

PART B - INFORMATION RELATING TO THE NOTES GENERALLY

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions applicable to the Notes of each Series, 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 2 August 2006. 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, 1 August 2005, 29 June 2006 and 2 August 2006 (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, 1 August 2005, 29 June 2006 and 2 August 2006 (as further modified and/or amended from time to time, the "**Issuing and Paying Agency Agreement**") and made between the Issuer, HSBC Bank plc and HSBC France as calculation agents (HSBC Bank plc or, as the case may be, HSBC France being the "**Calculation Agent**" with respect to the Notes if so specified in the relevant Final Terms, which expression includes any successor or other Calculation Agent specified in the relevant Final Terms or appointed pursuant to the Issuing and Paying Agency Agreement), HSBC Bank plc or HSBC Bank USA, N.A. as transfer agent (HSBC Bank plc or, as the case may be, HSBC Bank USA, N.A. being 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 or HSBC Bank USA, N.A. as registrar (HSBC Bank plc or, as the case may be, HSBC Bank USA, N.A. being 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**") 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. In the case of Registered Notes, a certificate will be issued to each Noteholder in respect of its registered holding. Each such certificate will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") maintained by the Registrar in respect of the Registered Notes. No single Tranche or Series of Notes offered in reliance on Rule 144A may include Bearer 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) 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 "**Holder**s" of Bearer Notes or of Coupons are to the bearers of such Bearer Notes or such Coupons and references herein to the "**Holder**s" 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.

(d) *Regulations concerning transfer and registration of Registered Notes*

All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations (the "**Regulations**") concerning exchange and transfer of Registered Notes scheduled to the Issuing and Paying Agency Agreement. The Regulations may be amended, supplemented or replaced by the Issuer with the prior written approval of the Registrar but without the consent of the Holders of any Notes. A copy of the current Regulations are available for inspection during usual business hours at the specified office of the Registrar and the Transfer Agents.

(e) *Rule 144A Legend*

Upon the transfer, exchange or replacement of Registered Notes bearing the private placement legend (the "**Rule 144A Legend**") for the purpose of Rule 144A under the Securities Act set forth in the form of Registered Note, the Registrar shall deliver only Registered Notes that also bear such legend unless there is delivered to the Issuer and to the Registrar such satisfactory evidence, which may include an opinion, reasonably satisfactory to the Issuer, of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States, that neither the Rule 144A Legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such Registered Notes are not "restricted securities" within the meaning of Rule 144 under the Securities Act.

(f) *Bearer Notes issued in reliance on TEFRA D*

Bearer Notes, and their Coupons, issued in reliance on TEFRA D will bear the following legend "Any United States person who holds this obligation will be subject to the limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

2. **Status**

The Notes are direct, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and, at their date of issue, (save for certain obligations required to be preferred by law) with all other unsecured and unsubordinated

obligations (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(i)) 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 19), 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 the Fallback Rate as set out in (iii) below plus or minus, as applicable, the applicable margin;

(iii) to determine the "**Fallback Rate**" the circumstances set out in (ii) above, the Calculation Agent will:

(A) where the specified currency is euro:

(1) request the principal Euro-zone office of each of five major banks in the Euro-zone interbank market to provide a quotation of the rate at which deposits in euro are offered by it at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date to prime banks in the Euro-zone interbank market for a period equal to the relevant Interest Period in an amount that is representative for a single transaction in that market at that time; and

(2) discard the highest and lowest quotation and determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such remaining quotations. If fewer than three such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Euro-zone interbank market, selected by the Calculation Agent, at approximately 11.00 a.m. (Brussels time) on the first day of the relevant Interest Period for loans in euro to leading Euro-zone banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at the time.

(B) in any other case:

(1) request appropriate quotations and will determine the arithmetic mean of the rate at which deposits in the specified currency are offered by three major banks (or, if fewer than three rates are so quoted, two major banks, or, if fewer than two rates are quoted, one major bank) in the London interbank market, selected by the Calculation Agent, at approximately 11.00 a.m. London time on the Interest Determination Date in respect of the relevant Interest Period to prime banks in the London interbank market for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time.

(iv) if ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) The Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (B) The Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
- (C) The relevant Reset Date (as defined in the ISDA Definitions) is either (1) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (2) in any other case, as specified in the relevant Final Terms.

(v) 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) "**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in the relevant Final Terms and:

(1) if "**Actual/Actual (ICMA)**" is so specified, means:

(AA) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(BB) where the Calculation Period is longer than one Regular Period, the sum of:

(i) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

for this purpose, "**Regular Period**" means each period from and including a Regular Date falling in any year to but excluding the next

Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls;

- (2) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360; and
 - (3) if "**30/360**" is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (C) "**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;
- (D) 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(i)) and the Notes have been redenominated into euro pursuant to Condition 9, the former principal financial centres or centres); and
- (E) 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 depository 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 19) 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 not less than 5 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (which notice 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, subject to the rules and procedures of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") (such redemption to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion); and
- (ii) in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, provided always that the amount redeemed in respect of each Note shall be equal to the minimum denomination thereof or an appropriate multiple thereof,

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

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:

- (i) any additional amounts which may be payable under this Condition 7;
- (ii) the principal amount payable on the relevant Notes on the Maturity Date;
- (iii) the principal amount payable on redemption of the relevant Notes prior to such Maturity Date; and
- (iv) any premium and any other amounts which may be payable under or in respect of the relevant Notes.

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 or its possessions (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 unmaturing 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 unmaturing Coupons appertaining thereto, failing which the face value of any missing unmaturing Coupon (or, in the case of payment not being made in full, that portion of the amount of such missing unmaturing 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 19), 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 19) 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(i)) 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.

Any amount payable with respect to a Note shall be rounded to the nearest applicable sub-unit of the currency in which such amount is payable (one half of any such sub-unit being rounded upwards).

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

(a) *Definitions*

As used in this Condition 10, and unless otherwise provided in the relevant Final Terms, the following expressions shall have the following meanings:

"**Additional Disruption Event**" has the meaning ascribed thereto in Condition 10(h).

"**Automatic Early Redemption Notes**" means a Series of Notes in respect of which the relevant Final Terms specifies that Automatic Early Redemption is applicable.

"**Averaging Date**" means, in respect of each Valuation Date, each date specified as such or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of Condition 10(e)(ii).

"**Cash Equity Note**" means a Series of Notes in respect of which the amount payable at maturity is calculated by reference to the value of a Security or Securities and/or a formula (as indicated in the relevant 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 the occurrence of a Disrupted Day there is more than one Valuation Date with respect to the 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, Euroclear, Clearstream Luxembourg, DTC or any other clearance system through which transfers of relevant Securities or, as the case may be, securities comprised in a relevant index are customarily settled (in the case of any Equity-Linked Notes which are to be redeemed by delivery of a Securities Transfer Amount as 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.

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

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

"**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.

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

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

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

"**Depositary Receipt(s)**" means any Security specified as such in the relevant Final Terms provided that if the relevant Deposit Agreement is terminated at any time, any reference to any Depositary Receipt(s) shall thereafter be construed as a reference to the relevant Underlying Securities and the Calculation Agent will make such adjustment as it, in its sole and absolute discretion, determines to be appropriate to the relevant Notes and determine, in its sole and absolute discretion, the effective date of such adjustment.

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

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

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

any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into such Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

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

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

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

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

"Exchange Rate" means, in respect of a relevant date and time, the currency exchange rate of one currency against another currency, as specified in the Final Terms, quoted by the relevant exchange rate provider on such date, as displayed on the Reuters Page specified in the Final Terms and as determined by the Calculation Agent. If such Exchange Rate cannot be or ceases to be determined, then the Calculation Agent shall select another Reuters page or determine in

good faith such exchange rate by reference to such sources as it may select in its absolute discretion.

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

"**Extraordinary Event**" means a Merger Event, Tender Offer, Nationalisation, Insolvency or Delisting.

"**Final Price**" means, with respect to a Security and a Valuation Date (a) the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on such Valuation Date or (b) if Averaging Dates are specified in the relevant Final Terms in respect of such Valuation Date, the arithmetic average as determined by the Calculation Agent (rounded down to the nearest unit of the relevant currency in which the Security is valued, one half of a unit being rounded upwards) of the Reference Prices on such Averaging Dates.

"**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 to which such Notes relates, as specified in the relevant Final Terms, subject to adjustment pursuant to this Condition 10, and "**Indices**" shall be construed accordingly.

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

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

"**Initial Index Level**" means the level specified as such or otherwise determined as provided in the relevant Final Terms or, if no such level is so specified or otherwise determined, the level of the relevant Index as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Strike Date.

"**Initial Price**" means the price per Security specified as such or otherwise determined as provided in the relevant Final Terms or, if no such price is so specified or otherwise determined, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Strike Date.

"**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting an Underlying Company, (A) all the Securities of that Underlying Company are required to be transferred to a

trustee, liquidator or other similar official or (B) holders of the Securities of that Underlying Company become legally prohibited from transferring them;

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

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

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

"Merger Event" means in respect of any relevant Securities, any (i) reclassification or change of such Securities that results in a transfer of or an irrevocable commitment to transfer all of such Securities outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Company with or into another entity or person (other than a consolidation, amalgamation or merger in which such Underlying Company is the continuing entity and which does not result in a reclassification or change of all of such Securities outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal

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

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

"**Multiple Exchange Index**" means an Index identified or specified as such in the relevant Final Terms.

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

"**Nationalisation**" means that all the Securities (or, if the Notes are DR Linked Notes, the relevant Underlying Securities) or all or substantially all the assets of an Underlying Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

"**Notional Sale Date**" has the meaning given in the definition of Settlement Date below.

"**Potential Adjustment Event**" means (i) a subdivision, consolidation or reclassification of relevant Securities (unless resulting in a Merger Event), or a free distribution or dividend of any such Securities to existing holders whether by way of bonus, capitalisation or similar issue; or (ii) a distribution, issue or dividend to existing holders of the relevant Securities of (A) such Securities or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Underlying Company equally or proportionately with such payments to holders of such Securities or (C) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent in its sole and absolute discretion; or (iii) an Extraordinary Dividend; or (iv) a call by the Underlying Company in respect of relevant Securities that are not fully paid; or (v) a repurchase by the Underlying Company or any of its subsidiaries of relevant Securities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or (vi) in respect of the Underlying Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Underlying Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or (vii) any other event

that may have a diluting or concentrative effect on the theoretical value of the relevant Securities; or (viii) any other event specified as such in the relevant Final Terms.

With respect to Depositary Receipts, "Potential Adjustment Event" shall also include (x) the occurrence of any of the events described in (i) to (viii) (inclusive) above in respect of the relevant Underlying Securities and (y) the making of any amendment or supplement to the terms of the Depositary Agreement.

"**Reference Price**" means, in respect of a Security and an Averaging Date, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the Exchange on such Averaging Date.

"**Related Exchange**" means, subject to the proviso below, in respect of a Security or Index, each exchange or quotation system specified as such for such Security or Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Security or Index, as the case may be, has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Security or Index, as the case may be, as on the original Related Exchange) provided, however, that where "All Exchanges" is specified as the Related Exchange in the relevant Final Terms, "**Related Exchange**" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Security or Index, as the case may be.

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

"**Residual Amount**" means in relation to a Noteholder and a Note, the fraction of a Security rounded down pursuant to Condition 9 **Error! Reference source not found.**, as determined by the Calculation Agent.

"**Residual Cash Amount**" means, in respect of a Residual Amount, the product of such Residual Amount and the relevant Final Price.

"**Scheduled Closing Time**" means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"**Scheduled Trading Day**" means (a) any day on which the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading for their respective regular trading sessions; or (b) with respect to a Multiple Exchange Index, any day on which (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

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

"**Securities**" means, in relation to a Series of Notes, the equity securities, debt securities (including without limitation Government Bonds), depositary receipts or other securities or property, as adjusted pursuant to this Condition 10, to which such Notes relate, 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 Cycle" means, in respect of a Security or an Index, the period of Clearance System Business Days following a trade in the relevant Security or the securities underlying such Index, as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period).

"Settlement Date" means, in relation to Securities to be delivered in respect of an Equity-Linked Note (a) in the case of Equity-Linked Notes which relate to equity securities and unless otherwise specified in the relevant Final Terms, the later of (i) the Maturity Date and (ii) the date that falls one Settlement Cycle after the Exchange Business Day following the Valuation Date (the **"Notional Sale Date"**) (or if such day is not a Clearance System Business Day, the next following Clearance System Business Day) subject to the provisions of Condition 10(b) 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 (as defined in Condition 19) 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 9**Error! Reference source not found.****Error! Reference source not found.**

"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.

"Strike Date" means the date specified as such in the relevant Final Terms.

"Successor Index" has the meaning given in Condition 10(e).

"Tender Offer" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the Underlying Company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

"Trading Disruption" means (a) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (1) relating to the Securities on the Exchange (in the case of an Equity-Linked Note or Cash Equity Note) or on any relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the relevant Index (in the case of Equity-Linked Notes); or (2) in futures or options contracts relating to the Securities or the relevant Index on any relevant Related Exchange; or (b) with respect to a Multiple Exchange Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (1) relating to any Component Security on the Exchange in respect of such Component Security, or (2) in futures or options contracts relating to the Index on any relevant Related Exchange.

"Transfer Expenses" means with respect to any Notes, all stamp, transfer, registration and similar duties and all expenses, scrip fees, levies and registration charges payable on or in respect of or arising on, or in connection with, the purchase or transfer, delivery or other disposition by the transferor to the order of the relevant Noteholders of any Securities.

"Transfer Notice" means a notice in the form from time to time approved by the Issuer, which must:

- (i) specify the name and address of the Noteholder;
- (ii) specify the number of Notes in respect of which he is the Noteholder;
- (iii) specify the number of the Noteholder's account at Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, to be debited with such Notes;
- (iv) irrevocably instruct and authorise Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, (A) to debit the Noteholder's account with such Notes on the Settlement Date, if the Issuer elects (or has elected) Physical Settlement or otherwise on the Maturity Date and (B) that no further transfers of the Notes specified in the Transfer Notice may be made;
- (v) contain a representation and warranty from the Noteholder to the effect that the Notes to which the Transfer Notice relates are free from all liens, charges, encumbrances and other third party rights;
- (vi) specify the number and account name of the account at the Clearance System to be credited with the Securities if the Issuer elects (or has elected) Physical Settlement;
- (vii) contain an irrevocable undertaking to pay the Transfer Expenses (if any) and an irrevocable instruction to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, to debit on or after the Settlement Date the cash or other account of the Noteholder with Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, specified in the Transfer Notice with such Transfer Expenses;
- (viii) include a certificate of non-U.S. beneficial ownership in the form required by the Issuer; and
- (ix) authorise the production of the Transfer Notice in any applicable administrative or legal proceedings.

"Underlying Company" means the issuer of the Security as specified in the relevant Final Terms and, if the Notes are DR Linked Notes, each of the Depositary and the issuer of the relevant Underlying Security, in each case subject to adjustment in accordance with Condition 10(f).

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

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

"**Valuation Date**" means each date specified or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), in each case subject to Condition 10 (e).

"**Valuation Time**" means, (a) in relation to each Security to be valued or each Index the level of which falls to be determined on any date, the time on such date specified as such in the relevant Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on such date in relation to such Security or Index, as applicable. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time; or (b) in relation to a Multiple Exchange Index, (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor.

(b) *Automatic Early Redemption*

This Condition 10(b) is applicable only to Automatic Early Redemption Notes.

If on any Automatic Early Redemption Valuation Date the Automatic Early Redemption Event occurs, then unless previously redeemed or purchased and cancelled, the Notes will be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date and the Redemption Amount payable by the Issuer on such date upon redemption of each Note shall be an amount in the relevant currency equal to the relevant Automatic Early Redemption Amount.

As used herein:

"**Automatic Early Redemption Amount**" means (a) an amount in the relevant currency specified in the relevant Final Terms or if such amount is not specified, (b) the product of (i) the nominal amount of one Note and (ii) the relevant Automatic Early Redemption Rate relating to that Automatic Early Redemption Date.

"**Automatic Early Redemption Date(s)**" means each of the date(s) specified as such in the relevant Final Terms, subject in each case to adjustment in accordance with the Business Day Convention specified in the relevant Final Terms.

"**Automatic Early Redemption Event**" means (unless otherwise specified in the relevant Final Terms) that the price of the relevant Security or, as the case may be, the level of the Index, in either case as determined by the Calculation Agent as of the (or any) Valuation Date is, as specified in the relevant Final Terms, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Automatic Early Redemption Price, or as the case may be, the Automatic Early Redemption Level.

"**Automatic Early Redemption Level**" means the level of the Index specified as such or otherwise determined in the relevant Final Terms.

"**Automatic Early Redemption Price**" means the price per Security specified as such or otherwise determined in the relevant Final Terms.

"**Automatic Early Redemption Rate**" means, in respect of any Automatic Early Redemption Date, the rate specified as such in the relevant Final Terms.

"**Automatic Early Redemption Valuation Date(s)**" means each of the date(s) specified as such in the relevant Final Terms or, if any such date is not a Scheduled Trading Day, the next following Scheduled Trading Day, subject to the provisions of Condition 10(e)(i) which shall apply as if such Automatic Early Redemption Valuation Date were a Valuation Date.

(c) *Knock-in and Knock-out Provisions*

If "Knock-in Event" is specified as applicable in the Final Terms in relation to any Cash Equity Note, Equity-Linked Note or Index-Linked Note, then each payment and/or delivery in respect of which a Knock-in Event applies, as specified in the relevant Final Terms, shall be conditional upon the occurrence of such Knock-in Event.

"**Knock-in Determination Day**" means each Scheduled Trading Day during the Knock-in Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-in Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-in Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-in Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-in Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is also a Disrupted Day in accordance with the provisions of Condition 10(e)(i)(A)(1),(2) or (3), as the case may be.

"**Knock-in Determination Period**" means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

"**Knock-in Event**" means (a) the event or occurrence specified as such in the relevant Final Terms; and (b) (unless otherwise specified in the relevant Final Terms) that the price of the Security or, as the case may be, the level of the Index, determined by the Calculation Agent as of the Knock-in Valuation Time on any Knock-in Determination Day is, as specified in the relevant Final Terms, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Knock-in Price or, as the case may be, the Knock-in Level.

"**Knock-in Level**" means the level of the Index specified as such or otherwise determined in the relevant Final Terms.

"**Knock-in Period Beginning Date**" means the date specified as such in the relevant Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-in Determination Day" above.

"**Knock-in Period Ending Date**" means the date specified as such in the relevant Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-in Determination Day" above.

"**Knock-in Price**" means the price per Security specified as such or otherwise determined in the relevant Final Terms.

"Knock-in Valuation Time" means the time or period of time on any Knock-in Determination Day specified as such in the relevant Final Terms or in the event that the relevant Final Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time.

If "Knock-out Event" is specified as applicable in the Final Terms in relation to any Cash Equity Note, Equity-Linked Note or Index-Linked Note, then each payment and/or delivery in respect of which a Knock-out Event applies, as specified in the relevant Final Terms, shall be conditional upon such Knock-out Event not having occurred

For the purposes hereof:

"Knock-out Determination Day" means each Scheduled Trading Day during the Knock-out Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-out Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-out Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-out Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-out Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is a Disrupted Day in accordance with the provisions of Condition 10(d)(1)(A)(i), (ii) or (iii), as the case may be.

"Knock-out Determination Period" means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

"Knock-out Event" means that (i) the event or occurrence specified as such in the relevant Final Terms; and (ii) (unless otherwise specified in the relevant Final Terms) that the price of the Security or, as the case may be, the level of the Index, determined by the Calculation Agent as of the Knock-out Valuation Time on any Knock-out Determination Day is, as specified in the relevant Final Terms, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Knock-out Price or, as the case may be, Knock-out Level.

"Knock-out Level" means the level of the Index specified as such or otherwise determined in the relevant Final Terms.

"Knock-out Period Beginning Date" means the date specified as such in the relevant Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-out Determination Day" above.

"Knock-out Period Ending Date" means the date specified as such in the relevant Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-out Determination Day" above.

"Knock-out Price" means the price per Security specified as such or otherwise determined in the relevant Final Terms.

"**Knock-out Valuation Time**" means the time or period of time on any Knock-out Determination Day specified as such in the relevant Final Terms or in the event that the relevant Final Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

(d) *Consequences of Disrupted Days*

(i) If any Valuation Date is a Disrupted Day, then:

(A) in the case of an Equity-Linked Note, a Cash Equity Note or an Index-Linked Note which, in each case, relates to a single Security or Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case:

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

(aa) that eighth Scheduled Trading 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 Scheduled Trading Day following the Scheduled Valuation Date, in which case that thirtieth Scheduled Trading 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 eighth or (as the case may be) thirtieth Scheduled Trading Day determined in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth or (as the case may be) thirtieth Scheduled Trading Day of each security or other property comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or other property on that eighth or (as the case may be) thirtieth Scheduled Trading Day, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on that eighth or (as the case may be) thirtieth Scheduled Trading Day); and

(2) in respect of an Equity-Linked Note or a Cash Equity Note, that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and the Calculation Agent shall determine its good faith estimate of the value for the relevant Security as of the Valuation Time on that eighth Scheduled Trading Day;

(B) in the case of an Index-Linked Note which relates to a basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted

Day shall be the Scheduled Valuation Date and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index, unless each of the eight succeeding Scheduled Trading Days is a Disrupted Day relating to that Index. In that case, the Calculation Agent shall determine in its absolute discretion that either:

- (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index notwithstanding the fact that such day is Disrupted Day relating to that Index; or
- (2) the Valuation Date shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index, unless no such day has occurred by the thirtieth Scheduled Trading Day following the Scheduled Valuation Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is Disrupted Day,

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 eighth (or as the case may be) thirtieth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth (or as the case may be) thirtieth Scheduled Trading Day of each security or other property comprised in the relevant Index (or, if an event giving rise to a Disrupted Day has occurred in respect to the relevant security or other property on that eighth (or as the case may be) thirtieth Scheduled Trading Day, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on that eighth (or as the case may be) thirtieth Scheduled Trading Day); and

- (C) in the case of an Equity-Linked Note or a Cash Equity Note which, in each case, relates to a basket of Securities, the Valuation Date for each Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Security affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Security, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Security. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Security, notwithstanding the fact that such day is a Disrupted Day, and (2) the Calculation Agent shall determine, in its sole and absolute discretion, its good faith estimate of the value for that Security as of the Valuation Time on that eighth Scheduled Trading Day.

- (ii) 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) For the purpose of determining the Relevant Price in respect of a Valuation Date, the Final Price 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 Security 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 as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Final Price is so provided, the arithmetic mean of the 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 as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Final Price is so provided, the arithmetic mean of the prices for such basket calculated on each Averaging Date as the sum of the values calculated for the Securities of each Underlying Company as the product of (aa) the Relevant Price of such Security and (bb) the number of such Securities comprised in such basket.
- (B) If any Averaging Date is a Disrupted Day, then, if the consequence specified in the relevant Final Terms in relation to "**Averaging Date Market Disruption**" is:
- (1) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Final Price provided that, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 10(d)(i) will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such final Averaging Date were a Valuation Date that was a Disrupted Day. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date;
 - (2) "**Postponement**", then Condition 10(d)(i) will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the relevant Notes. If any Averaging Dates in

relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date; or

(3) "**Modified Postponement**", then:

(aa) in the case of an Index-Linked Note or an Equity-Linked Note or a Cash Equity Note which relates to a single Index or 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 eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date (the "**Scheduled Final Averaging Date**") in relation to the relevant Scheduled Valuation Date, then:

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

(x) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date, (irrespective of whether that eighth Scheduled Trading 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 Scheduled Trading Day following the Scheduled Final Averaging Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that thirtieth Scheduled Trading 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(d)(i)(A)(1); and

(ii) in respect of an Equity-Linked Note or a Cash Equity Note, that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading 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(d)(i)(A)(2); and

(bb) in the case of an Index-Linked Note, an Equity-Linked Note or a Cash Equity Note which relates to a basket of Indices or Securities, the Averaging Date for each Index or Security not

affected by the occurrence of a Disrupted Day shall be the day specified in the relevant 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 occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Index or Security. If the first succeeding Valid Date in relation to such Index or Security has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the Scheduled Final Averaging Date, then:

- (i) in respect of an Index-Linked Note, the Calculation Agent shall determine in its absolute discretion that either:
 - (x) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date, (irrespective of whether that eighth Scheduled Trading 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 Scheduled Trading Day following the Scheduled Final Averaging Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that thirtieth Scheduled Trading 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(e)(i)(B); and

- (ii) in respect of an Equity-Linked Note or a Cash Equity Note, that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading 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(d)(i)(C)(2).

If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

(C) If (1) on or prior to any Averaging Date, in respect of an Index-Linked Note, an Index Modification or Index Cancellation occurs, or (2) on any Averaging Date in respect of an Index-Linked Note an Index Disruption Event occurs, then the Calculation Agent shall determine, in its sole and absolute discretion, the Final Price using, in lieu of a published level of the relevant Index, the level for that Index as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities that comprised that Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on any relevant Exchange).

(e) *Adjustments to Indices*

This Condition 10(f) is applicable only in relation to Index-Linked Notes.

(i) Successor Index

If a relevant Index is (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Sponsor acceptable to the Calculation Agent, or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that Index (the "**Successor Index**") will be deemed to be the Index.

(ii) Index Adjustment Events

If (A) on or prior to any Valuation Date, a relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation or other routine events) (an "**Index Modification**") or permanently cancels the Index (an "**Index Cancellation**"), or (B) on any Valuation Date the Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**") and together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**") then the Calculation Agent shall determine, in its sole and absolute discretion, the Final Price using, in lieu of a published level of that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event.

(iii) Correction of Index Levels

If the level of an Index published by the Index Sponsor at any time and used or to be used by the Calculation Agent for any calculation or determination under the Notes is subsequently corrected and the correction is published by the Index Sponsor within one Settlement Cycle after the original publication, the Calculation Agent will make such adjustment as it in its sole and absolute discretion determines to be appropriate, if any, to the settlement or payment terms of the Notes to account for such correction provided that if any amount has been paid in an amount which exceeds the amount that would have been payable if the correction had been taken into account, no further

amount in an amount at least equal to the excess is payable in respect of the Notes and the Calculation Agent determines that it is not practicable to make such an adjustment to account fully for such correction, the Issuer shall be entitled to reimbursement of the relevant excess payment (or, as the case may be, the proportion thereof not accounted for by an adjustment made by the Calculation Agent) by the relevant Noteholder, together with interest on that amount for the period from and including the day on which payment was originally made to (but excluding) the day of payment of reimbursement by the Noteholder (all as calculated by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall determine.

(f) *Adjustments and Events affecting Securities*

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

(i) Potential Adjustment Events

The Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Potential Adjustment Event has occurred and where it determines such an event has occurred, the Calculation Agent will, in its sole and absolute discretion, determine, whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Securities and, if so, will make such adjustment 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).

(ii) Extraordinary Events

Following the occurrence of any Extraordinary Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may make such adjustment 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 on such date selected by the Calculation Agent in its sole and absolute discretion determine. If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute

discretion and the entitlements of the relevant 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 such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Notes.

(iii) Conversion

In respect of an Equity-Linked Note or a Cash Equity Note which relates to debt securities, following the occurrence of any Conversion, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Notes will continue and, if so, determine, in its sole and absolute discretion, any 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, but without prejudice to the foregoing, the entitlements of the 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 as, in the opinion of the Calculation Agent (such opinion to be made by the Calculation Agent in its sole discretion) is fair in the circumstances by way of compensation for the termination of the Notes.

(iv) Correction of Prices

In the event that any price published or announced on a given day and utilised or to be utilised for the purpose of any calculation or determination under the Notes is subsequently corrected and the correction is published or announced by the Exchange within one Settlement Cycle after the original publication, the Calculation Agent will make such adjustment as it in its sole and absolute discretion determines to be appropriate, if any, to the settlement or payment terms of the Notes to account for such correction provided that if any amount has been paid in an amount which exceeds the amount that would have been payable if the correction had been taken into account, no further amount in an amount at least equal to the excess is payable in respect of the Notes and the Calculation Agent determines that it is not practicable to make such an adjustment to account fully for such correction, the Issuer shall be entitled to reimbursement of the relevant excess payment (or, as the case may be, the proportion thereof not accounted for by an adjustment made by the Calculation Agent) by the relevant Noteholder, together with interest on that amount for the period from and including the day on which payment was originally made to (but excluding) the day of payment of reimbursement by the Noteholder (all as calculated by the

Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall determine.

(g) *Additional Disruption Events*

Following the occurrence of any Additional Disruption Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may make such adjustment 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 on such date selected by the Calculation Agent in its sole and absolute discretion determine. If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant 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 such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Notes.

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

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

deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging.

(h) *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.

(i) *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.

10. **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.

11. **Prescription**

Notes will become void unless presented for payment within a period of ten years 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 become void will then revert to the Issuer and all liability of the Principal Paying Agent with respect thereto will thereupon cease.

12. **Replacement**

Should any Note be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issue 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.

13. **Notices**

- (a) *Notices to Noteholders*

All notices to the Holders of Notes will be valid if published 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 *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).

(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 at its specified office.

14. **Paying Agents, Calculation Agents and Issue Agents**

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Calculation Agent, the initial Issue Agent 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 or Issue Agent and/or approve any change in the specified office through which any Paying Agent, Calculation Agent or Issue Agent acts, provided that:

- (i) so long as the 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, a Paying Agent 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 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 Notes are outstanding, there will at all times be a Principal Paying Agent.

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

The Master Note Issuance Agreement contains provisions for convening meetings of the Holders of the Notes 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 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 or the Conditions which is not materially 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; or
- (c) any modification of the Notes which is made to correct an inconsistency between the final terms and conditions of the Note issue (comprising these Conditions) and the relevant term sheet relating to the Notes.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition [•] (*Notices*) 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, 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 [•] (*Notices*). 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.

16. **Provision of Information**

The Issuer shall, during any period in which it is not subject to and in compliance with the periodic reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any Holder of a Note which is a "restricted security" within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 (the "**Securities Act**") or to any prospective purchaser of such securities designated by such Holder, upon the written request of such Holder or (as the case may be) prospective Holder addressed to the

Issuer and delivered to the Issuer or to the specified office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

17. **Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Holders of Notes to create and issue further notes ranking equally in all respects with the Notes so that the same shall be consolidated and form a single series with the 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.

"**Clearing System**" means, in relation to a Series of Notes, Euroclear, Clearstream, Luxembourg, DTC 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.

"**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.

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

"**Specified Currency**" means "euro" or "EUR".

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.