9(3) and the failure by the Issuer to remedy a default within the time specified in Condition 9(2)(b) each being referred to herein as an "**Event of Default**") has occurred or any circumstance exists which would with the lapse of time constitute such event, the Issuer shall also immediately notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent.

- (5) No remedy against the Issuer (including any right of set-off) other than as specifically provided by this Condition 9 shall be available to the Bondholders whether for the recovery of amounts owing in respect of the Bonds or in respect of any breach by the Issuer of any obligation, condition or provision under the Bonds or otherwise.
- (6) All expenses necessary for the procedures under this Condition 9 shall be borne by the Issuer.
- (7) If Condition 9(1) has caused or (in the opinion of the Issuer) is likely to cause the occurrence of a Loss Absorption Disqualification Event, then Condition 9(2) shall, without the need for any further consent from the Bondholders, apply to the Bonds at all times thereafter instead of Condition 9(1). As soon as practicable after the application of Condition 9(2) to the Bonds instead of Condition 9(1) (but no later than 14 days after the application), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i) that Condition 9(1) has caused or is likely to cause the occurrence of a Loss Absorption Disqualification Event (together with details of facts relating thereto) and (ii) the date of such application. For these purposes such certificate delivered to the Fiscal Agent shall be conclusive of such matters and shall be binding on the Bondholders. The Issuer shall also give public notice to the Bondholders of such matters within 30 days after such application.

Such certificate delivered by the Issuer to the Fiscal Agent pursuant to this Condition 9(7) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 9(7) shall be borne by the Issuer.

#### 10. **Bondholders' Meetings**

- (1) The Issuer shall convene a Bondholders' meeting to consider any matters which relate to the interests of the Bondholders in the event that: (a) Bondholders holding one-tenth (1/10) or more of the aggregate principal amount of the Bonds then outstanding, acting either jointly or individually, so request in writing to the Fiscal Agent on behalf of the Issuer at the head office of the Fiscal Agent, provided that such Bondholders shall have presented to the Fiscal Agent the Certificates; or (b) the Issuer should deem it necessary to hold a Bondholders' meeting, in each case, by giving written notice at least 35 days prior to the proposed date of the meeting to the Fiscal Agent.

When a Bondholders' meeting is to be convened, the Issuer shall give public notice to the Bondholders of the Bondholders' meeting at least 21 days prior to the date of such meeting; and ensure that the Fiscal Agent, on behalf of the Issuer, shall take the steps necessary for the convocation of the Bondholders' meeting and to expedite the proceedings thereof.

- (2) The Bondholders may exercise their vote by themselves at the relevant Bondholders' meeting, by proxy, in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method pursuant to the rules established by the Issuer or the Fiscal Agent on behalf of the Issuer. At any Bondholders' meeting, each Bondholder shall have voting rights in proportion to the principal amount of the Bonds (for the time being outstanding) held by such Bondholder; provided, however, that the Certificates shall have been presented to the Fiscal Agent at its head office, at least 7 days prior to the date set for such meeting and to the Issuer or the Fiscal Agent at such meeting, on the date thereof; and, provided, further, that the Bondholder shall not make an application for book-entry transfer or an application for obliteration of the Bonds unless

the Bondholder returns the relevant Certificate to the Book-Entry Transfer Institution or the relevant Account Management Institution of such Bondholder. The Issuer may have its representative attend such meeting and express its opinion thereat.

- (3) Resolutions at such Bondholders' meeting shall be passed by more than one-half (1/2) of the aggregate amount of voting rights held by the Bondholders who are entitled to exercise their voting rights (the "**Voting Rights Holders**") and present at such meeting; provided, however, that an Extraordinary Resolution is required with respect to the following items:
- (a) giving a grace of payment, an exemption from liabilities resulting from a default, or settlement, to be effected with respect to all the Bonds (other than the matters referred to in (b) below);
  - (b) any acts of litigation to be made with respect to all the Bonds, or all acts pertaining to the bankruptcy, corporate reorganisation or similar proceedings of the Issuer;
  - (c) the election or dismissal of representative(s) of the Bondholders who may be appointed and authorised by resolution of a Bondholders' meeting to make decisions on matters to be resolved at a Bondholders' meeting (provided each of such representative(s) must hold one-thousandth (1/1,000) or more of the aggregate principal amount of the Bonds (for the time being outstanding)) (the "**Representative(s) of the Bondholders**") or an executor (the "**Executor**") who may be appointed and authorised by resolution of a Bondholders' meeting so as to execute the resolutions of the Bondholders' meeting, or the change in any matters entrusted to them; and
  - (d) any other matters where the Extraordinary Resolution is required under the provisions of these Conditions of Bonds.

"**Extraordinary Resolution**" means a resolution passed at a Bondholders' meeting by one-fifth (1/5) or more of the aggregate amount of the voting rights held by the Voting Rights Holders representing the aggregate principal amount of the Bonds then outstanding and two-thirds (2/3) or more of the aggregate amount of the voting rights held by the Voting Rights Holders present at such meeting.

For the purposes of calculating the number of votes exercised at a Bondholders' meeting, the Bondholders who have exercised their votes by proxy or in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method shall be deemed to have attended and voted at such meeting.

- (4) The resolution passed pursuant to this Condition 10 shall be binding on all the Bondholders whether present or not at such Bondholders' meeting to the extent permitted by the applicable Japanese law, and shall be carried out by the Representative(s) of the Bondholders or the Executor.
- (5) For the purpose of this Condition 10, the Bonds then held by the Issuer or any of its subsidiaries shall be disregarded and deemed not to be outstanding.
- (6) The Bondholders' meetings shall be held in Tokyo, Japan.
- (7) All expenses necessary for the procedures under this Condition 10 shall be borne by the Issuer.

#### 11. **Merger, Consolidation, Etc.**

The Issuer may, without the consent of the Bondholders, consolidate or amalgamate with or merge into any other corporation or convey or sell or transfer or lease its properties and assets substantially as an entirety to any other corporation, provided that:

- (a) the corporation formed by such consolidation or amalgamation or into which the Issuer is merged or to which conveyance, transfer or lease of the properties and assets of the Issuer, substantially as an entirety, is made (i) shall expressly assume, by a supplemental agreement executed by such successor corporation and/or the Issuer with the Fiscal Agent, the due and punctual payment of any principal or interest in respect of all the Bonds and the performance of every obligation and covenant under these Conditions of Bonds on the

part of the Issuer to be performed or observed and (ii) the definition of "**Taxing Jurisdiction**" shall be amended, if applicable, to replace the United Kingdom with the jurisdiction in which such successor corporation is resident for tax purposes;

- (b) immediately after giving effect to such transaction and treating any indebtedness that becomes an obligation of the Issuer, as a result of such transaction as having been incurred by the Issuer at the time of such transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing; and
- (c) the Issuer and the successor corporation have delivered to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating, and a written opinion of independent legal advisers of recognised standing confirming, that such consolidation, merger, conveyance, transfer or lease comply with this Condition 11.

Such certificate and opinion delivered to the Fiscal Agent pursuant to this Condition 11 shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

Upon any consolidation or amalgamation with or merger into any other corporation, or any conveyance, transfer or lease of the properties and assets of the Issuer substantially as an entirety to any other corporation in accordance with this Condition 11, the successor corporation formed by such consolidation or amalgamation or into which the Issuer is merged or the successor corporation to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under these Conditions of Bonds with the same effect as if such successor corporation had been named as the Issuer herein, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under these Conditions of Bonds.

12. **Registration Book**

The registration book for the Bonds shall be prepared, administered and kept by the Fiscal Agent at its head office on behalf of the Issuer.

13. **Prescription**

The period of extinctive prescription shall be 10 years for the principal of the Bonds and 5 years for the interest on the Bonds.

14. **Public Notices**

All public notices relating to the Bonds shall be published once in the Japanese Official Gazette (if possible) and once in a daily Japanese newspaper published in both Tokyo and Osaka reporting on general affairs. Direct notification to individual Bondholders need not be made. Such public notices to be given by the Issuer shall, upon the request and at the expense of the Issuer, be given by the Fiscal Agent on behalf of the Issuer. The Fiscal Agency Agreement provides that the Issuer shall request the Fiscal Agent in writing to give such public notices on behalf of the Issuer whenever necessary under these Conditions of Bonds.

15. **Currency Indemnity**

In the event of a judgment or order being rendered or issued by any court for the payment of the principal of or interest on the Bonds or any other amount payable in respect of the Bonds, and such judgment or order being expressed in a currency other than Japanese yen, any amount received or recovered in such currency by any Bondholder in respect of such judgment or order shall only constitute a discharge to the Issuer to the extent of the amount received or recovered in Japanese yen and the Issuer undertakes to pay to such Bondholder the amount necessary to make up any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which any amount expressed in Japanese yen is (or is to be treated as) converted into such currency other than Japanese yen for the purposes of any such judgment or order, and (ii) the date or dates

of discharge of such judgment or order (or part thereof). To the extent permitted by any applicable law, the above undertaking shall constitute a separate and independent obligation of the Issuer from its other obligations, shall give rise to a separate and independent cause of action against the Issuer, shall apply irrespective of any indulgence granted by any Bondholder from time to time and shall continue in full force and effect notwithstanding any judgment or order.

16. **Agreement with Respect to the Exercise of the UK Bail-in Power**

- (1) By its acquisition of the Bonds, each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) acknowledges, accepts, consents and agrees, notwithstanding any other term of the Bonds or any other agreements, arrangements or understandings between the Issuer and any Bondholder, to be bound by:
- (a) the effect of the exercise of any UK Bail-in Power (as defined below) by the Relevant UK Resolution Authority that may include and result in any of the following, or some combination thereof: (i) the reduction of all, or a portion, of the Amounts Due (as defined below); (ii) the conversion of all, or a portion, of the Amounts Due into the Issuer's or another person's ordinary shares, other securities or other obligations (and the issue to, or conferral on, the Bondholder of such ordinary shares, other securities or other obligations), including by means of an amendment, modification or variation of these Conditions of Bonds; (iii) the cancellation of the Bonds; and/or (iv) the amendment or alteration of the date for redemption of the Bonds or amendment of the amount of interest payable on the Bonds, or the Interest Payment Dates, including by suspending payment for a temporary period; and
  - (b) the variation of these Conditions of Bonds, if necessary, to give effect to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

No repayment or payment of Amounts Due shall become due and payable or be paid after the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.

Each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) consents to the exercise of any UK Bail-in Power as it may be imposed without any prior notice by the Relevant UK Resolution Authority of its decision to exercise such power with respect to the Bonds.

"**Amounts Due**" means the principal amount of, and any accrued but unpaid interest, including any Additional Amounts, on, the Bonds. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

"**Banking Act**" means the UK Banking Act 2009, as amended.

"**BRRD**" means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended from time to time.

"**PRA**" means the UK Prudential Regulation Authority or any successor entity.

"**Regulated Entity**" refers to any BRRD Undertaking as such term is defined under the PRA Rulebook promulgated by the PRA, as amended from time to time, which includes certain credit institutions, investment firms and certain of their parent or holding companies or any comparable future definition intended to designate entities within the scope of the UK recovery and resolution regime.

"**Relevant UK Resolution Authority**" means any authority with the ability to exercise a UK Bail-in Power.

"**UK Bail-in Power**" means any write-down, conversion, transfer, modification or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the United Kingdom, relating to the transposition of the BRRD

or otherwise relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings), including but not limited to the Banking Act and the instruments, rules and standards created thereunder, pursuant to which (i) any obligation of a Regulated Entity (or other affiliate of such Regulated Entity) can be reduced, cancelled, modified or converted into shares, other securities or other obligations of such Regulated Entity or any other person (or suspended for a temporary period); and (ii) any right in a contract governing an obligation of a Regulated Entity may be deemed to have been exercised.

- (2) The exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds shall not constitute an Event of Default.
- (3) Upon the exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds, the Issuer shall immediately notify the Fiscal Agent in writing of such exercise and give public notice of the same to the Bondholders through the Fiscal Agent. For avoidance of doubt, any delay or failure by the Issuer in delivering any notice or public notice referred to in this Condition 16(3) shall not affect the validity and enforceability of the UK Bail-in Power.
- (4) By its acquisition of the Bonds, to the fullest extent permitted by applicable law (including, without limitation, the Business Rules), each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) shall be deemed to have authorized, directed and requested the Book-Entry Transfer Institution and the Institution Participant or the Account Management Institution, as the case may be, to take any and all necessary action, if required, to implement the exercise of any UK Bail-in Power with respect to the Bonds as it may be imposed, without any further action or direction on the part of such Bondholder or beneficial owner, and the Fiscal Agent.
- (5) To the fullest extent permitted by applicable law, the Bondholders in respect of any claims of such Bondholders to payment of any principal or interest in respect of the Bonds, by their acceptance of the Bonds, shall be deemed to have waived any right of set-off or counterclaim that such Bondholders might otherwise have.
- (6) Any Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) that acquires the Bonds in the secondary market and any successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of any Bondholder shall be deemed to acknowledge, agree to be bound by and consent to the same provisions in this Condition 16 to the same extent as the Bondholders that acquire the Bonds upon their initial issuance, including, without limitation, with respect to the acknowledgement and agreement to be bound by and consent to these Conditions of Bonds related to the UK Bail-in power.

#### 17. **Governing Law and Jurisdiction**

Except as to the authorisation relating to the issue of the Bonds by the Issuer, the Bonds and all the rights and obligations of all the parties concerned, including the Bondholders, arising thereunder shall in all respects be governed by and construed in accordance with the laws of Japan.

Except as otherwise provided in these Conditions of Bonds, the place of performance of obligations pertaining to the Bonds is Tokyo, Japan.

Any legal or other court procedural action against the Issuer arising from or relating to the Bonds or these Conditions of Bonds may be instituted, on a non-exclusive basis, in the Tokyo District Court, to the jurisdiction of which the Issuer hereby expressly, unconditionally and irrevocably agrees to submit.

The Issuer hereby appoints the Representative in Japan of The Hongkong and Shanghai Banking Corporation Limited as the authorised agent of the Issuer upon whom process or any judicial or other court documents may be served in any legal or other court procedural action arising from or relating to the Bonds or these Conditions of Bonds that may be instituted in Tokyo, Japan; the Issuer hereby designates the address from time to time of the Tokyo Branch of The Hongkong and Shanghai Banking Corporation Limited, currently at HSBC Building, 11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-0027, Japan, as the address to receive such process or any judicial or other court documents; and the Issuer hereby agrees to take, from time to time and so long as any of the



Bonds shall remain outstanding, any and all action (including the execution and filing of any and all documents and instruments) that may be necessary to effect and to continue such appointment and designation in full force and effect. If at any time such agent shall not, for any reason, serve as such authorised agent, the Issuer shall immediately appoint, and it hereby undertakes to take any and all action that may be necessary to effect the appointment of, a successor authorised agent in Tokyo, Japan. In such case the Issuer shall promptly notify the Fiscal Agent in writing of the appointment of such successor agent and give public notice thereof.

Nothing in this Condition 17 shall affect the right of the Bondholders to institute legal or other court procedural action against the Issuer in any court of competent jurisdiction under applicable laws or to serve process or any judicial or other court documents in any manner otherwise permitted by law.

18. **Modifications and Amendments**

To the fullest extent permitted by applicable law, certain modifications and amendments to these Conditions of Bonds may be made without the consent of any Bondholder, only for the purpose of curing any ambiguity, or of correcting or supplementing any defective provisions contained herein, adding covenants for the benefit of the Bondholders, surrendering rights or powers conferred on the Issuer, or in any other manner which the Issuer may deem necessary and desirable and which will not adversely affect the interest of the Bondholders. The Issuer shall immediately notify the Fiscal Agent in writing of any such modification and amendment and give public notice of the same to the Bondholders as soon as practicable thereafter. All expenses necessary for the procedures under this Condition 18 shall be borne by the Issuer.

## **DESCRIPTION OF THE ISSUER**

Information regarding the Issuer is set out in the Registration Document incorporated into this document by reference on page 13 (*Documents Incorporated by Reference*).

## DIRECTORS OF THE ISSUER

The directors of the Issuer<sup>1</sup>, each of whose business address is 8 Canada Square, London E14 5HQ, United Kingdom, their functions in relation to the Group and their principal outside activities (if any) of significance to the Group are as follows:

<u>Name</u>	<u>Function(s) within the Group</u>	<u>Principal outside activities</u>
Mark E Tucker	Non-executive Group Chairman  Chairman of the Nomination & Corporate Governance Committee	Serves on the Asia Business Council and the Advisory Board of the Asia Global Institute. Mr. Tucker is also a director of the Peterson Institute for International Economics.
John Flint	Group Chief Executive	Chairman, The HongKong and Shanghai Banking Corporation Limited; Member of the Monetary Authority of Singapore International Advisory Panel and the International Business Council of the World Economic Forum.
Iain Mackay <sup>2</sup>	Group Finance Director	Member of the Board of Trustees of the British Heart Foundation; (and Chairman of its Audit and Risk Committee); Independent Member of the Court of the University of Aberdeen
Marc Moses	Group Chief Risk Officer	Fellow, Institute of Chartered Accountants in England and Wales
Kathleen Casey	Independent Non-executive Director  Member of the Group Audit Committee  Member of the Nomination & Corporate Governance Committee	Senior Adviser, Patomak Global Partners and to a number of public bodies in the U.S.; Member of the Board of Trustees of the Financial Accounting Foundation
Laura Cha, GBM	Independent Non-executive Director  Member of the Nomination & Corporate Governance Committee  Member of the Nomination & Corporate Governance Committee  Member of the Financial System Vulnerabilities Committee	Non-executive Deputy Chairman, The Hongkong and Shanghai Banking Corporation Limited; Chairman; Non-executive Director, China Telecom Corporation Limited; Non-executive Director, Unilever PLC; Non-executive Director, Unilever N.V.; Non-executive director, London Metal Exchange; Non-executive director of Hong Kong Exchanges and Clearing Limited

<sup>1</sup> On 25 June 2018, the Issuer announced that Ewen Stevenson will be appointed as Executive Director and Group Finance Director on 1 January 2019, having joined the Group on 1 December 2018 as Group Finance Director Designate.

<sup>2</sup> Iain Mackay will retire as Executive Director and Group Finance Director on 31 December 2018.

<i>Name</i>	<i>Function(s) within the Group</i>	<i>Principal outside activities</i>
Henri de Castries	Independent Non-executive Director	Chairman, Europe and Special Advisor of General Atlantic; Chairman, Institut Montaigne, a French think-tank; Lead Independent Director, Nestlé S.A.; Non-executive Director, French National Foundation for Political Science; Non-executive director of Argus Media Limited; Member of the Global Advisory Council of Leapfrog
	Member of the Group Remuneration Committee	
	Member of the Nomination & Corporate Governance Committee	
Lord Evans of Weardale	Independent Non-executive Director	Non-executive Director, Ark Data Centres; Adviser to various cybersecurity and technology companies
	Chairman of the Financial System Vulnerabilities Committee	
	Member of the Nomination & Corporate Governance Committee	
Irene Lee	Independent Non-executive Director	Executive Chairman, Hysan Development Company Limited; Non-executive Director, The Hongkong and Shanghai Banking Corporation Limited; Non-executive Director, Hang Seng Bank Limited; Non-executive Director, Cathay Pacific Airways Limited; Non-executive Director, Member, HKMA Exchange Fund Advisory Committee
	Member of the Nomination & Corporate Governance Committee	
	Member of the Group Remuneration Committee	
Heidi Miller	Independent Non-executive Director	Chair, HSBC North American Holdings Inc.; Non-executive Director, First Data Corporation; Non-executive Director, General Mills Inc.; Advisory Director, SRS Acquiom LLC; Non-executive director of Artis-Naples
	Member of the Group Risk Committee	
	Member of the Nomination & Corporate Governance Committee	
David Nish	Independent Non-executive Director	Non-executive Director, Vodafone plc; Non-executive Director, London Stock Exchange Group plc; Non-executive Director, Zurich Insurance Group
	Member of the Group Audit Committee	
	Member of the Nomination & Corporate Governance Committee	
	Member of the Group Remuneration Committee	
Jonathan Symonds, CBE	Deputy Group Chairman	Chairman, Proteus Digital Health Inc.; Non-executive Director, Genomics England Limited; Adviser to the Board and CEO, Mesoblast; Director, Rubius Therapeutics, Inc.
	Chairman of the Group Audit Committee	

<i>Name</i>	<i>Function(s) within the Group</i>	<i>Principal outside activities</i>
	Member of the Group Risk Committee	
	Member of the Nomination & Corporate Governance Committee	
Jackson Tai	Independent Non-executive Director Chairman of the Group Risk Committee Member of the Financial System Vulnerabilities Committee	Non-executive Director, Eli Lilly and Company; Non-executive Director, Koninklijke Philips Electronics N.V.; Non-executive Director, MasterCard Incorporated; Non-executive Director, Canada Pension Plan Investment Board
	Member of the Nomination & Corporate Governance Committee	
Pauline van der Meer Mohr	Independent Non-executive Director Chair of the Group Remuneration Committee Member of the Group Nomination & Corporate Governance Committee Member of the Group Risk Committee	Chair of the Supervisory Board of EY Netherlands;; Member of the Supervisory Board of Royal DSM N.V.; Member of the selection & nomination committee of the Supreme Court of the Netherlands; Non-executive director, Mylan N.V.; Chair of the Dutch Monitoring Committee Corporate Governance; External Member of the Capital Markets Committee of the Dutch Authority for Financial Markets.

There are currently no existing or potential conflicts of interest between any duties owed to the Issuer by its Directors (as described above) and the private interests and/or other external duties owed by these individuals.

### **Group Company Secretary**

All Directors have access to the advice and services of the Group Company Secretary, who is responsible to the Board for ensuring that Board procedures and all applicable rules and regulations are complied with, and for advising the Board on corporate governance matters.

Under the direction of the Group Chairman, the Group Company Secretary is responsible for ensuring good information flows within the Board and its committees and between senior management and non-executive Directors, as well as facilitating induction and assisting with professional development as required. The details of the Group Company Secretary and his principal outside activities (if any) of significance to the Group are as follows:

<i>Name</i>	<i>Function(s) within the Group</i>	<i>Principal outside activities</i>
Ben Mathews	Group Company Secretary	Fellow of the Institute of Chartered Secretaries and Administrators.

## UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Bonds. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with any other United Kingdom tax aspects of acquiring, holding or disposing of the Bonds. The comments relate only to the position of persons who are absolute beneficial owners of the Bonds. Prospective Bondholders should be aware that the particular terms of issue of any series of Bonds may affect the tax treatment of that and other series of Bonds. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Bondholders who are in any doubt as to their tax position should consult their professional advisers. Bondholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Bonds. In particular, Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

### (A) United Kingdom Withholding Tax

- (1) The Bonds which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange (within the meaning of section 1005 of the United Kingdom Income Tax Act 2007 (the "Act")) or admitted to trading on a "multilateral trading facility" (within the meaning of section 987 of the Act). Whilst such Bonds are and continue to be quoted Eurobonds, payments of interest on the Bonds may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

Euronext Dublin is a recognised stock exchange (within the meaning of section 1005 of the Act). The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Global Exchange Market of Euronext Dublin may be regarded as "listed on a recognised stock exchange" for these purposes.

- (2) In all other cases falling outside the exemption described in paragraph (A)(1) above, interest on the Bonds may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty or to any other exemption which may apply.

### (B) Other Rules Relating to United Kingdom Withholding Tax

- (1) Where interest has been paid under deduction of United Kingdom income tax, Bondholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty or where local tax laws allow.
- (2) Where a Bond is issued at an issue price of less than 100 per cent of its principal amount, any discount element on any such Bond will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in (A) above.

- (3) Where a Bond is to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.
- (4) The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Bonds or any related documentation. Where a payment on a Bond does not constitute (or is not treated as) interest for United Kingdom tax purposes, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the particular terms of issue of the Bond). In such a case, the payment may fall to be made under deduction of United Kingdom income tax (the rate of withholding depending on the nature of the payment), subject to any exemption from withholding which may apply and to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double tax treaty. Bondholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Bonds which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.
- (5) The above summary under the heading of United Kingdom Taxation assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

## CERTAIN OTHER TAXATION MATTERS

### *The proposed Financial Transactions Tax ("FTT")*

On 14 February 2013 the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

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

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

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

### **Withholding on account of U.S. tax under FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements (each an "**IGA**") with the United States to implement FATCA, which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes treated as debt for U.S. federal income tax purposes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under "*Terms and Conditions of the Notes — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.



## SUBSCRIPTION AND SALE

*Words and expressions defined in the "Terms and Conditions of the Bonds (Fourth Series 2018)", "Terms and Conditions of the Bonds (Fifth Series 2018)", "Terms and Conditions of the Bonds (Sixth Series 2018)" below or elsewhere in these Listing Particulars have the same meanings in this overview.*

HSBC Securities (Japan) Ltd and the other managers named therein (together, the "**Managers**"), in a subscription agreement dated 7 September 2018 (the "**Subscription Agreement**") and made between the Issuer and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Bonds at their respective Issue Price.

### ***United States of America***

The Bonds have not been and will not be 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 except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

Each Lead Manager has represented that it has offered and sold any Bonds, and agrees that it will offer and sell any Bonds, (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering of the Bonds to the public and the Closing Date (the "**Distribution Compliance Period**"), only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Lead Manager further represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Bonds, and it and they have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act.

Each Lead Manager also agrees that, at or prior to confirmation of sale of Bonds, it sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds from it during the Distribution Compliance Period a confirmation or notice to substantially the following effect:

"The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Bonds to the public and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

Terms used in the paragraph above have the meanings given to corresponding English terms by Regulation S under the Securities Act.

### **General**

Persons into whose hands these Listing Particulars come are required by the Issuer and the Managers 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 Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

## GENERAL INFORMATION

1. The creation and issue of the Bonds was authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 19 January 2018.
2. In relation to the Issuer, any transfer of, or payment in respect of, a Bond 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.
3. For so long as the Bonds are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market, the physical form of the following documents may be inspected during normal business hours at the registered office of the Issuer:
  - (a) the constitutional documents of the Issuer;
  - (b) the Subscription Agreement;
  - (c) the Fiscal Agency Agreement; and
  - (d) the 2016 Annual Report and Accounts and the 2017 Annual Report and Accounts together with all other audited consolidated annual reports and accounts of the Issuer subsequent to 31 December 2017, the IFRS 9 Report, the Form 20-F, the Q1 2018 Earnings Release, the Unaudited Consolidated Interim Report and the Q3 2018 Earnings Release.
4. The Issuer will, at its registered office and at the registered office of HSBC Securities (Japan) Ltd, make available for inspection during normal office hours, free of charge, upon oral or written request, a copy of these Listing Particulars and any document incorporated by reference therein prepared in relation to the Bonds. Written or oral requests for such documents should be directed to the registered office of the Issuer.
5. PricewaterhouseCoopers LLP of 1 Embankment Place, London, WC2N 6RH, United Kingdom has audited without qualification the financial statements contained in the Annual Report and Accounts of the Issuer for the financial years ended 31 December 2016 and 2017.
6. There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 30 June 2018 nor any material adverse change in the prospects of the Issuer since 31 December 2017.
7. Save as disclosed in Note 26 (*Provisions*) and in Note 34 (*Legal proceedings and regulatory matters*) on page 231, and on pages 244 to 250, respectively, of the Issuer's 2017 Annual Report and Accounts (incorporated by reference herein) and in Note 10 (*Provisions*) and in Note 12 (*Legal proceedings and regulatory matters*) on page 101, and on pages 102 to 108, respectively, of the Issuer's Unaudited Consolidated Interim Report (incorporated by reference herein), there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 month period before the date of these Listing Particulars which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and/or the Issuer and its subsidiaries.
8. The Bonds have been accepted for clearance through the facilities of JASDEC. For the Bonds (Fourth Series 2018), the ISIN is JP582666AJ90; for the Bonds (Fifth Series 2018), the ISIN is JP582666BJ99; and for the Bonds (Sixth Series 2018), the ISIN is JP582666CJ98.
9. The Legal Entity Identifier (LEI) code of the Issuer is MLU0ZO3ML4LN2LL2TL39.

**HEAD AND REGISTERED OFFICE OF THE ISSUER**

**HSBC Holdings plc**

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United Kingdom

**FISCAL AGENT**

**Mizuho Bank, Ltd.**

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**LEGAL ADVISERS TO THE ISSUER**

*as to English law*

**Clifford Chance LLP**

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*as to Japanese law*

**Clifford Chance Law Office**

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