

TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

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

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

1. **Form, Denomination and Title**

(a) *Form*

Notes are issued in bearer form ("**Bearer Notes**") and/or in registered form ("**Registered Notes**") as set out in the relevant Final Terms. Bearer Notes issued in definitive form are referred to as "**Definitive Notes**". Definitive Notes will be serially numbered. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") maintained by the Registrar in respect of the Registered Notes.

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

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

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

(b) *Denomination*

Subject to Condition 9, Bearer Notes will be in the denomination(s) (each of which denominations must be integrally divisible by each smaller denomination) set out in the relevant Final Terms. Bearer Notes of one denomination will not be exchangeable after their initial delivery for Notes of any other denomination. Registered Notes will be in the denomination(s) and multiples set out in the relevant Final Terms.

(c) *Title*

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

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

2. **Status**

The Notes are direct, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and, at their date of issue, (save for certain obligations required to be preferred by law) with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer for the time being outstanding.

3. **Interest on Fixed Rate Notes**

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

6(a)). The first payment of interest will be made on the first Fixed Interest Payment Date following the Interest Commencement Date.

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

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

4. **Interest on Floating Rate Notes**

(a) *Accrual of Interest*

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

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

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

(b) *Interest Payment Dates and Interest Periods*

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

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

(c) *Rate of Interest*

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

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

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

- (ii) if the Reuters Screen, Telerate or such other information vending service as may be set out in the relevant Final Terms does not contain an appropriate page in respect of the Specified Currency (as defined in Condition 18), or if fewer than two of the Relevant Rates appear at such time (other than where such Relevant Rate is a composite quotation or rate or is customarily supplied by one entity), or if the rates which appear as at such time do not apply to a period of a duration equal to the relevant Interest Period, the Rate of Interest for such Interest Period shall be calculated as set out in the relevant Final Terms;
- (iii) In this Condition 4(c) and in Condition 4(d) below only:
 - (A) the "**Benchmark**" means LIBOR or such other benchmark as may be set out in the relevant Final Terms;
 - (B) "**Relevant Rate**" means:
 - (1) an offered rate in the case of a Note the Benchmark for which relates to an offered rate; or
 - (2) a bid rate in the case of a Note the Benchmark for which relates to a bid rate; or
 - (3) the mean of an offered and bid rate in the case of a Note the Benchmark for which relates to the mean of an offered and bid rate, as set out in the relevant Final Terms;
 - (C) the expression "**Interest Determination Date**" means the day determined by the Calculation Agent, in its sole and absolute discretion, to be customary for fixing the Benchmark rate applicable to deposits in the relevant currency for the relevant Interest Period; provided that where so specified in the relevant Final Terms, such day shall be a day (i) if such currency is euro, which is a Euro Business Day (as defined in Condition 9), and (ii) if such currency is any other currency, on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres of the country of such currency (or where such currency is a National Currency Unit (as defined in Condition 10(f)) and the Notes have been redenominated into euro pursuant to Condition 9, the former principal financial centres or centres); and
 - (D) the expression "the appropriate page of the Reuters Screen, Telerate" means such page, whatever its designation, on which the Benchmark rates for deposits in the relevant currency of prime banks are for the

time being displayed on the Reuters Money 3000 Service or the Moneyline Telerate Service (or on such other page as may replace such page on the relevant service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates for deposits in the relevant currency).

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

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

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

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

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

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

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purpose of the provisions of this Condition 4 shall (in the absence of manifest error) be binding on the Issuer, the

Paying Agents, (where appropriate) the Registrar and the Noteholders. No Holder of Notes or of Coupons appertaining thereto shall be entitled to proceed against the Calculation Agent, the Paying Agents, the Registrar or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder.

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

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

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

6. **Redemption and Purchase**

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled, and subject as otherwise set out in the relevant Final Terms, each Note will be redeemed by the Issuer at an amount (the "**Final Redemption Amount**") as determined by the Issuer in its sole and absolute discretion and as calculated in accordance with the formula or other means specified in the relevant Final Terms, where applicable, in the relevant Specified Currency (as defined in Condition 18) on the date specified in the relevant Final Terms as the scheduled date on which such Note is to be redeemed (the "**Maturity Date**") (or, in the case of Instalment Notes, in such number of instalments and in such amounts ("**Instalment Amounts**") as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms) and, in the case of Equity Linked Notes in respect of which the relevant Option has been exercised, in accordance with the provisions set out in the relevant Final Terms.

(b) *Redemption for Taxation Reasons*

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

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

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

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

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

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

Where the Notes are specified in the relevant Final Terms as being redeemable at the option of the Issuer, the Issuer may at any time (in the case of Fixed Rate Notes or Zero Coupon Notes), on any Interest Payment Date (in the case of Floating Rate Notes or Variable Coupon Amount Notes) or otherwise as set out in the relevant Final Terms, having given:

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

(which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount as determined by the Issuer in its sole and absolute discretion and as calculated in accordance with the formula or other means specified in the relevant Final Terms, together with interest accrued but unpaid thereon to the date fixed for redemption.

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

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

- (i) in the case of Bearer Notes (other than a Note which is a temporary global Note or a permanent global Note), the Notes to be redeemed shall be drawn by lot in such European city as the Principal Paying Agent may specify, or identified in such other manner or in such other place as the Principal Paying Agent may approve and deem appropriate and fair; and
- (ii) in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, provided always that the amount redeemed in respect of each Note shall be equal to the minimum denomination thereof or an appropriate multiple thereof,

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

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

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

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

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

(which notices shall be irrevocable), the Issuer shall, following receipt of such notice from the Noteholder and confirmation from the Issue Agent that it has been duly notified, redeem, subject to any terms specified in the relevant Final Terms, so many of the Notes in respect of which such Noteholder has exercised such option as are

outstanding on the Optional Redemption Date and at the Optional Redemption Amount as determined by the Issuer in its sole and absolute discretion as calculated in accordance with the formula or other means specified in the relevant Final Terms, together with interest accrued but unpaid thereon to the date fixed for redemption.

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

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

(e) *Purchases*

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

(f) *Cancellation*

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

(g) *Zero Coupon Notes*

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

(h) *Force Majeure*

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

(i) *Other Redemption Provisions*

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

7. Taxation

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

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

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

payment of principal or interest or by presenting the relevant Note or Coupon at the specified office of another Paying Agent; or

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

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

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

- (a) any additional amounts which may be payable under this Condition 7;
- (b) the principal amount payable on the relevant Notes on the Maturity Date;
- (c) the principal amount payable on redemption of the relevant Notes prior to such Maturity Date; and

- (d) any premium and any other amounts which may be payable under or in respect of the relevant Notes.

8. **Payments**

(a) *Bearer Notes*

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

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

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

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

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

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

Definitive Notes which are Fixed Rate Notes should be presented for payment with all unmatured Coupons appertaining thereto, failing which the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, that portion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Any amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon within a period of ten years from the Relevant Date (as defined in Condition 7) for the payment of such principal, whether or not such Coupon has become void pursuant to Condition 12 or, if later, five years from the date on which such Coupon would have become due.

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

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

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

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

(b) *Registered Notes*

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

Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the Register at the close of business (local time in the place of the specified office of the Registrar) on the fifteenth day prior to the due date for such payment (the "**Record Date**").

Payment will be made in the currency in which such amount is due either by cheque posted to the Noteholder's registered address (or, in the case of joint Holders, the first-named) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar or to the Transfer Agent and the Registrar or, as the case may be, the Transfer Agent has acknowledged such application for payment to be made to a designated account denominated in the relevant Specified Currency (as defined in Condition 18), in each case as specified in paragraph (c) below.

(c) *General Provisions*

The following provisions apply to both Bearer Notes and Registered Notes. Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the relevant Specified Currency (as defined in Condition 18) either by cheque or, at the option of the payee, by transfer to an account in the relevant Specified Currency specified by the payee other than, for payments in respect of Bearer Notes, any such account in the United States.

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

For the purposes of these Conditions:

- (i) "**Relevant Financial Centre Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres for the currency in which payment falls to be made (or, where such currency is a National Currency

Unit (as defined in Condition 10(f)) and the Notes have been redenominated into euro pursuant to Condition 9, the former principal financial centres or centres) and in any other place set out in the Final Terms. In the case of payments which fall to be made in euro (save for payments in relation to Notes which have been redenominated into euro pursuant to Condition 9), a Euro Business Day;

- (ii) "**local banking day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Principal Paying Agent, the Paying Agent, or the Registrar or the Transfer Agent to which the relevant Note or Coupon is presented for payment is located; and
- (iii) "**ISDA Definitions**" means the 2000 ISDA Definitions (as amended and supplemented as at the date of issue of the first Tranche of the Notes of the relevant Series), as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.).

Without prejudice to the generality of the foregoing, the Issuer reserves the right to require any person receiving payment of principal or, as the case may be, payment of interest with respect to any Note or Coupon to provide a Paying Agent with such certification or information as may be required to enable the Issuer or any parent or holding company of the Issuer or any subsidiary of any such parent or holding company to comply with the requirements of the U.S. Federal Income Tax laws or such other laws as the Issuer or any such parent or holding company or subsidiary thereof may be required to comply with.

9. **Redenomination**

(a) *General*

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

With effect from the Redenomination Date:

- (i) each Note shall (unless already so provided by mandatory provisions of applicable law) be deemed to be redenominated into such amount of euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency (as defined in Condition 18), converted into euro at the rate for the conversion of the relevant Specified Currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to roundings in accordance with EC regulations); *provided, however, that* if the Issuer determines, with the agreement of the Principal Paying

Agent, then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;

- (ii) if Notes are in definitive form:
 - (E) all unmatured Coupons denominated in the relevant Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;
 - (F) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 9(a)(ii)) shall remain in full force and effect; and
 - (G) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the relevant Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the relevant Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro, as though references in the Notes to the Specified Currency were to euro. Such payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Communities; and;
- (iv) such other changes will be made to the terms and conditions of the Notes as the Issuer may decide, with the prior approval of the Principal Paying Agent, to conform such Notes to conventions then applicable to instruments denominated in euro. Any such other changes will not take effect until after it has been notified to the Noteholders in accordance with Condition 14.

Neither the Issuer nor the Principal Paying Agent will be liable to any Noteholder or other person for any commissions, costs, losses or expenses in relation to or resulting

from the credit or transfer of euro or any currency conversion or rounding effected in connection therewith.

(b) *Interest*

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

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

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

As used in these Conditions:

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

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

- (i) is specified by the Issuer in the notice given to the Noteholders pursuant to Condition 9(a); and
- (ii) falls on or after such date as the country of the Specified Currency (as defined in Condition 18) becomes a Participating Member State (as defined in Condition 10(f)).

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

10. Valuation, Adjustments and Extraordinary Events affecting Securities

(a) *Valuation, Market Disruption and Averaging Dates*

- (i) **"Valuation Time"** means, in relation to each Security to be valued or each Index the level of which falls to be determined, the time specified as such in the relevant Final Terms or, if no such time is specified and if applicable, the close of trading on the relevant Exchange in relation to such Security or Index, provided that if a time is specified in the relevant Final Terms which for whatever reason falls outside the business hours of the relevant Exchange, then the "Valuation Time" shall be deemed to be the close of trading on such Exchange.
- (ii) **"Valuation Date"** means each date specified or otherwise determined as provided in the relevant Final Terms, or, if such date is not an Exchange Business Day, the next following Exchange Business Day, unless, in either

case, there is a Market Disruption Event in respect of any relevant Index or Security on that day. If there is such a Market Disruption Event on that day, then:

(A) in the case of an Index Linked Note, an Equity Linked Note or a Cash Equity Note (as specified in the relevant Final Terms) which, in each case, relates to a single Security or Index, the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date (the "**Scheduled Valuation Date**"). In that case:

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

(aa) that fifth Exchange Business Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event; or

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

and, in each case, the Calculation Agent shall determine the level of the Index as of the Valuation Time on that fifth or (as the case may be) thirtieth Exchange Business Day determined in accordance with the formula for and method of calculating the Index last in effect prior to the commencement of the Market Disruption Event using the Exchange traded price (or, if trading in the relevant security or other property comprised in the relevant Index has been materially suspended or materially limited, its good faith estimate of the Exchange traded price that would have prevailed but for that suspension or limitation) as of the Valuation Time on that fifth or (as the case may be) thirtieth Exchange Business Day of each security or other property comprised in the Index; and

(2) in respect of an Equity Linked Note or a Cash Equity Note, that fifth Exchange Business Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event and the Calculation Agent shall determine its good faith estimate of the Exchange traded price for the relevant Securities that would have

prevailed but for that Market Disruption Event as of the Valuation Time on that fifth Exchange Business Day;

(B) in the case of an Index Linked Note (as specified in the relevant Final Terms) which relates to a basket of indices, the Valuation Date for each Index not affected by a Market Disruption Event shall be the Scheduled Valuation Date and the Valuation Date for each Index affected by a Market Disruption Event shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event relating to that Index, unless there is a Market Disruption Event relating to that Index on each of the five Exchange Business Days immediately following the Scheduled Valuation Date. In that case, the Calculation Agent shall determine in its absolute discretion that either :

- (1) that fifth Exchange Business Day shall be deemed to be the Valuation Date for the relevant Index notwithstanding the Market Disruption Event; or
- (2) the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event relating to that Index, unless no such day has occurred by the thirtieth Exchange Business Day following the Scheduled Valuation Date, in which case that thirtieth Exchange Business Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event,

and, in each case, the Calculation Agent shall determine, in its sole and absolute discretion, the level of that Index, as of the Valuation Time on that fifth or (as the case may be), thirtieth, Exchange Business Day, in accordance with the formula for and method of calculating that Index last in effect prior to the commencement of the Market Disruption Event using the Exchange traded price (or, if trading in the relevant security or other property comprised in the relevant Index has been materially suspended or materially limited, its good faith estimate of the Exchange traded price that would have prevailed but for that suspension or limitation) as of the Valuation Time on that fifth (or as the case may be) thirtieth, Exchange Business Day of each security or other property comprised in the relevant Index; and

(C) in the case of an Equity Linked Note or a Cash Equity Note (as specified in the relevant Final Terms) which, in each case, relates to a basket of Securities, the Valuation Date for each Security not affected by a Market Disruption Event shall be the Scheduled Valuation Date and the Valuation Date for each Security affected by a Market Disruption Event shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event relating to that Security, unless there is a Market Disruption Event relating to that Security on each of the five Exchange Business Days immediately following the Scheduled Valuation

Date. In that case, (1) the fifth Exchange Business Day shall be deemed to be the Valuation Date for the relevant Security notwithstanding the Market Disruption Event, and (2) the Calculation Agent shall determine, in its sole and absolute discretion, its good faith estimate of the Exchange traded price for that Security that would have prevailed but for the Market Disruption Event as of the Valuation Time on that fifth Exchange Business Day.

(iii) **"Market Disruption Event"** in relation to an Index Linked Note, an Equity Linked Note and a Cash Equity Note (as specified in the relevant Final Terms) means:

(A) in respect of an Index to which an Index Linked Note relates, the occurrence or existence on any Exchange Business Day during the one-half hour period that ends at the relevant Valuation Time of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant Exchange or otherwise), (1) on the relevant Exchange(s) in securities or other property that comprise 20 per cent. or more of the level of the relevant Index, or (2) in options contracts or futures contracts on the relevant Index on any Related Exchange if, in any such case, such suspension or limitation is, in the determination of the Calculation Agent (such determination to be at the Calculation Agent's sole and absolute discretion), material. For the purpose of determining whether a Market Disruption Event exists at any time, if trading in a security or other property included in the Index is materially suspended or materially limited at that time, then the relevant percentage contribution of that security or other property to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security or other property relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; and

(B) in respect of a Security to which an Equity Linked Note or a Cash Equity Note relates, the occurrence or existence on any Exchange Business Day during the one-half hour period that ends at the relevant Valuation Time of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant Exchange or otherwise) in (1) the Securities on the Exchange or (2) any options contracts or futures contracts relating to the Securities on any Related Exchange if, in any such case, that suspension or limitation is, in the determination of the Calculation Agent (such determination to be at the Calculation Agent's sole and absolute discretion), material.

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

- (A) "**Averaging Date**" means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the relevant Final Terms (or, if such date is not an Exchange Business Day, the next following Exchange Business Day).
- (B) The Final Redemption Amount will be:
- (1) in respect of an Index Linked or an Equity Linked Note settled by way of Cash Settlement or a Cash Equity Note which, in each case, relates to a single Security or Index (as the case may be), the arithmetic mean of the Relevant Prices of the Index or the Securities on each Averaging Date;
 - (2) in respect of an Index Linked Note which relates to a basket of indices, the arithmetic mean of the amounts for such basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Final Terms at the relevant Valuation Time on each Averaging Date or, if no means for determining the Final Redemption Amount is so provided, the arithmetic mean of the amounts for such basket calculated on each Averaging Date as the sum of the Relevant Prices of each Index comprised in such basket (weighted or adjusted in relation to each Index as provided in the relevant Final Terms); and
 - (3) in respect of an Equity Linked Note settled by way of Cash Settlement or Cash Equity Note which relates to a basket of Securities, the arithmetic mean of the prices for such basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Final Terms at the relevant Valuation Time on each Averaging Date or, if no means for determining the Final Redemption Amount is so provided, the arithmetic mean of the prices for such basket calculated on each Averaging Date as the sum of the values calculated for the Securities of each Underlying Company as the product of (aa) the Relevant Price of such Security and (bb) the number of such Securities comprised in such basket.
- (C) In the case of a Market Disruption Event occurring on an Averaging Date, if the consequence specified in the relevant Final Terms is in relation to "**Averaging Date Market Disruption**":
- (1) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Final Redemption Amount provided that, if through the operation of this provision there would not be an Averaging Date with respect to the relevant Valuation Date, then Condition 10(a)(ii) will apply for purposes of determining the relevant level, price or

amount on the final Averaging Date with respect to that Valuation Date as if such Averaging Date were a Valuation Date on which a Market Disruption Event has occurred. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of a Market Disruption Event, then the relevant Cash Settlement Payment Date or, as the case may be, the relevant Settlement Date or the occurrence of a Merger Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date;

- (2) "**Postponement**", then Condition 10(a)(ii) will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date on which a Market Disruption Event has occurred irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the Note. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of a Market Disruption Event, then the relevant Cash Settlement Payment Date or, as the case may be, the relevant Settlement Date or the occurrence of a Merger Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date; or
- (3) "**Modified Postponement**", then:
 - (aa) in the case of an Index Linked Note or an Equity Linked Note or a Cash Equity Note which relates to a single Index or type of Security, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the fifth Exchange Business Day immediately following the original date that, but for the occurrence of another Averaging Date (the or Market Disruption Event, would have been the final Averaging Date (the "**Scheduled Final Averaging Date**") in relation to the relevant Valuation Date, then:
 - (AA) in respect of an Index Linked Note, the Calculation Agent shall determine in its absolute discretion that either:
 - (x) that fifth Exchange Business Day shall be deemed to be the Averaging Date, (irrespective of whether that fifth

Exchange Business Day is already an Averaging Date); or

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

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 10(a)(ii)(A)(2); and

- (BB) in respect of an Equity Linked Note or a Cash Equity Note, that fifth Exchange Business Day shall be deemed the Averaging Date (irrespective of whether that fifth Exchange Business Day is already an Averaging Date), and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant price for that Averaging Date in accordance with Condition 10(a)(ii)(A)(2); and

- (bb) in the case of an Index Linked Note, an Equity Linked Note or a Cash Equity Note which relates to a basket of Indices or Securities, the Averaging Date for each Index or Security not affected by a Market Disruption Event shall be the day specified in the relevant Final Terms as an Averaging Date in relation to the relevant Valuation Date (the "**Scheduled Averaging Date**") and the Averaging Date for an Index or Security affected by the Market Disruption Event shall be the first succeeding Valid Date in relation to such Index or Security. If the first succeeding Valid Date in relation to such Index or Security has not occurred as of the Valuation Time on the fifth Exchange Business Day immediately following the Scheduled Final Averaging Date, then:

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

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

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

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

"Valid Date" means an Exchange Business Day on which there is no Market Disruption Event and on which another Averaging Date in relation to the relevant Valuation Date does not or is not deemed to occur.

If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of a Market Disruption Event, the relevant Cash Settlement Payment Date or, as the case may be, the relevant Settlement Date or the occurrence of a Merger Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

- (D) If (1) on or prior to any Averaging Date, in respect of an Index Linked Note which relates to a single Index, the Sponsor (as defined below) or (if applicable) the Successor Sponsor (as defined below) makes a material change in the formula for or the method of calculating that Index or in any other way materially modifies the relevant Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock, capitalisation or other routine events), or (2) on or prior to any Averaging Date, in respect of an Index Linked Note which relates to a basket of Indices, the Sponsor or (if applicable) the Successor Sponsor fails to calculate and publish a relevant Index, then the Calculation Agent shall determine, in its sole and absolute discretion, the Final Redemption Amount using, in lieu of a published level of that Index, the level for that Index as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities that comprised that Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on any relevant Exchange).

(b) Adjustments to Index

This Condition 10(b) is applicable only in relation to Notes specified in the relevant Final Terms as being Index Linked Notes.

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

If (i) on or prior to any Valuation Date, the Sponsor or (if applicable) the Successor Sponsor makes a material change in the formula for or the method of calculating the relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock, capitalisation or other routine events), or (ii) on any Valuation Date the Sponsor or (if applicable) the Successor Sponsor fails to calculate and announce that Index, then the Calculation Agent shall determine, in its sole and absolute discretion, the Final Redemption Amount using, in lieu of a published level of that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities that comprised that Index immediately prior to that change

or failure (other than those securities that have since ceased to be listed on any relevant Exchange).

If the level of an Index published or announced on a given day and used or to be used by the Calculation Agent to determine the Final Redemption Amount is subsequently corrected and the correction published or announced by that Sponsor or a Successor Sponsor within 30 days of the original publication or announcement and an amount is repayable to the Issuer as a result of that correction, the Issuer shall be entitled to reimbursement of the relevant payment by the relevant Noteholder, together with interest on that amount at a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Issuer of funding that amount for the period from and including the day on which a payment originally was (or was not) made, to but excluding the day of payment of the refund or payment resulting from that correction (all as calculated by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall agree with the Calculation Agent and notified to the relevant Noteholder in accordance with Condition 14.

(c) *Settlement Disruption*

This Condition 10(c) is applicable only in relation to Equity Linked Notes which are to be redeemed by the delivery of a Securities Transfer Amount.

In case of Notes to which this Condition 10(c) is applicable, the Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Securities on the original day that but for such Settlement Disruption Event would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which delivery of such Securities can take place through the relevant Clearance System unless a Settlement Disruption Event prevents settlement on each of the 10 relevant Clearance System Business Days immediately following the original date (or during such other period (the "**Disruption Period**") specified in the relevant Final Terms) that, but for the Settlement Disruption Event, would have been the Settlement Date. In that case, if the Securities are Government Bonds or other debt securities, the Issuer shall use reasonable efforts to deliver such Securities promptly thereafter in a commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) outside the Clearance System and in all other cases (a) if such Securities can be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be the first day on which settlement of a sale of Securities executed on that 10th relevant Clearance System Business Day, or during such other period specified in the relevant Final Terms, customarily would take place using such other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) of delivery (which other manner of delivery will be deemed the relevant Clearance System for the purposes of delivery of the relevant Securities), and (b) if such Securities cannot be

delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be postponed until delivery can be effected through the relevant Clearance System or in any other commercially reasonable manner.

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

For the purposes hereof:

"**Settlement Disruption Event**" in relation to a Security means an event which the Calculation Agent, in its sole and absolute discretion, determines to be beyond the control of the Issuer or relevant obligor and to be an event as a result of which the relevant Clearance System cannot clear the transfer of such Security.

(d) Delivery Disruption

This Condition 10(d) is applicable only in relation to Equity Linked Notes which are to be redeemed by the delivery of a Securities Transfer Amount.

In the case of Notes to which this Condition 10(d) is applicable, if the Calculation Agent determines, in its sole and absolute discretion, that a Delivery Disruption Event has occurred, it shall notify the Issuer who shall promptly notify the relevant Noteholder(s) and the Issuer may then:

- (i) determine, in its sole and absolute discretion, that the obligation to deliver the relevant Securities Transfer Amount will be terminated and the Issuer will pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the Securities Transfer Amount, in which event the entitlements of the respective Noteholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount; or
- (ii) deliver on the Settlement Date such amount of the Securities Transfer Amount (if any) as it can deliver on that date and pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the remainder of the Securities Transfer Amount, in which event the entitlements of the respective Noteholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount.

Where this Condition 10(d) falls to be applied, insofar as the Calculation Agent determines in its sole and absolute discretion to be practical, the same

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

For the purposes hereof:

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

(e) *Adjustments and Extraordinary Events affecting Securities*

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

(i) Adjustments

The Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Potential Adjustment Event has occurred and where it determines such an event has occurred, the Calculation Agent will, in its sole and absolute discretion, determine, whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Securities and, if so, will make such adjustment as it in its sole and absolute discretion determines to be appropriate, if any, to the formula for the Final Redemption Amount set out in the relevant Final Terms, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and/or any other adjustment and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes as the Calculation Agent determines, in its sole and absolute discretion, to be appropriate to account for that diluting or concentrative effect and determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s).

For the purposes hereof:

"Potential Adjustment Event" means:

- (A) a subdivision, consolidation or reclassification of relevant Securities (unless a Merger Event) or a free distribution or dividend of any such Securities to existing holders whether by way of bonus, capitalisation or similar issue; or

- (B) a distribution or dividend to existing holders of the relevant Securities of (1) such Securities or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Underlying Company equally or proportionately with such payments to holders of any such Securities or (3) any other type of securities, rights or warrants or other assets, in any case for payment (cash or otherwise) at less than the prevailing market price as determined by the Calculation Agent in its sole and absolute discretion; or
- (C) an extraordinary dividend; or
- (D) a call by the Underlying Company in respect of relevant Securities that are not fully paid; or
- (E) a repurchase by the Underlying Company of relevant Securities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (F) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Securities; or
- (G) any other event specified in the relevant Final Terms.

(ii) Merger Event

Following the occurrence of any Merger Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may make such adjustment as it, in its sole and absolute discretion, determines to be appropriate, if any, to the formula for the Final Redemption Amount set out in the relevant Final Terms, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective as soon as practical after the date upon which all holders of the Securities (other than, in the case of a takeover, Securities owned or controlled by the offeror) become bound to transfer the Securities held by them. If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Noteholders to receive the relevant Securities Transfer Amount or Final Redemption Amount, as the case may be, shall cease and the Issuer's obligations under the relevant Notes shall

be satisfied in full upon payment of the Merger Event Settlement Amount (as defined below).

For the purposes hereof:

"Merger Event" means in respect of any relevant Securities, any:

- (A) reclassification or change of such Securities that results in a transfer of or an irrevocable commitment to transfer all of such Securities outstanding;
- (B) or consolidation, amalgamation or merger of the Underlying Company with or into another entity (other than a consolidation, amalgamation or merger in which such Underlying Company is the continuing entity and which does not result in any such reclassification or change of all of such Securities outstanding); or
- (C) other takeover offer for such Securities that results in a transfer of or an irrevocable commitment to transfer all such Securities (other than such Securities owned or controlled by the offeror), in each case if the Merger Date is on or before, in the case of Equity Linked Note which is to be redeemed by delivery of a Securities Transfer Amount, the Maturity Date or, in any other case, the final Valuation Date;

"Merger Event Settlement Amount" means such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Notes; and

"Merger Date" means, in respect of a Merger Event, the date upon which all holders of the relevant Securities (other than, in the case of a takeover offer, Securities owned or controlled by the offeror) have agreed to or have irrevocably become obliged to transfer their Securities.

(iii) Nationalisation or Insolvency

If:

- (A) all the Securities or all the assets or substantially all the assets of the Underlying Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity ("**Nationalisation**"); or
- (B) by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting the Underlying Company (a) all the Securities are required to be transferred to a trustee, liquidator or other similar official or (b) holders of the Securities become legally prohibited from transferring them ("**Insolvency**"),

then the Issuer may determine, in its sole and absolute discretion, that the relevant Notes shall be terminated as of the date determined by the Calculation Agent in its sole and absolute discretion and it shall pay such amount as, in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion), is fair in the circumstances by way of compensation for the termination of the Notes, in which event the entitlements of the relevant Noteholders to receive the relevant Securities Transfer Amount or Final Redemption Amount, as the case may be, shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount.

For the purposes hereof:

"**Announcement Date**" means (A) in respect of a Nationalisation the date of the first public announcement of a firm intention, to nationalise (whether or not amended or on the terms originally announced) that leads to the Nationalisation and (B) in respect of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency, in each case as determined by the Calculation Agent in its sole and absolute discretion.

(iv) Conversion

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

For the purposes hereof:

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

"Conversion Settlement Amount" means such amount as, in the opinion of the Calculation Agent (such opinion to be made by the Calculation Agent, in its sole and absolute discretion), is fair in the circumstances by way of compensation for the termination of the Notes.

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

In respect of an Equity Linked Note or a Cash Equity Note which relates to Government Bonds or other debt securities, if the price published or announced on a given day and used or to be used by the Calculation Agent to determine a Spot Price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement within 30 days of the original publication or announcement, and an amount is repayable to the Issuer as a result of that correction, the Issuer shall be entitled to reimbursement of the relevant payment by the relevant Noteholder, together with interest on that amount (at a rate per annum that the Calculation Agent determines, in its sole and absolute discretion, to be the spot offered rate for deposits in the Specified Currency (as defined in Condition 18) in the London interbank market as at approximately 11:00 a.m. London time, or, if spot rates for deposits in such Specified Currency in the London interbank market, at a rate per annum that the Calculation Agent determines, in its sole and absolute discretion, to be the spot offered rate for deposits in the Specified Currency in the interbank market for such Specified Currency as at approximately the time the spot offered rate is fixed for such Specified Currency, on the relevant Cash Settlement Payment Date) for the period from and including the day of payment of the refund or payment resulting from that correction (all as calculated by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall agree with the Calculation Agent and notified to the relevant Noteholder by facsimile or telex.

(f) *Effects of European Economic and Monetary Union*

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

any case, any other variable relevant to the settlement or payment terms of the relevant Notes.

Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to make such conversions between amounts denominated in the national currency units (the "**National Currency Units**") of the Participating Member States and the euro, and the euro and the National Currency Units, in each case, in accordance with the conversion rates and rounding rules in Regulation (EC) No. 1103/97 as it, in its sole and absolute discretion, determines to be appropriate.

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

For the purposes hereof:

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

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

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

(g) *Other Adjustments*

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

11. **Events of Default**

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

- (a) there is a default for more than fourteen days in the repayment of any principal due on the Notes of such Series or any of them or in the payment of any interest due in respect of the Notes of such Series or any of them, provided that it shall not be such a default to withhold or refuse any such payment (1) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (2) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of fourteen days by independent legal advisers acceptable to the Principal Paying Agent as to such validity or applicability; or
- (b) an order is made or an effective resolution is passed for the winding up of the Issuer in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved in writing by an Extraordinary Resolution of the Holders of the relevant Series of Notes),

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

12. **Prescription**

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

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

13. **Replacement, Exchange and Transfer**

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office (in the case of a Bearer Note or Coupon) of the Issue Agent or (in the case of Registered Notes) of the Registrar or of the Transfer Agent

upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

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

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

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

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

As used herein:

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

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

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

14. Notices

- (a) *Notices to Noteholders*

All notices to the Holders of Notes or the Coupons appertaining thereto will be valid if published: (i) in one leading daily newspaper with circulation in London (which is expected to be the *Financial Times* or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe; or (ii) in the case of Notes in Global Form which have not been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, if delivered to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or depository (as may be agreed between the Issuer and the Dealer) for communication by them to the persons shown in their respective records as having interests therein; or (iii) in the case of Registered Notes which have not been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, if mailed to their registered addresses (as advised by the Registrar) or to that of the first named of them in the case of joint Holders; Provided that, in the case of Notes admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system the rules of such listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation have been complied with. Any such notice shall be

deemed to have been given on the date of such publication or delivery or, if published more than once, on the date of the first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

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

(b) *Notices from Noteholders*

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

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

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

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

- (i) so long as any Series of Notes have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, there will at all times be, in relation to such Series, a Paying Agent (in the case of a Series wholly or partly in the form of Bearer Notes), and a Transfer Agent and a Registrar (in the case of a Series wholly or partly in the form of Registered Notes), each with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation;
- (ii) so long as any Bearer Notes are outstanding, there will at all times be a Paying Agent with a specified office in a city in continental Europe;
- (iii) so long as any Bearer Notes are outstanding, there will at all times be a Principal Paying Agent; and
- (iv) so long as any Registered Notes are outstanding, there will at all times be a Registrar and a Transfer Agent.

- (b) In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the second paragraph of Condition 8(a). Any variation, termination, appointment or change shall only take effect (other than in the case of an insolvency, when it shall be of immediate effect) after notice has been given to the Noteholders in accordance with Condition 14.

16. **Meetings of Noteholders, Modification and Substitution**

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

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

- (a) any modification (except as mentioned above) of the Master Note Issuance Agreement which is not prejudicial to the interests of the Noteholders as a whole; or
- (b) any modification of the Notes or the Master Note Issuance Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

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

The Issue Agent and the Issuer may also agree, without the consent of the Noteholders, to the substitution of any holding company of the Issuer or any wholly-owned, direct or indirect subsidiary of HSBC Holdings plc (the "**New Issuer**") in place of the Issuer as principal debtor under the Notes of any Series and in each case the Coupons appertaining thereto (if any), provided that the New Issuer shall assume all obligations of the Issuer in relation to the Noteholders under or in relation to such Notes. In the event of any such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer. Any such substitution shall be promptly notified to the relevant Noteholders in accordance with Condition 14. In connection with such right of substitution the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Noteholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon such Noteholder.

17. **Further Issues**

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

18. **Definitions**

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

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

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

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

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

"**Clearance System**" means, in relation to a Series of Notes, such of Euroclear, Clearstream, Luxembourg or any domestic clearance system through which transfers of the Securities are customarily settled as is specified as such in the form from time to time approved by the Issuer for use as a Transfer Notice, or any successor to such clearance system.

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

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

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

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

"**Euroclear**" means Euroclear Bank S.A./N.V. as operator of the Euroclear System.

"**Exchange**" means each exchange or quotation system specified as such in the relevant Final Terms or any successor to such exchange or quotation system; provided that, in the case of Index Linked Notes and Equity Linked Notes if the specified Exchange ceases to list or otherwise include a Security the Calculation Agent will select another exchange or quotation system (if any) in relation to the relevant security, and "**Exchanges**" shall be construed accordingly.

"**Exchange Business Day**" means, in relation to a Series of Notes, any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange and each Related Exchange relating to a Series of Notes other than a day on which trading on any such Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time.

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

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

"**Government Bonds**" means, in relation to a Series of Notes, bonds or any other debt securities issued by a government, government agency or subdivision or a transnational

or supranational organisation as specified in the relevant Final Terms and "**Government Bond**" shall be construed accordingly.

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

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

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

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

"**Related Exchange**" means in respect of an Index relating to an Index Linked Note, each exchange or quotation system specified as such for such Index in the relevant Final Terms or any successor to such exchange or quotation system;

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

"**Securities**" means the equity securities, Government Bonds, debt securities or other securities or property, as adjusted pursuant to Condition 10, to which the relevant Note relates, as specified in the relevant Final Terms, and "**Security**" shall be construed accordingly.

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

"**Settlement Date**" means, in relation to Securities to be delivered in respect of an Equity Linked Note (a) in the case of Equity Linked Notes which relate to equity securities and unless otherwise specified in the relevant Final Terms, the first day on which settlement of a sale of such equity securities executed on the Maturity Date customarily would take place through the relevant Clearance System or, (b) in any other case, and unless otherwise specified in the relevant Final Terms, the date specified as such in the relevant Final Terms, subject to adjustment in accordance with the Following Business Day Convention unless another Business Day Convention is specified in the relevant Final Terms. In each case, if a Settlement Disruption Event prevents delivery of such Securities on that day, then the Settlement Date shall be determined in accordance with Condition 10(c).

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

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

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

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

19. **Third Party Rights**

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

20. **Governing Law**

(a) *Governing law*

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

(b) *English courts*

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

TERMS AND CONDITIONS OF THE WARRANTS

The following are the terms and conditions of the Warrants which (subject to completion and minor amendment) will be applicable to each Series of Warrants, provided that the relevant Final Terms in relation to any Warrants may supplement these terms and conditions and/or may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace the following terms and conditions for the purposes of such Warrants.

This Warrant is one of a series (each, a "**Series**") of warrants (the "**Warrants**") issued by HSBC Bank plc in its capacity as issuer (the "**Issuer**") pursuant to a warrant agency agreement 24 February 1999 as modified, supplemented and/or restated on 3 March 2000, 10 April 2001, 18 June 2002 and 1 August 2005 (as further modified and/or amended from time to time, the "**Warrant Agency Agreement**") made between the Issuer and HSBC Bank plc in its capacity as calculation agent (the "**Calculation Agent**", which expression shall include any successor calculation agent appointed in accordance with the Warrant Agency Agreement or, in respect of any Series of Warrants, such other calculation agent as may be specified in the relevant Final Terms (as defined below), and HSBC Bank plc as principal warrant agent (the "**Principal Warrant Agent**", which expression includes any successor or substitute principal warrant agent appointed in accordance with the Warrant Agency Agreement, and together with any additional warrant agent specified in the relevant Final Terms or appointed pursuant to the Warrant Agency Agreement, the "**Warrant Agents**") and HSBC Bank plc in its capacity as authentication agent (the "**Authentication Agent**", which expression includes any successor or substitute authentication agent appointed in accordance with the Warrant Agency Agreement). The Warrants also have the benefit of a master warrant issuance agreement dated 24 February 1999 as modified, supplemented and/or restated on 3 March 2000, 10 April 2001, 18 June 2002 and 1 August 2005 (as further modified and/or amended from time to time, the "**Master Warrant Issuance Agreement**") and made between the Issuer and HSBC Bank plc as manager (the "**Manager**", which expression shall include any successor Manager specified in the relevant Final Terms). As used herein, the expression "**Warrant Agents**" shall include the Principal Warrant Agent and any other warrant agents appointed in accordance with the Warrant Agency Agreement. The following terms and conditions (the "**Conditions**") include brief summaries of, and are subject to, certain provisions of the Warrant Agency Agreement, a copy of which will be available for inspection at the specified office of the Principal Warrant Agent. The Warrantholders (as defined in Condition 1) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions (including the form of Exercise Notice referred to in Condition 4) of the Warrant Agency Agreement.

Each Series of Warrants may comprise one or more tranches ("**Tranches**" and each, the "**Tranche**") of Warrants. Each Tranche will be the subject of Final Terms hereto (each, the "**Final Terms**"), a copy of which will, in the case of a Tranche in relation to which application has been made to list on the gilt-edged and fixed interest market of the London Stock Exchange (the "**London Stock Exchange**"), be lodged with the London Stock Exchange and will be available at the specified office of each of the Warrant Agents. In the case of a Tranche of Warrants in relation to which application has not been made to list on the

London Stock Exchange or for admission to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available to a Holder (as defined in Condition 1) of such Warrants.

References in the Conditions to Warrants are to the Warrants of the relevant Series and references to the Issuer, a Warrant Agent, the Calculation Agent, any Holder or the Warrantholders are to those persons in relation to the Warrants of the relevant Series. Capitalised terms used but not defined in these Conditions will have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Warrants of the relevant Series.

As used in these Conditions and in relation to any Series of Warrants, subject as otherwise provided herein:

"**Basket**" means, in respect of an Index Basket Warrant, a basket composed of each Index specified in the relevant Final Terms in the relative proportions indicated in the Final Terms and, in the case of a Security Basket Warrant, a basket composed of Securities of each Relevant Company specified in the relevant Final Terms in the relative proportions and numbers of Securities of each Relevant Company indicated in the Final Terms;

"**Bloomberg**" means Bloomberg L.P.;

"**Business Day**" means, unless otherwise specified in the relevant Final Terms, a day (other than a Saturday or a Sunday) on which banks are open for business and carrying on foreign exchange transactions in London and the principal financial centre of the Settlement Currency and on which the relevant Clearing System is open for business;

"**Call Warrant**" means a Warrant entitling, but not obligating, the Warrantholder upon exercise (i) to receive the relevant Cash Settlement Amount or (ii) to purchase the relevant Securities, in each case subject to and in accordance with these Conditions;

"**Cash Settlement**" has the meaning ascribed thereto in Condition 3;

"**Cash Settlement Amount**" has the meaning ascribed thereto in Condition 3;

"**Cash Settlement Payment Date**" has the meaning ascribed thereto in the relevant Final Terms;

"**CEA**" means the United States Commodity Exchange Act, as amended;

"**Clearance System**" means, in relation to a Series of Warrants, such of Euroclear, Clearstream, Luxembourg or any domestic clearance system through which transfers of the Securities are customarily settled as is specified as such in the relevant Final Terms or any successor to such clearance system;

"**Clearance System Business Day**" means, in respect of a Clearing System, any day on which such Clearing System is open for the acceptance and execution of settlement instructions;

"**Clearing System**" means Euroclear, Clearstream, Luxembourg and/or any other clearing system located outside the United States specified in the relevant Final Terms in which

Warrants of the relevant Series are held, or in relation to an individual Warrant, that Warrant is held, for the time being;

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

"**Currency Business Day**" means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre for the relevant currency;

"**Determination Date**" means a day on which the Issuer notifies the Clearing System that it has elected for Physical Settlement or Cash Settlement in accordance with Condition 4(d), as specified in the relevant Final Terms;

"**Euroclear**" means Euroclear Bank S.A./N.V., as operator of the Euroclear System;

"**Euro**", "**euro**" "**EUR**", "**€**" each mean the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union (the "**Treaty**");

"**Exchange**" means each exchange or quotation system specified as such in the relevant Final Terms or any successor to such exchange or quotation system; provided that, in the case Security Warrants and Security Basket Warrants, if the specified Exchange ceases to list or otherwise include any Security, the Calculation Agent will select another exchange or quotation system (if any) in relation to the relevant Security;

"**Exchange Business Day**" means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange and each Related Exchange other than a day on which trading on any such Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time;

"**Exercise Date**" means, in respect of any Warrant, the day on which an Exercise Notice relating to that Warrant is delivered in accordance with the provisions of Condition 4(a) provided that:

- (i) if the Exercise Notice is delivered (A) on any day which is not a Business Day or (B) after 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on any Business Day, then, in either such case, the Exercise Date shall be the next succeeding day which is a Business Day; and
- (ii) the Exercise Date may not be later than the Expiry Date;

"**Exercise Notice**" means any notice in the form scheduled to the Warrant Agency Agreement or such other form as may from time to time be agreed by the Issuer and the Principal Warrant Agent which is delivered by a Warrantholder in accordance with Condition 4(a);

"**Exercise Period**" means the period beginning on (and including) such date as may be specified in the relevant Final Terms and ending on (and including) the Expiry Date;

"**Expiry Date**" has the meaning ascribed thereto in the relevant Final Terms;

"**Holder**" has the meaning ascribed thereto in Condition 1;

"**Index**" has the meaning ascribed thereto in the relevant Final Terms;

"**Index Basket Warrant**" means that such Warrants relate to a basket of Indices, as specified in the relevant Final Terms;

"**Index Sponsor**" has the meaning ascribed thereto in the relevant Final Terms;

"**Index Warrant**" means that such Warrants relate to a single Index, as specified in the relevant Final Terms;

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

"**Issue Date**" has the meaning ascribed thereto in Condition 1;

"**Market Disruption Event**" has the meaning ascribed thereto in Condition 6;

"**Minimum Exercise Number**" has the meaning ascribed thereto in Condition 5;

"**New Issuer**" has the meaning ascribed thereto in Condition 15;

"**Permitted Multiple**" has the meaning ascribed thereto in Condition 5;

"**Physical Settlement**" has the meaning ascribed thereto in Condition 3;

"**Put Warrant**" means a Warrant entitling, but not obligating, the Warrantholder upon exercise (i) to receive the relevant Cash Settlement Amount or (ii) to sell the relevant Securities, in each case subject to and in accordance with these Conditions;

"**Related Exchange**" means, in respect of an Index relating to an Index Warrant or an Index Basket Warrant or a Security relating to a Security Warrant or a Security Basket Warrant, each exchange or quotation system specified as such for such Index or Security in the relevant Final Terms or any successor to such exchange or quotation system;

"**Relevant Company**" has the meaning ascribed thereto in the relevant Final Terms;

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

"**Reuters Screen**" means, when used in connection with any designated page and any designated information, the display page so designated on the Reuter Money 3000 Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor for the purpose of displaying comparable information);

"**Securities**" means the equity securities, Government Bonds, debt securities or other securities or property, as adjusted pursuant to Condition 6, to which the relevant Warrant relates, as specified in the relevant Final Terms, and "**Security**" shall be construed accordingly;

"**Securities Act**" means the United States Securities Act of 1933, as amended;

"**Security Basket Warrant**" means that such Warrant relates to a basket of Securities, as specified in the relevant Final Terms;

"**Security Warrant**" means that such Warrant relates to a single Security, as specified in the relevant Final Terms;

"**Settlement Currency**" has the meaning ascribed thereto in Condition 3;

"**Settlement Date**" means, in relation to Securities to be delivered in respect of an Exercise Date and unless otherwise specified in the relevant Final Terms, the first day on which settlement of a sale of such Securities executed on that Exercise Date customarily would take place through the relevant Clearing System, unless a Settlement Disruption Event prevents delivery of such Securities on that day;

"**Settlement Disruption Event**" has the meaning ascribed thereto in Condition 6;

"**Settlement Price**" has the meaning ascribed thereto in the relevant Final Terms;

"**Strike Price**" has the meaning ascribed thereto in the relevant Final Terms;

"**Strike Price Payment Date**" has the meaning ascribed thereto in the relevant Final Terms;

"**Taxes**" has the meaning ascribed thereto in Condition 4(a)(vi);

"**Telerate**" means, when used in connection with any designated page and any designated information, the display page so designated on the Moneyline Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable information); and

"**Warrantholder**" has the meaning ascribed thereto in Condition 1.

1. **Form and Transfer**

(a) *Form*

Each Tranche of Warrants will (unless so specified in the relevant Final Terms) at all times be represented by a global warrant (the "**Global Warrant**") in bearer form. The Global Warrant will be deposited on the issue date (the "**Issue Date**") specified in the relevant Final Terms with a common depository for the relevant Clearing System(s). Warrants in definitive bearer form will be issued only if so specified in the relevant Final Terms. The person for the time being appearing in the books of the relevant Clearing System(s) as the holder of a Warrant shall be treated for all purposes by the Issuer, the Warrant Agent, the relevant Clearing System(s) and all other persons dealing with such person as the holder thereof (a "**Warrantholder**" or a "**Holder**") and as the person entitled to exercise the rights represented thereby, notwithstanding any notice to the contrary, except that (i) Euroclear shall not be treated as the Holder of any Warrant held in an account with Clearstream, Luxembourg on behalf of Euroclear's accountholders and (ii) Clearstream, Luxembourg shall not be treated as

the Holder of any Warrant held in an account with Euroclear on behalf of Clearstream, Luxembourg's accountholders.

(b) *Transfer*

All transactions in (including transfers of) Warrants, in the open market or otherwise, shall be effected only through the Clearing System(s) in which the Warrants to be transferred are held or are to be held. Title to the Warrants shall pass upon registration of the transfer in accordance with the rules and procedures for the time being of the relevant Clearing System(s).

The Warrants have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and the securities issued upon their exercise may not be registered under the Securities Act. The Warrants are being initially offered either (A) outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons, or (B) within the United States in a transaction that is exempt from the registration requirements of the Securities Act and may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons except in a transaction which is exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Warrants may not be exercised by or on behalf of a U.S. person unless registered under the Securities Act or an exemption from such registration is available. The terms "United States" and "U.S. person" used in this paragraph have the meaning given to them in Regulation S. In addition, trading in the Warrants has not been and will not be approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act.

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

2. **Status of the Warrants**

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

3. **Rights on Exercise**

(a) *"American Style" Exercise*

If the Warrants are specified in the relevant Final Terms as being American Style Warrants, then this Condition 3(a) is applicable and the Warrants are exercisable on any Exchange

Business Day during the Exercise Period, subject to Condition 3(g) and to prior termination of the Warrants as provided in Conditions 6 and 10.

(b) "European Style" Exercise

If the Warrants are specified in the relevant Final Terms as being European Style Warrants, then this Condition 3(b) is applicable and the Warrants are exercisable only on the Expiry Date, or if that is not an Exchange Business Day, the next succeeding or preceding Exchange Business Day as specified in the relevant Final Terms, subject to Condition 3(g) and to prior termination of the Warrants as provided in Conditions 6 and 10.

(c) Cash Settlement

If the Warrants are specified in the relevant Final Terms as being Cash Settlement Warrants, then, subject to Condition 3(e) if applicable, each such Warrant, upon exercise, entitles the Holder thereof to receive from the Issuer on the Cash Settlement Payment Date (as specified in the relevant Final Terms) an amount ("**Cash Settlement**") calculated in accordance with the relevant Final Terms (the "**Cash Settlement Amount**") in the currency (the "**Settlement Currency**") specified in the relevant Final Terms. The Cash Settlement Amount will be rounded down to the nearest minimum unit of the Settlement Currency, with Warrants exercised at the same time by the same Warrantholder being aggregated for the purpose of determining the aggregate Cash Settlement Amount payable in respect of such Warrants.

(d) Physical Settlement

If the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants, then, subject to Condition 3(f) if applicable, upon the exercise of a Warrant by a Warrantholder:

- (i) in the case of a Call Warrant, the Issuer will, on the Settlement Date in respect of such Warrant, procure the credit of the Securities to which such Warrant relates to the account with the relevant Clearing System specified, or as may otherwise be specified, for that purpose by the Warrantholder in the relevant Exercise Notice, following payment by the Warrantholder to or to the order of the Issuer on or before the Strike Price Payment Date of the Strike Price; and
- (ii) in the case of a Put Warrant, the Issuer will, on the Settlement Date in respect of such Warrant, procure the credit of the Strike Price in respect of the Warrant so exercised to the account with the relevant Clearing System specified, or as may otherwise be specified for that purpose by the Warrantholder in the relevant Exercise Notice, following the debit of the relevant Securities to which such Warrant relates to the account of the Warrantholder with the relevant Clearing System and the credit thereof to the account of the Principal Warrant Agent (in favour of the Issuer) as aforesaid on or before the Settlement Date in respect of such Warrant;

all as more fully described in Condition 4. In each case, the number of Securities so debited and credited will be rounded down to the nearest whole number of such Securities that may be separately transferred, with Warrants exercised at the same time by the same Warrantholder

being aggregated for the purpose of determining the aggregate number of Securities applicable.

(e) *Optional Physical Settlement*

If this Condition 3(e) is specified in the relevant Final Terms as being applicable, then, upon the exercise of a Warrant by a Warrantholder, the Issuer may elect Physical Settlement in accordance with Condition 3(d) instead of Cash Settlement in accordance with Condition 3(c). The Warrants do not confer on the Holder any right to acquire Securities and the Issuer is not obliged to purchase or hold Securities. By exercising a Warrant, the Warrantholder shall be deemed to have agreed to such form of settlement as the Issuer shall elect.

(f) *Optional Cash Settlement*

If this Condition 3(f) is specified in the relevant Final Terms as being applicable, then, upon the exercise of a Warrant by a Warrantholder, the Issuer may elect Cash Settlement in accordance with Condition 3(c) instead of Physical Settlement in accordance with Condition 3(d). By exercising a Warrant, the Warrantholder shall be deemed to have agreed to such form of settlement as the Issuer shall elect.

(g) *Warrants Void on Expiry*

Warrants with respect to which an Exercise Notice has not been duly completed and delivered to the relevant Clearing System and to the Principal Warrant Agent, in the manner set out in Condition 4, before 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on the Expiry Date, shall become void.

(h) *Settlement within the United States*

Notwithstanding the foregoing, with respect to any Warrants offered and sold in reliance on Regulation S, no cash, securities or other property shall be delivered in the United States (as this term is defined in Regulation S) in connection with the settlement of the Warrants.

4. Exercise Procedure

(a) *Exercise Notice*

Subject to prior termination of the Warrants as provided in Conditions 6 and 9, Warrants may be exercised on the Exercise Date by the sending of a tested telex confirmed in writing of a duly completed Exercise Notice (copies of which may be obtained from the relevant Clearing System, or the Principal Warrant Agent) to (i) the relevant agent and (ii) the Principal Warrant Agent, not later than 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located):

- (A) in the case of Warrants specified in the relevant Final Terms as being American Style Warrants, on any Business Day during the Exercise Period; or
- (B) in the case of Warrants specified in the relevant Final Terms as being European Style Warrants, on the Expiry Date, subject to Condition 3(b).

Subject to Condition 3(g), any Exercise Notice delivered after 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised) shall (a) in the case of European Style Warrants, be null and void and (b) in the case of American Style Warrants, be deemed to have been delivered on the next succeeding Business Day.

Each Exercise Notice shall:

- (i) specify the name, address, telephone, facsimile and telex details of the Warrantholder in respect of the Warrants being exercised;
- (ii) specify the number of Warrants of each Tranche being exercised (which must be not less than the Minimum Exercise Number (as defined in Condition 5));
- (iii) specify the number of the Warrantholder's account at the relevant Clearing System to be debited with the Warrants being exercised and irrevocably instruct, or, as the case may be, confirm that the Warrantholder has irrevocably instructed, the relevant Clearing System to debit the Warrantholder's account with the Warrants being exercised and to credit the same to the account of the Principal Warrant Agent;
- (iv) where applicable, specify the number of the Warrantholder's account at the relevant Clearing System to be credited with the Cash Settlement Amount for the Warrants being exercised;
- (v) in the case of Warrants offered and sold in reliance on Regulation S, certify that each person exercising such Warrants is not a U.S. person, that such Warrants are not beneficially owned by or on behalf of U.S. persons or persons within the United States, that such Warrants are not being exercised within the U.S. or by or on behalf of U.S. persons or persons within the United States, and that no cash, securities or other property have been or will be delivered within the United States or to or for the account or benefit of a U.S. person in connection with the exercise of the Warrants and authorize the production of such certification in applicable administrative or legal proceedings (the terms "United States" and "U.S. person" used in this paragraph having the meaning given to them in Regulation S); and
- (vi) include an irrevocable undertaking to pay any applicable stamp duty, stamp duty reserve tax and/or other taxes or duties ("**Taxes**") due by reason of the exercise of the Warrants and an authority to the Issuer and the relevant Clearing System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Warrantholder or otherwise (on, or at any time after, the Cash Settlement Payment Date) to debit a specified account of the Warrantholder at the relevant Clearing System with an amount or amounts in respect thereof, all as provided in the Warrant Agency Agreement.

In addition, if the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants or if Condition 3(e) is specified in the relevant Final Terms as being applicable, the Exercise Notice shall also:

- (aa) irrevocably instruct the relevant Clearing System to debit on the Strike Price Payment Date a specified account of the Warrantholder with the aggregate Strike Price in respect of the Warrants being exercised (together with any applicable Taxes) and to transfer such amount to such account as shall have been specified by the Issuer to the relevant Clearing System for that purpose;
- (bb) include an irrevocable undertaking to pay any applicable Taxes due by reason of the transfer (if any) of the Securities to the account at the relevant Clearing System specified, or as otherwise specified, by the Warrantholder and an authority to the Issuer and the relevant Clearing System to debit a specified account of the Warrantholder with an amount in respect thereof; and
- (cc) specify the number of the Warrantholder's account with the relevant Clearing System to be credited with the relevant Securities or, as the case may be, the delivery details for such Securities.

(b) *Verification of Warrantholder*

To exercise Warrants, the Holder must duly complete an Exercise Notice and must have Warrants in the amount being exercised in its securities account with the relevant Clearing System on the Exercise Date. The relevant Clearing System will, in accordance with its normal operating procedures, verify that each person exercising Warrants is the Holder thereof according to the records of such Clearing System and that such Holder has an account at the relevant Clearing System which contains an amount equal to the aggregate Strike Price (if any) in respect of the Warrants being exercised. If the Exercise Notice is, in the determination of the relevant Clearing System, improperly completed, or sufficient Warrants or sufficient funds equal to the aggregate Strike Price are not available in the specified account(s) with the relevant Clearing System on the Exercise Date, the Exercise Notice will be treated as null and void and a new duly completed Exercise Notice must be submitted if exercise of the Holder's Warrants is still desired.

On or prior to the Cash Settlement Payment Date or the Settlement Date, as the case may be, the relevant Clearing System will debit the Warrantholder's account with the Warrants being exercised.

(c) *Notification to Principal Warrant Agent*

The relevant Clearing System shall notify the Principal Warrant Agent in writing (with a copy to the Issuer) not later than 11.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on the Business Day immediately following the Exercise Date of the number of the account with such Clearing System to which the Cash Settlement Amount or, in the case of Physical Settlement, the Securities are to be credited for the benefit of the Warrantholder.

(d) *Debit of Warrantholder's Account*

The relevant Clearing System will on or before the Cash Settlement Payment Date or the Settlement Date, as the case may be, debit the relevant account of the Warrantholder and

credit the relevant account of the Principal Warrant Agent (in favour of the Issuer) with the Warrants being exercised and, if the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants or if the Issuer has elected for optional Physical Settlement in accordance with Condition 3(e), with the aggregate Strike Price, in the case of a Call Warrant, or the relevant number of Securities, in the case of a Put Warrant, in respect of the Warrants being exercised together in each case with any applicable Taxes. If the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants or if the Issuer has elected for optional Physical Settlement in accordance with Condition 3(e) and the aggregate Strike Price, in the case of a Call Warrant, or the relevant number of Securities, in the case of a Put Warrant, in respect of the Warrants being exercised together in each case with any applicable Taxes is not so credited, then the Issuer shall be under no obligation to transfer Securities or make payment of any nature to the relevant Warrantholder in respect of the Warrants being exercised, and the Exercise Notice delivered in respect of such Warrants shall thereafter be null and void for all purposes.

If Condition 3(e) or Condition 3(f) is specified in the relevant Final Terms as being applicable, the Issuer will, by the close of business (London time) on the Business Day following the relevant Determination Date, notify the relevant Clearing System, the Principal Warrant Agent and the relevant Warrantholder, if it has elected for Cash Settlement or Physical Settlement, as the case may be. Notice to the relevant Warrantholder shall be given by facsimile or telex to the number specified in the relevant Exercise Notice and any notice so sent shall be deemed received by the relevant Warrantholder.

(e) *Payment*

In respect of Warrants which have been exercised, the Calculation Agent shall by close of business or such other time as is specified in the relevant Final Terms on the date specified therefor in the relevant Final Terms determine the Cash Settlement Amount (if any) to be paid on the relevant Cash Settlement Payment Date in respect of the relevant Warrants provided that the Calculation Agent has received a tested telex from the relevant Clearing System specifying the number of Warrants which have been exercised in accordance with Condition 4(a) and, shall notify the Issuer and the Principal Warrant Agent of such amounts on the Business Day following the date so specified.

Unless the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants (and the Issuer has not elected for optional Cash Settlement in accordance with Condition 3(f)) or the Issuer shall have elected for optional Physical Settlement in accordance with Condition 3(e), the Issuer will transfer to the Principal Warrant Agent the Cash Settlement Amount in respect of the Warrants being exercised, less any amount in respect of Taxes which the Issuer is authorised to deduct therefrom, for value on the Cash Settlement Payment Date, and the Principal Warrant Agent will cause the Warrantholder's account with the relevant Clearing System to be credited with such amount for value on the Cash Settlement Payment Date.

If, however, the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants (and the Issuer has not elected for optional Cash Settlement in accordance

with Condition 3(f)) or if the Issuer elects for optional Physical Settlement in accordance with Condition 3(e), then:

- (i) in the case of a Call Warrant, subject to the debit of the relevant account of the Warrantholder with the Strike Price and any applicable Taxes and the credit thereof to the relevant account of the Principal Warrant Agent (in favour of the Issuer) as aforesaid, the Issuer will, on the relevant Settlement Date, procure the credit of the relevant Securities to the account specified, or as may otherwise be specified, in the relevant Exercise Notice; and
- (ii) in the case of a Put Warrant, the Issuer will, on the Settlement Date in respect of such Warrant, procure the transfer for value to the Principal Warrant Agent of the Strike Price in respect of the Warrant being exercised, less any amount in respect of Taxes which the Issuer is authorised to deduct therefrom, and the Principal Warrant Agent will, on the relevant Settlement Date, procure the credit of the relevant Strike Price to the account specified, or as may otherwise be specified, in the relevant Exercise Notice.

Exercise of the Warrants, payment by the Issuer and the Principal Warrant Agent and any transfer of Securities by the Issuer or the Principal Warrant Agent, will be subject in all cases to all applicable fiscal and other laws, regulations and practices in force at the relevant time (including, without limitation, any relevant exchange control laws or regulations and the rules and procedures of the relevant Clearing System) and neither the Issuer nor the Principal Warrant Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations and practices. Neither the Issuer nor the Principal Warrant Agent shall under any circumstances be liable for any acts or defaults of any Clearing System in the performance of its duties in relation to the Warrants.

(f) *Determinations*

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by the relevant Clearing System, in consultation with the Principal Warrant Agent, and shall be conclusive and binding on the Issuer, the Warrant Agents and the relevant Warrantholder. Any Exercise Notice so determined to be incomplete or not in proper form or which is not copied to the Principal Warrant Agent immediately after being sent to the relevant Clearing System, shall be null and void. If such Exercise Notice is subsequently corrected to the satisfaction of the relevant Clearing System it shall be deemed to be a new Exercise Notice submitted at the time such correction is delivered to the relevant Clearing System.

(g) *Effect of Exercise Notice*

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Warrantholder to exercise the Warrants specified therein, provided that the person exercising and delivering such Exercise Notice is the person then appearing in the books of the relevant Clearing System as the Holder of the relevant Warrants. If the person exercising and

delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become null and void and shall be deemed not to have been so delivered.

After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 4(a)), the Warrantholder specified in such Exercise Notice may not otherwise transfer such Warrants. Notwithstanding this, if any Warrantholder does so transfer or attempt to transfer such Warrants, the Warrantholder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related hedging operations in reliance on the relevant Exercise Notice and subsequently (i) entering into replacement hedging operations in respect of such Warrants or (ii) paying any amount on the subsequent exercise of such Warrants without having entered into any replacement hedging operations.

(h) *Fractions*

No fraction of any Securities will be transferred on exercise of any Warrant pursuant to Conditions 3(d) or (e), provided that all Warrants exercised at the same time by the same Warrantholder shall be aggregated for the purpose of determining whether any (and if so what) fraction of any Securities arises. Instead the Issuer shall make a cash refund of the corresponding fraction (rounded down to the nearest minimum unit of the Settlement Currency) of the aggregate Strike Price in respect of the relevant Warrants. Such refund shall be made by transfer by the Issuer to the account of the Principal Warrant Agent whereupon the Principal Warrant Agent shall transfer such amount to the account at the relevant Clearing System specified in the relevant Exercise Notice as the account to be credited with the relevant Cash Settlement Amount or, if none, then to the relevant Clearing System for credit by it to the account of the relevant Warrantholder with that Clearing System from which the Strike Price was originally debited.

5. **Minimum Number of Warrants Exercisable**

The Warrants are exercisable in the minimum number (the "**Minimum Exercise Number**") specified in the relevant Final Terms and integral multiples thereof (or, if a "Permitted Multiple" is specified in the relevant Final Terms, integral multiples of the Permitted Multiple) on any particular occasion or such lesser Minimum Exercise Number or other Permitted Multiple as the Issuer may from time to time notify to the Warrantholders in accordance with Condition 10.

6. **Valuation, Adjustments and Extraordinary Events affecting Securities**

(a) **Valuation, Market Disruption and Averaging Dates**

(i) "**Valuation Time**" means the time specified as such in the relevant Final Terms or, if no such time is specified, the close of trading on the relevant Exchange in relation to each Index or Security to be valued.

(ii) "**Valuation Date**" means, unless otherwise specified in the relevant Final Terms, each Exercise Date (or, if such date is not an Exchange Business Day, the next following Exchange Business Day), unless there is a Market Disruption Event in respect of any

relevant Index or Security on that day. If there is a Market Disruption Event on that day, then:

(A) in the case of an Index Warrant or a Security Warrant, the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date (the "**Scheduled Valuation Date**"). In that case:

(1) in respect of an Index Warrant, the Calculation Agent shall determine in its absolute discretion that either:

(aa) that fifth Exchange Business Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event;
or

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

and, in each case, the Calculation Agent shall determine the level of the Index as of the Valuation Time on that fifth or (as the case may be) thirtieth Exchange Business Day determined in accordance with the formula for and method of calculating the Index last in effect prior to the commencement of the Market Disruption Event using the Exchange traded price (or, if trading in the relevant security or other property has been materially suspended or materially limited, its good faith estimate of the Exchange traded price that would have prevailed but for that suspension or limitation) as of the Valuation Time on that fifth or (as the case may be) thirtieth Exchange Business Day of each security or other property comprised in the Index; and

(2) in respect of a Security Warrant, that fifth Exchange Business Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event and the Principal Warrant Agent shall determine its good faith estimate of the Exchange traded price for the relevant Security that would have prevailed but for that Market Disruption Event as of the Valuation Time on that fifth Exchange Business Day;

(B) in the case of an Index Basket Warrant, the Valuation Date for each Index not affected by a Market Disruption Event shall be the Scheduled Valuation Date and the Valuation Date for each Index affected by a Market Disruption Event

shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event relating to that Index, unless there is a Market Disruption Event relating to that Index on each of the five Exchange Business Days immediately following the Scheduled Valuation Date. In that case, the Calculation Agent shall determine in its absolute discretion that either:

- (1) that fifth Exchange Business Day shall be deemed to be the Valuation Date for the relevant Index notwithstanding the Market Disruption Event; or
- (2) the Valuation Date for the relevant Index shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event relating to that Index, unless no such day has occurred by the thirtieth Exchange Business Day following the Scheduled Valuation Date, in which case that thirtieth Exchange Business Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event,

and, in each case, the Calculation Agent shall determine the level of that Index, as of the Valuation Time on that fifth or (as the case may be) thirtieth Exchange Business Day in accordance with the formula for and method of calculating that Index last in effect prior to the commencement of the Market Disruption Event using the Exchange traded price (or, if trading in the relevant security or other property has been materially suspended or materially limited, its good faith estimate of the Exchange traded price that would have prevailed but for that suspension or limitation) as of the Valuation Time on that fifth or (as the case may be) thirtieth Exchange Business Day of each security or other property comprised in that Index; and

- (C) in the case of a Security Basket Warrant, the Valuation Date for each Security not affected by a Market Disruption Event shall be the Scheduled Valuation Date and the Valuation Date for each Security affected by a Market Disruption Event shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event relating to that Security, unless there is a Market Disruption Event relating to that Security on each of the five Exchange Business Days immediately following the Scheduled Valuation Date. In that case, (1) that fifth Exchange Business Day shall be deemed to be the Valuation Date for the relevant Security notwithstanding the Market Disruption Event, and (2) the Calculation Agent shall determine its good faith estimate of the Exchange traded price for that Security that would have prevailed but for that Market Disruption Event as of the Valuation Time on that fifth Exchange Business Day.

(iii) "**Market Disruption Event**" in relation to Cash Settlement Warrants means:

- (A) in respect of an Index relating to an Index Warrant or an Index Basket Warrant, the occurrence or existence on any Exchange Business Day during the one-half hour period that ends at the relevant Valuation Time of any

suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant exchange or otherwise), (aa) on the relevant Exchange(s) in securities or other property that comprise 20 per cent. or more of the level of the relevant Index, or (bb) in options contracts or future contracts on the relevant Index on any Related Exchange if, in any such case, such suspension or limitation is, in the determination of the Calculation Agent, material. For the purpose of determining whether a Market Disruption Event exists at any time, if trading in a security or other property included in the Index is materially suspended or materially limited at that time, then the relevant percentage contribution of that security or other property to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security or other property relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; and

- (B) in respect of a Security relating to a Security Warrant or a Security Basket Warrant, the occurrence or existence on any Exchange Business Day during the one-half hour period that ends at the relevant Valuation Time of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant Exchange or otherwise) in (aa) the Security on the Exchange or (bb) any options contracts or futures contracts relating to the Security on any Related Exchange if, in any such case, that suspension or limitation is, in the determination of the Calculation Agent, material.
- (iv) If Averaging Dates are specified as applicable in the relevant Final Terms, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index, Security or Basket in relation to a Valuation Date:
 - (A) "**Averaging Date**" means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the relevant Final Terms (or, if such date is not an Exchange Business Day, the next following Exchange Business Day).
 - (B) For purposes of determining the Settlement Price in relation to a Valuation Date, the Settlement Price will be:
 - (aa) in respect of an Index Warrant or Cash Settlement Security Warrant, the arithmetic mean of the Relevant Prices of the Index or the Securities on each Averaging Date;
 - (bb) in respect of an Index Basket Warrant, the arithmetic mean of the amounts for the Basket determined by the Calculation Agent as provided in the relevant Final Terms at the relevant Valuation Time on each Averaging Date or, if no means for determining the Settlement Price is so provided, the arithmetic mean of the amounts

for the Basket calculated on each Averaging Date as the sum of the Relevant Prices of each Index comprised in the Basket (weighted or adjusted in relation to each Index as provided in the relevant Final Terms); and

- (cc) in respect of a Cash Settlement Security Basket Warrant, the arithmetic mean of the prices for the Basket determined by the Calculation Agent as provided in the relevant Final Terms at the relevant Valuation Time on each Averaging Date or, if no means for determining the Settlement Price is so provided, the arithmetic mean of the prices for the Basket calculated on each Averaging Date as the sum of the values calculated for the Securities of each Relevant Company as the product of (1) the Relevant Price of such Security and (2) the number of such Securities comprised in the Basket.
- (C) In the case of a Market Disruption Event occurring on an Averaging Date, if, in relation to "Averaging Date Market Disruption", the consequence specified in the relevant Final Terms is:
- (aa) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Settlement Price provided that, if through the operation of this provision there would not be an Averaging Date with respect to the relevant Valuation Date, then Condition 6(a)(ii) will apply for purposes of determining the relevant level, price or amount on the final Averaging Date with respect to that Valuation Date as if such Averaging Date were a Valuation Date on which a Market Disruption Event has occurred. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of a Market Disruption Event, then the relevant Cash Settlement Payment Date or the occurrence of a Merger Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date;
 - (bb) "**Postponement**", then Condition 6(a)(ii) will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date on which a Market Disruption Event has occurred irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the Warrant. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of a Market Disruption Event, then the relevant Cash Settlement Payment Date or the occurrence of a Merger Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date; or
 - (cc) "**Modified Postponement**", then:

- (1) in the case of an Index Warrant or a Security Warrant, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the fifth Exchange Business Day immediately following the original date that, but for the occurrence of another Averaging Date or Market Disruption Event, would have been the final Averaging Date (the "Scheduled Final Averaging Date") in relation to the relevant Valuation Date, then
 - (AA) in respect of an Index Warrant, the Calculation Agent shall determine in its absolute discretion that either:
 - (x) that fifth Exchange Business Day shall be deemed to be the Averaging Date, (irrespective of whether that fifth Exchange Business Day is already an Averaging Date); or
 - (y) the Averaging Date shall be the first succeeding Valid Date, unless no such day has occurred by the thirtieth Exchange Business Day following the Scheduled Final Averaging Date, in which case that thirtieth Exchange Business Day shall be deemed to be the Averaging Date (irrespective of whether that fifth Exchange Business Day is already an Averaging Date),and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 6(a)(ii)(A)(1); and
 - (BB) in respect of a Security Warrant, that fifth Exchange Business Day shall be deemed the Averaging Date (irrespective of whether that fifth Exchange Business Day is already an Averaging Date), and the Calculation Agent shall determine the Relevant Price for that Averaging Date in accordance with Condition 6(a)(ii)(A)(2); and
- (2) in the case of an Index Basket Warrant or a Security Basket Warrant, the Averaging Date for each Index or Security not affected by a Market Disruption Event shall be the day specified in the relevant Final Terms as an Averaging Date in relation to the relevant Valuation Date (the "Scheduled Averaging Date") and the Averaging Date for an Index or Security affected by the Market Disruption Event shall be the first succeeding Valid Date in relation to such Index or Security. If the first succeeding Valid Date in relation to such Index or Security has not occurred as of the Valuation Time on the final Exchange Business Day immediately following the Scheduled final Averaging Date, then:
 - (AA) in respect of an Index Basket Warrant, the Calculation Agent shall determine that either:

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

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 6(a)(ii)(B); and

- (BB) in respect of a Security Basket Warrant, that fifth Exchange Business Day shall be deemed the Averaging Date (irrespective of whether that fifth Exchange Business Day is already an Averaging Date) in relation to such Security, and the Principal Warrant Agent shall determine the relevant amount for that Averaging Date in accordance with Condition 6(a)(ii)(C)(2).

"Valid Date" means an Exchange Business Day on which there is no Market Disruption Event and on which another Averaging Date in relation to the relevant Valuation Date does not or is not deemed to occur.

If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of a Market Disruption Event, then the relevant Cash Settlement Payment Date or the occurrence of a Merger Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

- (v) If (A) on or prior to any Averaging Date in respect of an Index Warrant or Index Basket Warrant, a relevant Index Sponsor makes a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock or other property and capitalisation and other routine events) or (B) on any Averaging Date in respect of an Index Warrant or Index Basket Warrant, the sponsor fails to calculate and announce a relevant Index, then the Calculation Agent shall calculate the relevant Settlement Price using in lieu of a published level for that Index, the level for that Index as at that Averaging Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities or other property that comprised that Index immediately prior to that change

or failure (other than those securities or other property that have since ceased to be listed on any relevant Exchange).

(b) *Adjustments to Index*

This Condition 6(b) is applicable only in relation to Warrants specified in the relevant Final Terms as being Index Warrants or Index Basket Warrants.

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

If (i) on or prior to any Valuation Date, the relevant Index Sponsor makes a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain such index in the event of changes in constituent stock or other property and capitalisation and other routine events) or (ii) on any Valuation Date the Index Sponsor fails to calculate and announce the level of a relevant Index, then the Calculation Agent shall calculate the relevant Settlement Price using, in lieu of a published level for that Index, the level for that Index as at such Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities or other property that comprised that Index immediately prior to that change or failure (other than those securities or other property that have since ceased to be listed on any relevant Exchange).

If, in respect of an Index Warrant or an Index Basket Warrant, the level of an Index published on a given day and used or to be used by the Calculation Agent to determine the Cash Settlement Amount is subsequently corrected and the correction published by that Index Sponsor or a successor sponsor within 30 days of the original publication, the Calculation Agent may notify the parties of (i) that correction and (ii) the amount that is payable as a result of that correction. If not later than 30 days after publication of that correction notice is given by the Calculation Agent that an amount is so payable, the party that originally either received or retained such amount shall, not later than three Currency Business Days after the effectiveness of that notice, pay to the other party that amount, together with interest on that amount at a rate per annum equal to the cost (without proof or evidence of any actual cost) to the other party (as certified by it) of funding that amount for the period from and including the day on which a payment originally was (or was not) made, to but excluding the day of payment of the refund or payment resulting from that correction.

(c) *Settlement Disruption of Physical Settlement Warrants*

This Condition 6(c) is applicable only in relation to Warrants specified in the relevant Final Terms as being Physical Settlement Warrants and to Warrants in relation to which the Issuer has elected for optional Physical Settlement in accordance with Condition 3(e).

The Calculation Agent shall determine whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Securities on the original day that but for such Settlement Disruption Event would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which delivery of such Securities can take place through the relevant Clearing System unless a Settlement Disruption Event prevents settlement on each of the 10 relevant Clearance System Business Days immediately following the original date that, but for the Settlement Disruption Event, would have been the Settlement Date. In that case, if the Securities are Government Bonds or other debt securities, the Issuer shall use reasonable efforts to deliver such Securities promptly thereafter in a commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) outside the Clearance System and in all other cases (i) if such Securities can be delivered in any other commercially reasonable manner, then the Settlement Date will be the first day on which settlement of a sale of Securities executed on that 10th relevant Clearance System Business Day customarily would take place using such other commercially reasonable manner of delivery (which other manner of delivery will be deemed the relevant Clearance System for the purposes of delivery of the relevant Securities), and (ii) if such Securities cannot be delivered in any other commercially reasonable manner, then the Settlement Date will be postponed until delivery can be effected through the relevant Clearing System or in any other commercially reasonable manner. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Securities comprised in a Basket, the Settlement Date for Securities not affected by the Settlement Disruption Event will be the original day that but for such Settlement Disruption Event would have been the Settlement Date. In the event that a Settlement Disruption Event will result in the delivery on a Settlement Date of some but not all of the Securities comprised in a Basket, the Calculation Agent shall determine in its discretion the appropriate pro rata portion of the Strike Price to be paid by the Warrantholder in respect of that partial settlement.

For the purposes hereof:

"Settlement Disruption Event" in relation to a Security means an event as determined by the Calculation Agent as being beyond the control of the Issuer or relevant obligor and as a result of which the relevant Clearing System cannot clear the transfer of such Security or the transfer of such Security cannot be effected.

(d) *Adjustments and Extraordinary Events affecting Securities*

This Condition 6(d) is applicable only in relation to Warrants specified in the relevant Final Terms as being Security Warrants or Security Basket Warrants.

(i) The Calculation Agent shall determine whether or not at any time a Potential Adjustment Event has occurred and where it determines such an event has occurred, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Securities and, if so will make such adjustment as it in its sole and absolute discretion considers appropriate, if any, to the Strike Price, the number of Securities to which each Warrant relates, and to any other exercise, settlement, payment or other term of the relevant Warrants including, without limitation, the

amount, number or type of cash, Securities, other securities or other property which may be transferred under such Warrants and determine the effective date(s) of such adjustments.

For the purposes hereof:

"Potential Adjustment Event" means any of the following:

- (A) a subdivision, consolidation or reclassification of relevant Securities (unless a Merger Event) or a free distribution or dividend of any securities to existing holders by way of bonus, capitalisation or similar issue (including, without limitation by virtue of any demerger); or
 - (B) a distribution or dividend to existing holders of the relevant Securities of (aa) such Securities or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Relevant Company equally or proportionately with such payments to holders of any such Securities or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (cash or otherwise) at less than the prevailing market price as determined by the Principal Warrant Agent; or
 - (C) an extraordinary dividend;
 - (D) a call by the Relevant Company in respect of relevant Securities that are not fully paid;
 - (E) a repurchase by the Relevant Company of relevant Securities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
 - (F) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Securities; or
 - (G) any other event specified in the relevant Final Terms.
- (ii) Following the occurrence of any Merger Event (as defined below), the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Warrants shall continue and, if so, any adjustments to be made. If the Calculation Agent determines that the Warrants shall be continued, it may, in its sole and absolute discretion, make any change or adjustment to the amount, number or type of Securities, other property or securities which may be transferred under the Warrants, including, without limitation, the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms and/or any other adjustment which change or adjustment shall be effective as soon as practical after the date upon which all holders of the Securities (other than, in the case of a takeover offer, Securities owned or controlled by the offeror) become bound to transfer the Securities held by them. If, in the opinion of the Calculation Agent, the Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of any Warrants which have

been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of the Merger Event Settlement Amount (as defined below).

For the purposes hereof:

"Merger Event" means in respect of any relevant Securities, any:

- (A) reclassification or change of such Securities that results in a transfer of or an irrevocable commitment to transfer all of such Securities outstanding;
- (B) consolidation, amalgamation or merger of the Relevant Company with or into another entity (other than a consolidation, amalgamation or merger in which such Relevant Company is the continuing entity and which does not result in any such reclassification or change of such Securities outstanding); or
- (C) other takeover offer for such Securities that results in a transfer of or irrevocable commitment to transfer all such Securities (other than such Securities owned or controlled by the offeror),

in each case if the Merger Date is on or before, in the case of a Physical Settlement Warrant, the Expiry Date or, in any other case, the final Valuation Date.

"Merger Event Settlement Amount" means an amount, as determined by the Calculation Agent in its sole and absolute discretion, which represents the fair value of a Warrant that would preserve for the Warrantholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Warrantholder would have been entitled under the Warrant after that date but for the occurrence of the Merger Event.

"Merger Date" means, in respect of a Merger Event, the date upon which all holders of the relevant Securities (other than, in the case of a takeover offer, Securities owned or controlled by the offeror) have agreed to or have irrevocably become obliged to transfer their Securities.

(iii) If:

- (A) all the Securities or all the assets or substantially all the assets of the Relevant Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity; or
- (B) by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting the Relevant Company (a) all the Securities are required to be transferred to any trustee, liquidator or other similar official or (b) holders of the Securities become legally prohibited from transferring them,

then, the Issuer may determine that, in lieu of delivery of the Securities or payment of the Cash Settlement Amount, as the case may be, it shall pay an amount, as determined by the

Calculation Agent in its sole and absolute discretion, which represents the fair value of a Warrant that would preserve for the Warrantholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Warrantholder would have been entitled under the Warrant but for the occurrence of such nationalisation or insolvency, in which event the Warrants shall cease to be exercisable (or, in the case of any Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or payment of the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of such amount.

(e) *Conversion*

In respect of a Security Warrant which relates to Government Bonds or other debt securities, following the occurrence of any Conversion, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Warrants will continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the Warrants shall be continued, it may, in its sole and absolute discretion, make any change or adjustment to the amount, number or type of Securities, other property or securities which may be transferred under the Warrants, including, without limitation, the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms and/or any other adjustment which change or adjustment shall be effective as soon as practical after the date upon which all holders of the Securities (other than, in the case of a takeover offer, Securities owned or controlled by the offeror) become bound to transfer the Securities held by them. If, in the opinion of the Calculation Agent, the Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of any Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of the Conversion Settlement Amount (as defined below).

For the purposes hereof:

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

"**Conversion Settlement Amount**" means such amount as, in the opinion of the Calculation Agent (such opinion to be made by the Calculation Agent, in its sole and absolute discretion), is fair in the circumstances by way of compensation for the termination of the Warrants.

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

In respect of a Security Warrant which relates to Government Bonds or other debt securities, if the price published or announced on a given day and used or to be used by the Calculation Agent to determine the Cash Settlement Amount is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement within 30 days of the original publication or announcement, the Calculation Agent may notify the parties of (i) that correction and (ii) the amount that is payable as a result of that

correction. If not later than 30 days after publication of that correction notice is given by the Calculation Agent that an amount is so payable, the party that originally either received or retained such amount shall, not later than three Currency Business Days after the effectiveness of that notice, pay to the other party that amount, together with interest on that amount at a rate per annum equal to the cost (without proof or evidence of any actual cost) to the other party (as certified by it) of funding that amount for the period from and including the day on which a payment originally was (or was not) made, to but excluding the day of payment of the refund or payment resulting from that correction.

(g) *Other Adjustments*

Upon the occurrence of any event the Calculation Agent determines (in its discretion, but acting reasonably) affects or could potentially affect the value of the Warrants, the Calculation Agent may (in its discretion, but acting reasonably) make any adjustments to the Strike Price, the number or type of Securities or Indices to which such Warrants relate, or to any exercise, settlement, payment or other term of such Warrants, including, without limitation, the amount, number or type of cash, securities, other securities or property which may be transferred under such Warrants, which it considers appropriate and it shall determine the effective date(s) of such adjustments.

7. **Effects of European Economic and Monetary Union**

- (a) Following the occurrence of an EMU Event, the Calculation Agent may make such adjustment (and determine the effective date of such adjustment) as it, in its sole and absolute discretion, determines appropriate, if any, to the Strike Price (if any), the formula for the Cash Settlement Amount, the Settlement Price, the Relevant Price, the number of Securities to which each Warrant relates, the number of securities comprised in a Security Basket Warrant, the amount, the number of or type of shares, bonds, other securities or other property which may be delivered in respect of such Warrants and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement or payment terms of the relevant Warrants which in the sole and absolute discretion of the Calculation Agent have been or may be affected by such EMU Event.
- (b) Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to: (i) make such conversions between amounts denominated in the national currency units (the "**National Currency Units**") of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Communities as amended by the Treaty on European Union and the euro, and the euro and the National Currency Units, in each case, in accordance with the conversation rates and rounding rules established by the council of the European Union pursuant to the Treaty establishing the European Communities as amended by the Treaty a European Union as it, in its sole and absolute discretion, considers appropriate; (ii) make all payments in respect of the Warrants solely in euro as though references in the Warrants to the relevant National Currency Units were to euro and (iii) make such adjustments as it, in its sole and absolute discretion considers necessary to the Strike Price (if any), the formula for

the Cash Settlement Amount, Settlement Price, Relevant Price and any other amount as it determines, in its sole and absolute discretion, to be appropriate.

- (c) None of the Issuer, a Warrant Agent or the Calculation Agent will be liable to any Warrantholder or other person for any commissions, cost, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection therewith.
- (d) For the purposes hereof, "**EMU Event**" means the occurrence of any of the following, as determined by the Determination Agent, acting in a commercially reasonable manner:
 - (i) the withdrawal from legal tender of any currency that, before the introduction of the euro, was lawful currency in one of the member state;
 - (ii) the redenomination of any Security into euro;
 - (iii) any change in the currency of denomination of any Index;
 - (iv) any change in the currency in which some or all the securities or other property contained in any Index is denominated;
 - (v) the disappearance or replacement of a relevant rate option or other price source for the national currency of any member state, or the failure of the agreed sponsor (or successor sponsor) to publish or display a relevant rate, index, price, page or screen; or
 - (vi) the change by any organised market, exchange or clearance, payment or settlement system in the unit of account of its operating procedures to the euro.

8. **Warrant Agents and Calculation Agent**

(a) *Appointment of Agents*

The Issuer reserves the right at any time to vary or terminate the appointment of any Warrant Agent or the Calculation Agent or the Authentication Agent and to appoint other or additional Warrant Agents or a substitute Calculation Agent or a substitute Authentication Agent, provided that (i) so long as any Warrant is outstanding, the Issuer will maintain a Principal Warrant Agent and a Calculation Agent and an Authentication Agent and (ii) so long as the Warrants have been admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange (or have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system), there will be a Warrant Agent with a specified office in London (or in such other place as may be required by such other listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation). Notice of any termination of appointment and of any change in the specified office of a Warrant Agent or a Calculation Agent or an Authentication Agent and of any appointment of a Warrant Agent or a Calculation Agent or an Authentication Agent will be given to Warrantholders in accordance

with Condition 11. In acting under the Warrant Agency Agreement, each Warrant Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrantholders.

(b) *Calculation Agent*

The Calculation Agent shall not act as an agent for the Warrantholders but shall be the agent of the Issuer. All calculation functions required of the Calculation Agent under these Conditions may be delegated to any such person as the Calculation Agent, in its absolute discretion, may decide.

Neither the Issuer nor the Calculation Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables used in any calculation made pursuant to these Conditions or in the calculation of any Cash Settlement Amount or of any entitlement to Physical Settlement arising from such errors or omissions.

(c) *Notifications*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the Warrants by the Principal Warrant Agent or the Calculation Agent shall (in the absence of manifest error or wilful misconduct) be binding on the Issuer and the Warrantholders and (subject as aforesaid) no liability to the Warrantholders (or any of them) shall attach to the Principal Warrant Agent or the Calculation Agent in connection with the exercise or non-exercise by either of them of their powers, duties and discretions for such purposes.

9. **Taxes**

A Warrantholder subscribing for, purchasing or exercising a Warrant shall pay all Taxes and securities transfer taxes and any other charges, if any, payable in connection with the subscription, purchase or exercise of such Warrant and the delivery of the Cash Settlement Amount and/or any Securities as a result of such exercise. The Issuer shall have the right, but not the duty, to withhold or deduct from any amounts otherwise payable to a Warrantholder such amount as is necessary for the payment of any such taxes, duties or charges or for effecting reimbursement in accordance with the next sentence.

In any case where the Issuer is obliged to pay any such tax, duty or charge referred to in the previous paragraph, the relevant Warrantholder shall promptly reimburse the Issuer therefor.

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants.

10. **Force Majeure and Illegality**

(a) *Force Majeure*

The Issuer shall have the right to terminate its obligations under the Warrants, subject to the following sentence, if the Calculation Agent shall have determined in its absolute discretion, that the performance of such obligations shall have become impracticable in whole or in part, in particular as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. In such circumstances the Issuer will, however, pay to each Warrantholder in respect of each Warrant held by it an amount determined by the Calculation Agent after consultation with a merchant bank of international repute as representing the fair market value of such Warrant immediately after such termination. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 11.

(b) *Illegality*

In the event that any one or more of the provisions contained in these terms should be held to be invalid, illegal or unenforceable in any respect, the Issuer will endeavour in good faith to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which is not detrimental on either the Issuer or the Warrantholder, and which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

11. **Notices**

All notices to Warrantholders will, save where another means of communication has been specified in the relevant Final Terms, be deemed to have been duly given if notified to the relevant Clearing System and, in the case of Warrants admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange (or which have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system), if copies of such notifications are forwarded in final form to the London Stock Exchange no later than the date of dispatch (or, in the case of Warrants admitted to listing, trading and/or quotation by any other listing authority, stock exchange, and/or quotation system published in any publication required by such other listing authority, stock exchange and/or quotation system). Any such notice shall be deemed to have been given on the date of such notification or, in the case of any of Warrants listed on any other listing authority, stock exchange and/or quotation system, the date of such publication or, if notified or published more than once or on different dates, on the date of the first such notification or publication.

12. **Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Warrantholders to create and issue further warrants of any particular series so as to form a single series with the Warrants, pursuant to an agreement supplemental to the Warrant Agency Agreement.

13. **Purchase by the Issuer**

The Issuer may at any time purchase Warrants at any price in the open market or by tender or private treaty. Any Warrants so purchased may, at the discretion of the Issuer, be held, resold, reissued or surrendered for cancellation, and Warrants so reissued or resold shall for all purposes be deemed to form part of the original series of the Warrants.

14. **Modification**

The Issuer may modify the Conditions and the Warrant Agency Agreement (subject in the case of the Warrant Agency Agreement to the agreement of the other parties thereto) without the consent of the Warranholders for purposes of curing any ambiguity or correcting or supplementing any provision contained therein in any manner which the Issuer may deem necessary or desirable provided that such modification is not materially prejudicial to the interests of the Warranholders. Notice of any such modification will be given to the Warranholders but failure to give, or non-receipt of, such notice will not affect the validity of such modification.

15. **Substitution**

The Issuer shall be entitled at any time and from time to time, without the consent of the Warranholders, to substitute any holding company of the Issuer or any wholly-owned, direct or indirect subsidiary of HSBC Holdings plc (the "**New Issuer**") in place of the Issuer, as obligor under the Warrants of any Series, provided that the New Issuer shall assume all obligations of the Issuer in relation to the Warranholders under or in relation to such Warrants. In the event of any such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer. Any such substitution shall be promptly notified to the relevant Warranholders in accordance with Condition 11. In connection with such right of substitution the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Warranholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Warranholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon such Warranholder.

16. **Governing Law**

(a) *Governing law*

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

(b) *English courts*

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

17. **Third Party Rights**

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