



**HSBC Bank Middle East Limited**

*(a company limited by shares incorporated in the Dubai International Financial Centre)  
as Issuer*

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

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

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

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

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

**This Information Memorandum does not constitute a prospectus under Directive 2003/71/EC (and amendments thereto), and includes any relevant implementing measure in the Relevant Member State (the "Prospectus Directive"). Application has been made for this Information Memorandum to be approved by the Irish Stock Exchange and the securities to be admitted to the Irish Stock Exchange's Official List and to trading on its Global Exchange Market. The securities issued under this Information Memorandum will not be admitted to trading on any market which is a regulated market for the purposes of the Markets in Financial Instruments Directive and, accordingly, no prospectus is required in connection with the issuance of the securities described in this document. Offerings or placements of the Notes under this Information Memorandum will not be made other than in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive.**

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

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

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

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

*Programme Arranger and Dealer*

**HSBC**

14 July 2016

## IMPORTANT NOTICES

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

*The dealer named under "Subscription and Sale" below (the "**Dealers**", which expression shall include any additional dealers appointed under the Programme from time to time) and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include any successor to The Law Debenture Trust Corporation p.l.c. as trustee under the trust deed dated 16 November 2004 between, inter alios, the Issuer and the Trustee (such trust deed as last modified and restated by a supplemental trust deed dated 14 July 2016 and as further modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained in this Information Memorandum or any document incorporated by reference herein or any further information supplied in connection with any Notes. The Dealers and the Trustee accept no liability in relation to this Information Memorandum or its distribution or with regard to any other information supplied by or on behalf of the Issuer.*

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

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

*This Information Memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering/placement contemplated in this Information Memorandum as completed by a Pricing Supplement in relation to the offer of those Notes may only do so: (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or (ii) by way of a prospectus supplement pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.*

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

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

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

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

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

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

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

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

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

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

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

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

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

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

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

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

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

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

No offer of Notes will be made to the public in the Kingdom of Bahrain and this Information Memorandum must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

#### **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

The Notes will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Information Memorandum has not been and will not be reviewed or approved by or registered with the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority in accordance with their regulations or any other regulations in the State of Qatar. The Notes are not and will not be traded on the Qatar Exchange.

## HOW TO USE THIS DOCUMENT

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

All investors and prospective investors should read the information contained in this Information Memorandum, including but not limited to the sections of this Information Memorandum entitled "*Risk Factors*", "*Information Incorporated by Reference*", "*Terms and Conditions of the Notes*", "*Pro Forma Pricing Supplement*", "*Forms of Notes; Summary of Provisions Relating to the Notes While in Global Form*", "*Clearing and Settlement*", "*Use of Proceeds*", "*Taxation*", "*Subscription and Sale*" and "*General Information*" (the "**General Provisions**").

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

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

All investors and prospective investors in Credit-Linked Notes should read the General Provisions, the "*Additional Terms and Conditions relating to Credit-Linked Notes (2014 ISDA Credit Derivatives Definitions Version)*" and the applicable section of the "*Product Description relating to Credit-Linked Notes*", together with the relevant Pricing Supplement for the particular series of Credit-Linked Notes.

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

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## RISK FACTORS

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

*In addition, factors which the Issuer believes are material for the purpose of investing in the debt or derivative securities of the Issuer and assessing the market risks associated with Notes issued under the Programme are also described below.*

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

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

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

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

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

##### ***Current economic and market conditions could materially adversely affect the Issuer***

The Issuer's earnings are affected by global and local economic and market conditions. In recent years, global markets have experienced difficult conditions of varying intensity.

Economic conditions in the Eurozone continue to be uncertain. Any default on the sovereign debt of Greece or any Eurozone nation and the resulting impact on other Eurozone countries could have a material adverse effect on the Issuer, including: (a) significant market dislocation; (b) heightened counterparty risk; and (c) an adverse effect on the management of market risk.

Moreover, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by Eurozone nations that are under severe financial stress. Should any of those nations default on their debt or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilised, resulting in, among other things, significant disruptions in financial activities. The instability and volatility seen in the European markets is likely to be exacerbated by the UK's decision to leave the EU.

Market confidence in mainland Chinese growth and the adequacy of domestic Chinese policymaking is waning, causing heightened volatility in currency and global stock markets. The Chinese authorities have to find a difficult balance between socio-economic stability and the pursuit of financial system liberation. A scenario where the government includes a sharp devaluation in a package of measures to stimulate the economy could prompt large capital outflows and have a negative knock-on impact on the world economy.

With regard to the US Federal Reserve Board's ("**FRB**") monetary policy, international financial markets are operating on the assumption that a course of gradually tightening monetary policy will be pursued against the backdrop of subdued inflation. Should the FRB instead tighten monetary policy more quickly, the consequent realignment of market expectations would likely accelerate capital outflows from emerging markets. Alternatively, the FRB could be forced by poor economic performance into a policy reversal, which would increase market volatility.

Oil prices have fallen precipitously since mid-2014 as a result of increasing uncertainty surrounding the mainland Chinese economy as well as the backdrop of an oversupplied oil market. Consequently, any recovery in oil prices may be gradual. This may complicate policymakers' tasks of raising inflation, and could potentially threaten the stability of some oil-exporting countries.

In 2015, emerging markets experienced net capital outflows for the first time since 1988, with several major currencies performing very poorly against the US dollar and global corporate defaults at the highest level since 2009. The remainder of 2016 could see an intensification of these trends and the appearance of stress in a wide array of credit segments, particularly if monetary policy is tightened quickly, sentiment regarding China worsens and/or oil prices fail to recover.

The "leave" vote in the United Kingdom's recent referendum on its membership of the European Union is also likely to have a significant impact on general macro-economic conditions in the United Kingdom, the European Union and globally. As at the date of this Information Memorandum, each of the international credit rating agencies has taken rating actions against the United Kingdom's sovereign credit ratings, with Standard & Poor's downgrading the United Kingdom by two notches from AAA to AA, Fitch imposing a one notch downgrade on the sovereign from AA+ to AA and Moody's changing the outlook in respect of the United Kingdom's existing Aa1 rating from stable to negative. In the immediate aftermath of the result, there were material devaluations in currency, with sterling depreciating to a 31-year low against the U.S. dollar. The performance of global financial markets has also been materially affected, with international equity markets being particularly impacted in the days following the referendum result. While the longer-term impacts of the "Brexit" vote on global debt and equity markets, exchange rates and on the political and macro-economic climate generally are uncertain, it is likely that there will continue to be a period of volatility across international financial markets until the precise terms of the United Kingdom's exit from the European Union become clear.

These challenging market conditions have historically resulted in reduced liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit and capital markets. The adverse market conditions have impacted investment markets both globally and in the MENA region, including adverse changes and increased volatility in interest rates and exchange rates and decreased returns from equity, property and other investments. The financial performance of the Issuer may be materially and adversely affected by a worsening of general economic conditions in the markets in which the Issuer operates, as well as by United States, European and international trading market conditions and/or related factors.

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

- the demand for borrowing from creditworthy customers may diminish if economic activity slows or remains subdued;
- as capital flows are increasingly disrupted, some emerging markets have imposed protectionist measures that could affect financial institutions and their clients, and others may be tempted to follow suit;
- European banks may come under renewed stress as subdued economic conditions raise asset quality concerns, particularly in the European Union ("EU"), and uncertainties about the new EU bank resolution regime may raise funding costs. See "*Applicable Bank Resolution Powers*";
- geopolitical risks, which remain elevated in many parts of the world, directly affect the economies of the countries in which the Issuer operates and present a clear risk of disruption to the global economy due to links to the global resources supply chain;
- a scaling back of quantitative easing ("QE") or even the expectation of such scaling back by certain global central banks could have an adverse impact on global equity and bond prices and create turbulence in global currency (foreign exchange) markets. The pace and timing of QE cessation could also heighten market instability;



- a prolonged period of low or negative interest rates will constrain the net interest income the Issuer earns from its investment of excess deposits, for example, through margin compression and low returns on assets;
- the Issuer's ability to borrow from other financial institutions or to engage in funding transactions may be adversely affected by market disruption, for example, in the event of contagion from stress in the Eurozone and global sovereign and financial sectors, particularly in light of the uncertainty surrounding a British exit from the EU; and
- market developments may depress consumer and business confidence beyond expected levels. If economic growth remains subdued, for example, asset prices and payment patterns may be adversely affected, leading to greater than expected increases in the Issuer's delinquencies, default rates, write-offs and loan impairment charges. However, if growth is too rapid, new asset valuation bubbles could appear, particularly in the real estate sector, with potentially negative consequences for banks, such as the Issuer.

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

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

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

In the Middle East, the intervention of Russia and the rise of the terrorist group, Daesh, has added to an already complex and divisive civil war in Syria and further destabilised Iraq. The easing of certain sanctions imposed on Iran by the EU, the United Nations Security Council ("UNSC") and the United States of America ("US") following a deal between Iran and the five permanent members of the UN Security Council and the country's nuclear programme has done little to calm regional tensions.

Investors should also note that the Issuer's business and financial performance could be adversely affected by political, economic or related developments both within and outside the MENA region because of inter-relationships within the global financial markets.

European states are experiencing heightened political tensions following acts of terrorism in both Belgium and France and a "no" vote in the recent referendum in the United Kingdom on its membership in the EU, which could have a significant impact on the UK, European and global macroeconomic conditions as well as substantial political ramifications. Conflict in Ukraine has continued, despite a ceasefire being signed in early 2015.

In Asia, territorial disputes between Japan and mainland China and other states have strained diplomatic relations and are testing the resolve of the US to defend freedom of navigation.

Continued unrest in any single country and potentially the wider region could have a material adverse effect on the Issuer's business, its financial condition and prospects, the results of the Issuer's operations and/or the Issuer's customers.

Any unfavourable political or economic events or developments could result in deteriorating business and weakened consumer and/or investor confidence leading to reduced levels of client activity and consequently a decline in revenues and/or higher costs; foreign exchange losses; mark to market losses in trading books resulting from adjustments to credit ratings, share prices and counterparty solvency; or higher levels of impairment and rates of default. Such consequences could have a material adverse effect on the Issuer's business, its financial condition and prospects, the results of the Issuer's operations and/or the Issuer's customers.

***The Issuer's financial results are affected by changes in foreign currency exchange rates***

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

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

##### ***Failure of the Issuer's group parent company or any of the Issuer's affiliates to implement and adhere to its obligations under the deferred prosecution agreement could have a material adverse effect on the Issuer's results and operations***

An independent compliance monitor (the "**Monitor**") was appointed in 2013 under the 2012 agreements entered into with the US Department of Justice ("**DOJ**") and the Financial Conduct Authority ("**FCA**") to produce annual assessments of the effectiveness of HSBC Holdings plc ("**HSBC Holdings**") and its subsidiary undertakings ("**HSBC Group**") anti-money laundering ("**AML**") and sanctions compliance programme. Additionally, the Monitor is serving as the HSBC Group's independent consultant under the consent order of the FRB. HSBC Bank USA, National Association ("**HBUS**") is also subject to an agreement entered into with the Office of the Comptroller of the Currency (the "**OCC**") in December 2012, the Gramm-Leach-Bliley Act ("**GLBA**") Agreement and other consent orders. In January 2016, the Monitor delivered a second annual follow-up review report as required by the US deferred prosecution agreement ("**US DPA**").

The design and execution of AML and sanctions remediation plans within HSBC is complex and requires major investments in people, systems and other infrastructure. This complexity creates significant execution risk, which could affect the HSBC Group's ability to effectively identify and manage financial crime risk and remedy AML and sanctions compliance deficiencies in a timely manner. This could, in turn, impact the HSBC Group's ability to satisfy the Monitor or comply with the terms of the US DPA and related agreements and consent orders, and may require the HSBC Group to take additional remedial measures in the future.

Under the terms of the US DPA, upon notice and an opportunity to be heard, the DOJ has sole discretion to determine whether HSBC Holdings has breached the US DPA. Potential consequences of breaching the US DPA could include the imposition of additional terms and conditions on HSBC Holdings, an extension of the US DPA, including its monitorship, or the criminal prosecution of HSBC Holdings, which could, in turn, entail further financial penalties and collateral consequences.

Breach of the US DPA or related agreements and consent orders could have a material adverse effect on the HSBC Group's (including the Issuer's) business, financial condition and results of operations, including loss of business and withdrawal of funding, restrictions on performing dollar-clearing functions through HBUS or revocation of banking licences. Even if HSBC Holdings is not determined to have breached these agreements, but the agreements are amended or their terms extended, HSBC Group's, including the Bank's business, reputation and brand could suffer materially.

##### ***The Issuer is subject to a number of legal and regulatory actions and investigations, the outcomes of which are inherently difficult to predict***

The Issuer faces significant legal and regulatory risks in its business. See "*Unfavourable legislative or regulatory developments, or changes in the policy of regulators or governments could materially adversely affect the Issuer*" and "*Failure of the Issuer's parent company or any of the Issuer's affiliates to implement and adhere to its obligations under the deferred prosecution agreement could have a material adverse effect on the Issuer's results and operations*".

The volume and amount of damages claimed in litigation, regulatory proceedings and other adversarial proceedings against financial institutions are increasing for many reasons, including a substantial increase in the number of regulatory changes taking place globally, increased media attention and higher expectations from regulators and the public. In addition, criminal prosecutions of financial institutions for, among other alleged conduct, breaches of AML and sanctions regulations, antitrust violations, market manipulation, aiding and abetting tax evasion, and providing unlicensed cross-border banking services,

have become more commonplace and may increase in frequency due to increased media attention and higher expectations from prosecutors and the public.

For example, various tax administration, regulatory and law enforcement authorities around the world, including Argentina, Belgium, France, India and Switzerland are conducting investigations and reviews of HSBC Private Bank (Suisse) S.A. ("**HSBC Swiss Private Bank**"), an indirect subsidiary of HSBC Holdings, the Issuer's group parent company, in connection with allegations of tax evasion or tax fraud, money laundering and unlawful cross border banking solicitation. In the United Kingdom, the UK Financial Conduct Authority ("**FCA**") is in correspondence with HSBC Bank plc and HSBC Holdings in relation to HSBC Swiss Private Bank. HSBC Swiss Private Bank has been placed under formal criminal examination by magistrates in both Belgium and France. In February 2015, the HSBC Group were informed that the French magistrates are of the view that they have completed their investigation with respect to HSBC Swiss Private Bank and have referred the matter to the public prosecutor who has submitted a recommendation on any potential charges to be brought, whilst reserving the right to continue investigating other conduct at the HSBC Group. In addition, in April 2015, HSBC Holdings was informed that it has been placed under formal criminal investigation by the French magistrates in connection with the conduct of HSBC Swiss Private Bank in 2006 and 2007 for alleged tax-related offences, and a EUR 1 billion bail was imposed. HSBC Holdings appealed the magistrates' decision and, in June 2015, bail was reduced to €100 million. The ultimate financial impact of this matter could differ significantly, however, from the bail amount of €100 million.

Any prosecution of HSBC Holdings or one or more of its subsidiary undertakings could result in substantial fines, penalties and/or forfeitures which, in addition to reputational damage, could have a material adverse effect on the Issuer's business, its financial condition and prospects, the results of the Issuer's operations and/or its reputation, including the potential loss of key licences, requirement to exit certain businesses and withdrawal of funding from depositors and other stakeholders.

Additionally, the Issuer and its subsidiary undertakings continue to be subject to a number of material legal proceedings, regulatory actions and investigations (see Note 36 ("*Legal proceedings and regulatory matters*") on pages 99 to 101 of the 2015 Annual Report and Accounts for further details). It is inherently difficult to predict the outcome of many of the legal, regulatory and other adversarial proceedings involving the Issuer's businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. Moreover, the Issuer and its subsidiary undertakings may face additional legal proceedings, investigations or regulatory actions in the future (including criminal), including in other jurisdictions and/or with respect to matters similar to, or broader than, the existing legal proceedings, investigations or regulatory actions.

An unfavourable result in one or more of these proceedings could result in the Issuer and its subsidiary undertakings incurring significant expense, substantial monetary damages, loss of significant assets, other penalties and injunctive relief, potential regulatory restrictions on the Issuer's business and/or a negative effect on the Issuer's reputation, any of which could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

***Unfavourable legislative or regulatory developments or changes in the policy of regulators or governments could materially adversely affect the Issuer***

The Issuer's businesses are subject to a number of laws and regulations designed to maintain the safety and soundness of financial services institutions ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations include the DIFC Law No. 1 of 2004 as amended and the relevant subsidiary regulations of the DFSA and the banking regulations of the countries in which the Issuer operates ("**Regulations**"). Additionally, the Issuer may be indirectly affected by the impact of regulations to which its counterparties and affiliates are subject in their respective jurisdictions, to the extent that such regulations adversely affect counterparties' ability to meet their contractual obligations to the Issuer in transactions entered into with the Issuer.

The Issuer faces significant legal and regulatory risks in its business. This is particularly so in the current environment, where the Issuer expects government and regulatory intervention in the banking sector to continue to increase for the foreseeable future. Since 2008, regulators and governments have focused on reforming both the prudential regulation of the financial services industry, to improve financial stability, and the ways in which business is conducted. Measures include enhanced capital, liquidity and funding

requirements, the separation or prohibition of certain activities by banks, changes in the capital regime and the operation of capital markets activities, the introduction of tax levies and transaction taxes, changes in compensation practices and adjustments to how business is conducted. Additionally, many of these changes increasingly have an effect beyond the country in which they are enacted, as Regulations increasingly have extra-territorial effect or the Issuer's operations mean that the Issuer is obliged to give effect to local Regulations on a wider basis.

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

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

Changes in laws, rules or regulations, or in their interpretation or enforcement, or in how new laws, rules or regulations are implemented may have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

The Issuer will be subject to increased costs in order to comply with all applicable Regulations, including changes in such Regulations or their interpretations. In addition, the Issuer may fail to comply with such applicable Regulations, particularly in areas where applicable Regulations may be unclear or are interpreted differently in different jurisdictions, or where regulators revise existing guidance or courts overturn previous rulings. Authorities in many jurisdictions have the power to bring administrative or judicial proceedings against the Issuer, which could result in, among other things, increased costs in connection with any administrative or judicial enforcement action, the suspension or revocation of the Issuer's licenses, cease-and-desist orders, fines, civil penalties, criminal penalties or other disciplinary action.

More stringent regulatory requirements, including enhanced capital, liquidity and funding requirements and those governing the development of parameters and assumptions applied to, and controls around, models used for measuring risk can give rise to changes that may adversely affect the Issuer's business, including increases in capital requirements, increases in funding costs, reductions in the return on equity and changes in the manner in which the Issuer conducts its activities and is structured. Moreover, uncertainty and a lack of international regulatory coordination between regulators as enhanced supervisory standards are developed and implemented may adversely affect the Issuer's ability to engage in effective business, capital and risk management planning.

Given the focus of regulators on the conduct of business (including incentive structures, remuneration and product governance and sales processes), there is a significant risk that regulators may identify future industry-wide mis-selling, market misconduct or other issues that could affect the Issuer. Such focus on the conduct of business, as well as on management accountability, may affect the industry in areas such as employee recruitment and retention, product pricing and profitability in both retail and wholesale markets. This may lead to: (a) significant direct costs or liabilities (including in relation to mis-selling or improper activities); and (b) changes in the practices of the Issuer's businesses.

A breach of regulatory requirements and/or guidelines could expose the Issuer to potential liabilities and sanctions.

Each of the risks and possible outcomes identified above could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

***The Issuer is subject to tax-related risks in the countries in which it operates***

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

**Risks related to the Issuer's business operations, governance and internal control systems including compliance*****The delivery of the Issuer's strategic actions is subject to execution risk***

At the HSBC Group's Investor Update in June 2015, the HSBC Group set out 10 strategic actions to be completed by 2017. Nine of these are business-led initiatives, while one has been completed by HSBC Holdings' board of directors. The work required to execute these actions is substantial. Alongside the strategic actions, the Issuer continues to implement a number of externally driven regulatory programmes. The magnitude and complexity of the projects required to meet these demands has resulted in heightened execution risk. The cumulative impact of the collective change initiatives underway within the HSBC Group is significant and has direct implications on resourcing. A failure to successfully complete any strategic actions or other regulatory programmes could have a significant impact on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

***The Issuer may fail to increase the cross-selling and/or business synergies required to achieve its growth strategy***

Increasing the number of HSBC Group's products held by the Issuer's customers through cross-selling and driving business synergies across its global businesses is key to the HSBC Group's ability to grow revenue and earnings, particularly in the current environment of slow economic growth and regulatory reform initiatives. Many of HSBC Group's competitors also focus on cross-selling, notably in retail banking and investment products and mortgage lending. This may limit the Issuer's ability to cross-sell additional products to its customers or may influence it to sell its products at lower prices, reducing its net interest income and revenue from its fee-based products. It could also affect the Issuer's ability to retain existing customers. Failure to deliver cross-selling and/or business synergies required to achieve its growth strategy could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

***The Issuer operates in markets that are highly competitive***

The Issuer competes with other financial institutions in a highly competitive industry that is undergoing significant changes as a result of financial regulatory reform and increased public scrutiny stemming from the financial crisis and continued challenging economic conditions.

For example, the Issuer's home market in the UAE could be viewed as an over-banked market, even by regional standards, with 49 different banks (comprising 23 locally incorporated banks and 26 foreign banks) licensed to operate inside the UAE as at 31 December 2015 (excluding the Dubai International Financial Centre) (source: *UAE Central Bank*), serving a population estimated to be in the region of approximately 9.1 million people at the end of 2014 (source: *the World Bank*). There has traditionally been little impetus for consolidation.

The Issuer targets internationally mobile clients who need sophisticated global solutions and generally competes on the basis of the quality of the Issuer's customer service, the wide variety of products and services that the Issuer can offer its customers and the ability of those products and services to satisfy the Issuer's customers' needs, the extensive distribution channels available for the Issuer's customers, the Issuer's innovation and its reputation. Continued and increased competition in any one or all of these areas may negatively affect the Issuer's market share and/or cause the Issuer to increase its capital investment in its businesses in order to remain competitive. Additionally, the Issuer's products and services may not be accepted by its targeted clients.

In many markets, there is increased competitive pressure to provide products and services at current or lower prices. Consequently, the Issuer's ability to reposition or re-price its products and services from time to time may be limited and could be influenced significantly by the actions of the Issuer's competitors who may or may not charge similar fees for their products and services. Any changes in the types of products and services that the Issuer offers its customers and/or the pricing for those products and services could result in a loss of customers and market share.

Further, new entrants to the market or new technologies could require the Issuer to spend more to modify or adapt its products to attract and retain customers. The Issuer may not respond effectively to these competitive threats from existing and new competitors, and the Issuer may be forced to increase its investment in its business to modify or adapt its existing products and services or develop new products and services to respond to the Issuer's customers' needs.

As a result, continued or increased competition could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

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

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

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

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

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

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

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

The Issuer operates in many geographic locations that are subject to events outside the Issuer's control. These events may be acts of God such as natural disasters and epidemics, geopolitical risks including acts of terrorism, political instability and social unrest and infrastructure issues such as transport or power failure. These events may give rise to disruption to the Issuer's services and/or result in physical damage and/or loss of life, which could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

***The Issuer may fail to adequately manage its third party suppliers and service providers***

The Issuer places reliance on third-party firms for the supply of goods and services or outsourcing of certain activities. There has been increased scrutiny by global regulators of the use by financial institutions of third-party service providers, including how outsourcing decisions are made and how the key relationships are managed. Risks arising from the use of third-party service providers may be less

transparent and therefore more challenging to manage or influence. The risk of inadequate management of risks associated with the use of significant third-party service providers could lead to a failure to meet the Issuer's operational and business requirements which, in turn, may involve regulatory breaches, financial crime, loss of confidential information, civil or monetary penalties or damage both to shareholder value and to the Issuer's reputation/brand image. Any such failure could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

***The Issuer's operations are highly dependent on the Issuer's information technology systems which are subject to failures resulting from cyber-attacks or otherwise***

The reliability and security of the Issuer's information and technology infrastructure and the Issuer's customer databases are crucial to maintaining the service availability of banking applications and processes and to protecting the Issuer's brand. The proper functioning of the Issuer's payment systems, financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between the Issuer and other members of the HSBC Group and between the Issuer's branches and the main data processing centres of the HSBC Group, are critical to the Issuer's operations.

The Issuer is increasingly exposed to fraudulent and criminal activities as a result of increased usage of internet and mobile services by customers. The Issuer also faces the risk of breakdowns in processes or procedures and systems failure or unavailability, and its business is subject to disruption from events that are wholly or partially beyond its control, such as internet crime and acts of terrorism.

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

Cyber and information security incidents are routinely monitored for and investigated. In most instances these are not significant and are managed within normal operating processes. However, the Issuer remains susceptible to a wide range of cyber risks that impact and/or are facilitated by technology. The threat from internet crimes and cyber-attacks is a concern for the Issuer's organisation and failure to protect the Issuer's operations from internet crime or cyber-attacks may result in financial loss and/or loss of customer data or other sensitive information, which could undermine the Issuer's reputation and its ability to attract and keep customers. They may also lead to potentially large costs to rectify any issues and reimburse losses incurred by customers.

Moreover, during 2015, the HSBC Group was subjected to 23 'denial of service' attacks on its external facing websites across the HSBC Group. A denial of service attack is the attempt to intentionally disrupt, paralyse and potentially extract data from a computer network by flooding it with data sent simultaneously from many individual computers. Further 'denial of service' attacks in early 2016 have underscored the continuing risks arising from increasingly sophisticated attempts to attack the HSBC Group's online services.

Although the cyber-attacks in 2015 and early 2016 have had a negligible effect on the Issuer's customers, services or firm, future cyber-attacks could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

***The Issuer may not be able to meet regulatory requests for data***

The volume, granularity, frequency and scale of regulatory and other reporting requirements necessitate a clear data strategy to enable consistent data aggregation, reporting and management. Inadequate management information systems or processes, including those relating to risk data aggregation and risk reporting, could lead to a failure to meet regulatory reporting requirements or other internal or external information demands, which could lead to fines or other regulatory action. In particular, financial institutions that fail to comply with the principles for effective risk data aggregation and risk reporting (as set out in the Basel Committee) by the required deadline may face supervisory measures. Any such fines or other regulatory action could cause reputational damage and have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

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

Reputational risk is the risk of failure to meet stakeholder expectations as a result of any event, behaviour, action or inaction, either by the Issuer, its employees or those with whom it is associated, that may cause stakeholders to form a negative view of the Issuer and the HSBC Group. This may result in financial or non-financial impacts, loss of confidence or other consequences.

Modern technologies, in particular online social media channels and other broadcast tools which facilitate communication with large audiences in short time frames and with minimal costs, may significantly enhance and accelerate the impact of damaging information and allegations. Reputational risk could also arise from negative public opinion about the actual, or perceived, manner in which the Issuer conducts its business activities, or financial performance, as well as actual or perceived practices in the banking and financial services industry generally. Negative public opinion may adversely affect the Issuer's ability to keep and attract customers, in particular, corporate and retail depositors, and retain and motivate staff, and could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

***The Issuer is subject to the risk of employee misconduct and non-compliance with regulations and policies***

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

***Failure of the Issuer to recruit, retain and develop appropriate senior management and skilled personnel could have a material adverse effect on the Issuer***

The cumulative workload arising from a regulatory reform programme that is often extra-territorial and still evolving is hugely consumptive of human resources, placing increasingly complex and conflicting demands on a workforce where the required expert capabilities are in short supply and globally mobile.

Moreover, certain regulatory changes may affect the Issuer's ability to attract and/or retain employees. For example, changes in remuneration policy and practice resulting from the new regulations under EU Capital Requirements Directive and Regulation ("**CRD IV**") apply globally to all employees of the HSBC Group. The key change is the application of a cap on variable pay that can be paid to any "**material risk-taker**" (being employees who have been identified as having a material impact on the institution's risk profile). This presents significant challenges given that, as a worldwide business, a significant number of the HSBC Group's material risk-takers are based outside the EU. In addition, the policy statement issued by the United Kingdom Prudential Regulation Authority (the "**PRA**") extends its Remuneration Code to require all PRA authorised firms to apply clawback to vested/paid variable remuneration on an HSBC Group-wide basis for any material risk takers receiving variable pay from 1 January 2015. Furthermore, the PRA and the FCA have introduced in the UK the Senior Managers and Certification regimes and the related Rules of Conduct (the detail of which is currently subject to consultation), which are intended to set clearer expectations of the accountabilities and behaviour of both senior and more junior employees. However, there are a number of uncertainties around the precise impact of these regimes at present (including on more senior employees, on non-UK based employees and on non-executive directors).

The Issuer's continued success depends in part on the retention of key members of its management team and wider employee base. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of the Issuer's strategy. The successful implementation of the Issuer's growth strategy depends on the availability of skilled management in each of its business units.

If one of the Issuer's business units fails to staff its operations appropriately or loses one or more of its key senior executives, and fails to replace them in a satisfactory and timely manner, or fails to implement successfully the organisational changes required to support the Issuer's business, this could place the Issuer at a significant competitive disadvantage and prevent the Issuer from successfully implementing its



strategy, which could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations

***The Issuer's financial statements are based in part on judgments, estimates and assumptions that are subject to uncertainty***

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Due to the inherent uncertainties in making estimates, judgments and assumptions, particularly those involving the use of complex models, actual results reported in future periods may differ from those reported in prior periods. The accounting policies deemed critical to the Issuer's results and financial position, based upon materiality and significant judgements and estimates, include impairment of loans and advances, valuation of intangible assets recognised in business combinations, valuation of financial instruments and provisions for liabilities, which constitute critical accounting estimates and judgements with respect to the Issuer's consolidated financial statements.

An example of where the inherent uncertainty in making estimates, judgements and assumptions may cause actual results reported in future periods to differ from those reported in prior periods is in relation to the valuation of financial instruments measured at fair value, which can be subjective, in particular where models are used that include unobservable inputs. Given the uncertainty and subjectivity associated with valuing such instruments, future outcomes may differ materially from those assumed using information available at the reporting date. See "*Applicable Bank Resolution Powers*".

Changes in estimates, judgments or assumptions used in the preparation of the Issuer's future financial statements from estimates, judgments or assumptions used in prior periods could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

***The Issuer could incur losses or be required to hold additional capital as a result of model limitations or failure***

The Issuer uses models for a range of purposes in managing its business, including regulatory and economic capital calculations, stress testing, granting credit, pricing and financial reporting, including the valuation of financial instruments measured at fair value, as explained under "*The Issuer's consolidated financial statements are based in part on judgments, estimates and assumptions that are subject to uncertainty*". The Issuer could face adverse consequences as a result of decisions, which may lead to actions by management, based on models that are poorly developed, implemented or used, or as a result of the modelled outcome being misunderstood or the use of such information for purposes for which it was not designed.

In addition, supervisory concerns over the internal models and assumptions used by banks in the calculation of regulatory capital have led to the imposition of risk weight and loss given default floors, which has the potential to increase the Issuer's capital requirement.

Risks arising from use of models, including reputational, could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

***Third parties may use the Issuer as a conduit for illegal activities without the Issuer's knowledge***

The Issuer is required to comply with applicable AML laws and regulations and has adopted various policies and procedures, including internal control and 'know-your-customer' procedures, aimed at preventing use of the Issuer's products and services for the purposes of committing or concealing a financial crime. A major focus of US and UK government policy relating to financial institutions in recent years has been combating money laundering and enforcing compliance with US and EU economic sanctions, and this prioritisation is evidenced by agreements between members of the HSBC Group with US and UK authorities relating to various investigations regarding past inadequate compliance with AML and sanctions laws.

Certain US subsidiaries of HSBC Holdings have entered into a consent cease-and-desist order with the OCC and a similar consent order with the FRB which requires the implementation of improvements to compliance procedures regarding obligations under the BSA, the FCA Direction and AML rules. These consent orders do not preclude additional enforcement actions by bank regulatory, governmental or law enforcement agencies or private litigation. A number of the remedial actions taken or being taken as a result of the matters to which the US DPA relates are intended to ensure that the HSBC Group's businesses are better protected in respect of these risks. However, there can be no assurance that the steps that continue to be taken to address the requirements of the US DPA will be completely effective. Breach of the US DPA or related agreements and consent orders could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations, including loss of business and withdrawal of funding, restrictions on performing dollar-clearing functions through HBUS or revocation of bank licenses in relevant situations and where permitted by regulation, the Issuer may rely upon certain counterparties to maintain and properly apply their own appropriate AML procedures. While permitted by regulation, such reliance may not be effective in preventing third parties from using the Issuer (and the Issuer's relevant counterparties) as a conduit for money laundering, including illegal cash operations, without the Issuer's (and its relevant counterparties') knowledge. Becoming a party to money laundering or, association with, or even accusations of being associated with, money laundering will damage the Issuer's reputation and could make it subject to fines, sanctions and/or legal enforcement (including being added to 'blacklists' that would prohibit certain parties from engaging in transactions with the Issuer). Any one of these outcomes could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

***The Issuer has significant exposure to counterparty risk***

The Issuer is exposed to counterparties that are involved in virtually all major industries, and the Issuer routinely executes transactions with counterparties in financial services, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose the Issuer to credit risk in the event of default by its counterparty or client. The Issuer's ability to engage in routine transactions to fund its operations and manage its risks could be materially adversely affected by the actions and commercial soundness of other financial services institutions. Financial institutions are necessarily interdependent because of trading, clearing, counterparty or other relationships. As a consequence, a default by, or decline in market confidence in, individual institutions, or anxiety about the financial services industry generally, can lead to further individual and/or systemic difficulties, defaults and losses.

Where bilateral counterparty risk has been mitigated by taking collateral, the Issuer's credit risk may remain high if the collateral the Issuer holds cannot be realised or has to be liquidated at prices which are insufficient to recover the full amount of its loan or derivative exposure. There is a risk that collateral cannot be realised, including situations where this arises due to a change of law that may affect the Issuer's ability to foreclose on collateral or otherwise enforce contractual rights.

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

***The Issuer is subject to risks associated with market fluctuations***

The Issuer's businesses are inherently subject to risks in financial markets and in the wider economy, including changes in, and increased volatility of, interest rates, inflation rates, credit spreads, foreign exchange rates, commodity, equity, bond and property prices and the risk that the Issuer's customers act in a manner inconsistent with its business, pricing and hedging assumptions.

Market movements will continue to significantly affect the Issuer in a number of key areas. For example, banking and trading activities are subject to interest rate risk, foreign exchange risk, inflation risk and credit spread risk. Changes in interest rate levels, interbank spreads over official rates, yield curves and spreads affect the interest rate spread realised between lending and borrowing costs. A declining interest rate environment could increase prepayment activity which reduces the weighted average lives of the

Issuer's interest-earning assets and could have a material adverse effect on the Issuer. The potential for future volatility and margin changes remains. Competitive pressures on fixed rates or product terms in existing loans and deposits sometimes restrict the Issuer's ability to change interest rates applying to customers in response to changes in official and wholesale market rates.

It is difficult to predict with any accuracy changes in market conditions, and such changes could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

***The Issuer may experience periods of reduced liquidity or be unable to raise funds, each of which is essential to the Issuer's businesses***

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

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

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

If the Issuer is unable to raise funds through deposits and/or in the capital markets, the Issuer's liquidity position could be adversely affected and the Issuer might be unable to meet deposit withdrawals on demand or at their contractual maturity, to repay borrowings as they mature, to meet the Issuer's obligations under committed financing facilities and insurance contracts, or to fund new loans, investments and businesses. The Issuer may need to liquidate unencumbered assets to meet its liabilities. In a time of reduced liquidity, the Issuer may be unable to sell some of its assets, or it may need to sell assets at depressed prices, which in either case could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

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

As at the date of this Information Memorandum, the Issuer has been assigned the following long term and short term credit ratings (respectively) by Moody's: A2 (negative) and P-1; and the following long term and short term credit ratings (respectively) by Fitch: AA- (stable) and F1+. Credit ratings affect the cost and other terms upon which the Issuer is able to obtain market funding. Rating agencies regularly evaluate the Issuer and certain of its subsidiaries, as well as their respective debt securities. Such ratings are based on a number of factors, including the rating agencies' assessment of the relative financial strength of the Issuer or of the relevant entity, as well as conditions affecting the financial services industry generally. There can be no assurance that the rating agencies will maintain the Issuer's current ratings or outlook.

Reductions in these ratings and outlook could increase the cost of the Issuer's funding, limit access to capital markets and require additional collateral to be placed and, consequently, materially adversely affect the Issuer's interest margins and/or the Issuer's liquidity position.

***The Issuer may experience adverse changes in the credit quality of the Issuer's borrowers***

Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties (for example, reinsurers and counterparties in derivative transactions) are

inherent in a wide range of the Issuer's businesses. Adverse changes in the credit quality of the Issuer's borrowers and counterparties arising from a general deterioration in economic conditions or systemic risks in the financial systems could reduce the recoverability and value of the Issuer's assets and require an increase in the Issuer's loan impairment charges.

The Issuer estimates and recognises impairment allowances for credit losses inherent in the Issuer's credit exposure. This process, which is critical to the Issuer's results and financial condition, requires difficult, subjective and complex judgements, including forecasts of how these economic conditions might impair the ability of the Issuer's borrowers to repay their loans and the ability of other counterparties to meet their obligations. As is the case with any such assessments, the Issuer may fail to estimate accurately the effect of factors that the Issuer identifies or fails to identify relevant factors. Further, the information the Issuer uses to assess the creditworthiness of its counterparties may be inaccurate or incorrect. Any failure by the Issuer to accurately estimate the ability of the Issuer's counterparties to meet their obligations could result in significant losses for the Issuer which have not been provided for. Such losses may have a material adverse effect on the Issuer's business, its financial condition and prospects and/or the results of the Issuer's operations.

#### *Uncertain impact of IFRS 9 on the Issuer's results of operations and financial condition*

IFRS 9 will, when introduced for reporting periods commencing on 1 January 2018, replace IAS 39 and introduce an 'expected credit loss' model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The expected impact of IFRS 9 on the Issuer's calculation of impairment allowances is uncertain. As at the date of this Information Memorandum, the Issuer has not chosen to adopt IFRS 9 ahead of its mandatory effective date of 1 January 2018 and is continuing to utilise its existing models for assessment and calculation of impairment allowances. However, any mandatory change to such impairment calculation models imposed by IFRS 9 may adversely impact impairment allowances established by the Issuer which would have an adverse effect on its business, results of operations, financial condition and prospects.

#### **RISKS RELATING TO THE NOTES**

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

##### *Dual Currency Notes*

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

- (i) the market price of such Notes may be very volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected; and
- (iv) they may lose all or a substantial portion of their principal.

##### *Subordinated Notes*

Subordinated Notes are unsecured and subordinated obligations of the Issuer. In the event that a particular Tranche of Notes is specified as subordinated in the relevant Pricing Supplement and the Issuer is declared insolvent and a winding up is initiated, the Issuer will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of subordinated debt) in full before it can make any payments on the relevant Notes.

If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the relevant Subordinated Notes.

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

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

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

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

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

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

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

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

Whilst the Notes are in global form and held within Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the common depositary for the ICSDs (as registered holder of the Notes through its nominee) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with the UAE (the "**IGA**"). Under the IGA, as currently drafted, the Issuer does not expect non-U.S. source payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to Notes in the future.

***U.S. withholding tax may apply to Notes linked to securities issued by U.S. issuers***

Where Notes are linked to securities issued by U.S. issuers, certain payments on the Notes could be subject to U.S. withholding tax (up to 30 per cent., depending on the applicable treaty). In addition, U.S. withholding tax could be imposed on non-U.S. Noteholders to the extent U.S.-source dividends are paid on the underlying securities, even if no corresponding payment is made on the Notes to the non-U.S. Noteholders.

If U.S. withholding tax is required on Notes linked to securities issued by U.S. issuers, the Issuer will not be required to pay any additional amounts with respect to the withheld amounts. See "*Taxation — Withholding on Dividend Equivalent Payments*" below.

***Partly-paid Notes***

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

**Risks relating to Notes generally*****There is no active trading market for the Notes***

Any Series of Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (even where, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made for the Notes issued under the Programme to be admitted to the Official List of the Irish Stock Exchange and to trading on its Global Exchange Market, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

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

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

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

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

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

***Form of Notes***

Because the Global Notes (as defined below) may be held by or on behalf of Euroclear and Clearstream, Luxembourg or lodged with a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority ("**CMU**"), and together with Euroclear and Clearstream, Luxembourg,

the "**Clearing Systems**"), investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg or, as the case may be, CMU for transfer, payment and communication with the Issuer.

Notes issued under the Programme may be represented by one or more temporary global notes (each, a "**Temporary Global Note**"), permanent global notes (each, a "**Permanent Global Note**" and, together with a Temporary Global Note, the "**Global Bearer Notes**"), registered notes in global form ("**Global Registered Notes**") and together with the Global Bearer Notes, the "**Global Notes**"). Such Global Notes may be deposited with a common depository for Euroclear and Clearstream, Luxembourg or, as the case may be, lodged with a sub-custodian for CMU. As set out in the circumstances described in this Information Memorandum, interests in the Global Notes may be exchangeable for definitive Notes. The Clearing Systems will maintain records of the interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their interests only through the Clearing Systems.

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

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

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

### ***Credit Rating***

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

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

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

***No Third-Party Guarantees***

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

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

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

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

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

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

***Sanctions***

In relation to the Issuer, any transfer of, or payment in respect of, a Note or Coupon involving the government of any country which is at the relevant time the subject of the Office of Foreign Assets Control of the U.S. Department of Treasury, the UNSC, the US and the EU sanctions regimes, any person or body resident in, incorporated in or constituted under the laws of any such country or exercising public functions in any such country or any person or body controlled by any of the foregoing or by any person acting on behalf of the foregoing may be subject to restrictions pursuant to such sanctions regimes.

***Investors may experience some difficulty in enforcing arbitration awards and foreign judgments against the Issuer***

The payments under the Notes are dependent upon the Issuer making payments to the investors in the manner contemplated under the Notes. If the Issuer fails to do so, it may be necessary to bring an action against the Issuer to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming. The Issuer's place of incorporation and head office is the DIFC and a substantial portion of the assets of the Issuer are located in the United Arab Emirates ("**UAE**") and a number of other jurisdictions outside the United Kingdom.

Each of the Agency Agreement, the Trust Deed, the Dealer Agreement and the Notes (as defined herein) are governed by English law (the "**English Law Documents**") and (subject to the exercise of an option to litigate given to certain parties (other than the Issuer)) the parties to the English Law Documents have agreed to refer any dispute in relation to such documents to arbitration under the Arbitration Rules of the LCIA (the "**LCIA Rules**"). The seat of such arbitration shall be London, England. Pursuant to an option to litigate given to certain parties, the Issuer has agreed to submit to the jurisdiction of the courts of England in respect of any dispute arising out of or in connection with the English Law Documents.

Pursuant to Article 13 of the DIFC Law No. 10 of 2005 (as amended and restated) (Law relating to the application of DIFC Laws) (Amended and Restated) (the "**Application Law**"), the parties' express submission to both arbitration and to the jurisdiction of the English courts should be effective, subject to



the courts of the DIFC's (the "**DIFC Courts**"), interpretation of Article 5A(1) and 5A(2) of Dubai Law No. 12 of 2004 (as amended) (Law of the Judicial Authority at the DIFC) (the "**Judicial Authority Law**"). In particular, Article 5A(1)(e) of the Judicial Authority Law provides the DIFC Courts with jurisdiction to ratify foreign arbitral awards. However, notwithstanding Article 13 of the Application Law, it is not free from doubt that the DIFC Courts would not seek to re-examine the merits of a case.

In addition, Article 24 of the DIFC Court Law No. 10 of 2004 (as amended) (the "**DIFC Court Law**") provides that, pursuant to Article 7 of the Judicial Authority Law, the DIFC Court of First Instance has jurisdiction to ratify any judgment, order or award of any recognised: (i) foreign court; (ii) Dubai or UAE court; (iii) DIFC or foreign (including the UAE) arbitral award or any award recognised by the DIFC Court Law; or (iv) orders for the purposes of any subsequent application for enforcement in the Dubai courts in the manner prescribed in DIFC law. Article 42(1) of the DIFC Court Law provides that judgments, orders or awards issued or ratified by the DIFC Courts may be enforced within the DIFC in the manner prescribed in the DIFC Rules of Court and Article 42(2) of the DIFC Court Law provides that judgments, orders or awards issued or ratified by the DIFC Courts may be enforced outside the DIFC in accordance with the Judicial Authority Law. Although there is no clear guidance on what is a "recognised foreign court", an English court judgment has been ratified recently within the DIFC against the contract counterparty. In addition, Article 24(2) of the DIFC Court Law provides that where the UAE has entered into an applicable treaty for the mutual enforcement of judgments, orders or awards, the DIFC Court of First Instance will comply with the terms of such a treaty. Although the UAE has not yet entered into such a bilateral enforcement treaty with England, on 23 January 2013, the Chief Justice of the DIFC Courts and the Judge in Charge of the U.K. Commercial Court of the Queen's Bench Division, England and Wales (the "**Commercial Court**") entered into a Memorandum of Guidance (the "**Memorandum of Guidance**") setting out their understanding of the procedures for the enforcement of the DIFC Courts' money judgments in the Commercial Court and vice versa. The Memorandum of Guidance is expressed to have no binding legal effect and does not constitute a bilateral enforcement treaty or legislation (and therefore is not binding on the judges of either party and does not supersede any existing laws, judicial decisions or court rules) but it may provide useful insight into the position that is likely to be adopted by the DIFC Courts when enforcing monetary judgments issued by the Commercial Court. It remains to be seen how the DIFC Courts will in practice apply the Memorandum of Guidance. The UAE has not yet entered into a similar memorandum or any bilateral enforcement treaty with the United States.

However, the UAE is a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") and the DIFC Court of First Instance should therefore recognise a foreign arbitral award if it complies with the requirements of the New York Convention without re-examining the merits of the case. The DIFC Law No. 1 of 2008 (the "**Arbitration Law**") provides that an arbitral award, irrespective of the State or jurisdiction in which it was made, shall be recognised as binding within the DIFC and, upon application in writing to the DIFC Courts, shall be enforced. However, Article 44 of the Arbitration Law provides a number of grounds upon which the recognition or enforcement of an arbitral award may be refused by the DIFC Courts for procedural irregularities and fundamental failings in the arbitral process, including where the DIFC Courts finds that the subject-matter of the dispute would not have been capable of settlement by arbitration under the laws of the DIFC or the enforcement of the award would be contrary to the public policy of the UAE. How the New York Convention provisions would be interpreted and applied by the DIFC Courts in practice and whether the DIFC Courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention), remains largely untested.

Accordingly, the grounds upon which DIFC Courts may decline to enforce any judgment, order or award of the U.S. or the English courts or any awards by the LCIA, as the case may be, against the Issuer are still unclear. Further, some remedies available under the laws of England and Wales and the laws of U.S. jurisdictions (including some remedies available under the U.S. federal securities laws) may not be upheld in the DIFC Courts on the basis that such remedies may amount to a penalty.

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

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

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

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

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

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

On 28 April 2016, the EU Parliament approved the final compromise text of the Proposed Benchmark Regulation, and on 17 May the European Council adopted the final text. The text has been translated into the 24 official languages of the EU and published in the Official Journal, and entered into force on 30 June 2016. The Proposed Benchmark Regulation will apply from the date approximately 18 months after entry into force, which is currently expected to be late 2017 or early 2018.

The Proposed Benchmark Regulation will apply to "contributors", "administrators" and "users" of "benchmarks" in the EU, and will, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to have satisfied certain "equivalence" conditions in its local jurisdiction, to be "recognised" by the authorities of a Member State pending an equivalence decision or to be "endorsed" for such purpose by an EU competent authority) and to comply with extensive requirements in relation to the administration of "benchmarks" and (ii) ban the use by "supervised entities" of "benchmarks" of unauthorised administrators. The scope of the Proposed Benchmark Regulation is wide and, in addition to so-called "critical benchmark" indices such as LIBOR and EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in certain financial instruments (including securities or OTC derivatives traded on an EU regulated market, EU multilateral trading facility (MTF), EU organised trading facility (OTF) or "systematic internaliser"), certain financial contracts and investment funds. Different types of "benchmark" are subject to more or less stringent requirements, and in particular a lighter touch regime may apply where a "benchmark" is not based on interest rates or commodities and the value of financial instruments, financial contracts or investment funds referring to a benchmark is less than €50bn, subject to further conditions.

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

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

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

#### ***Modification, waiver and substitution***

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

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

#### ***Change of law***

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

#### ***Value of Baskets***

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

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

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

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

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

#### ***Capital risks relating to Notes***

Save to the extent otherwise provided in the relevant Pricing Supplement, the repayment of any amount invested in Notes and any return on investment is variable and not guaranteed. The performance of the investment depends on the value of a Reference Asset throughout the term of the Notes. The value of the Reference Assets can alter sharply because it reflects the performance of the constituent underlying assets

which make up an index or the performance of individual underlying assets and general stock and other market conditions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Risks relating to Credit-Linked Notes to which the "Additional Terms and Conditions relating to Credit-Linked Notes (2014 ISDA Credit Derivatives Definitions Version)" apply**

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

*General*

The Issuer may issue Notes where the amount of principal and/or interest payable is dependent upon whether certain events ("**Credit Events**") have occurred in respect of one or more entities (together "**Reference Entities**" and each, a "**Reference Entity**") and, if so, on the value of certain specified assets of such Reference Entity(ies) or, where, if such events have occurred, the Issuer's obligation is to deliver certain specified assets upon redemption of the Notes. In this respect the Notes provide investors with a return linked to the credit of the Reference Entity or Reference Entities, as well as the credit risk of the Issuer in performing its obligations under the Notes, and will not provide protection of principal or a guarantee of interest.

Prospective investors in any such Notes should be aware that depending on the terms of the Credit Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest or delivery of any specified assets may occur at a different time than expected, (iii) they may lose all or a substantial portion of their investment and (iv) the amount payable or deliverable under the Notes may take into account the Issuer's costs in relation to the termination, liquidation, transfer, settlement or re-establishment of any Hedging Arrangements. It is the responsibility of investors to ensure that their accounting, regulatory and all other treatments of the Notes are consistent with the conditional nature of their entitlement to receive payments under the Notes.

The market price of such Notes may be volatile and will be affected by factors that interrelate in complex ways, including amongst other things, the Issuer's creditworthiness, the time remaining to the redemption date and the creditworthiness of the Reference Entity which in turn may be affected by the economic, financial and political events in one or more jurisdictions. It is important for investors to understand that the effect of one factor may offset the increase in the market price of the Notes caused by another factor, and that the effect of one factor may exacerbate the decrease in the market price of the Notes caused by another factor. For example, a drop in the creditworthiness of a Reference Entity may more than offset any increase in the Issuer's creditworthiness. The market price of the Notes may be zero.

Investors and prospective investors in Credit-Linked Notes should conduct their own investigations and, in deciding whether or not to purchase such Notes, prospective investors should form their own views of the merits of an investment linked to the credit risk of the reference entity or entities in question based upon such investigations and not in reliance on any information given in the relevant Pricing Supplement.

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

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

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

The Additional Terms and Conditions relating to Credit-Linked Notes (2014 ISDA Credit Derivatives Definitions Version))" section of this Information Memorandum contains Additional Terms and Conditions for Credit-Linked Notes with terms based on the 2014 ISDA Credit Derivatives Definitions (the "**2014 ISDA Definitions**").

The Issuer's obligations in respect of Credit Linked Notes are irrespective of the existence or amount of the Issuer's and/or any affiliates' credit exposure to a Reference Entity and the Issuer and/or any affiliate need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

The holders of Credit Linked Notes will be exposed to the credit of one or more Reference Entities, which exposure shall be, unless otherwise stated in the relevant Pricing Supplement, to the full extent of their investment in such Notes. Upon the occurrence of any of the default events comprising a Credit Event with respect to any Reference Entity, the Noteholders may suffer significant losses at a time when losses may be suffered by a direct investor in obligations of such Reference Entity. However, the holding of a Note is unlikely to lead to outcomes which exactly reflect the impact of investing in an obligation of a Reference Entity, and losses could be considerably greater than would be suffered by a direct investor in the obligations of a Reference Entity and/or could arise for reasons unrelated to such Reference Entity. Noteholders should also note that a Credit Event may occur even if the obligations of a Reference Entity are unenforceable or their performance is prohibited by any applicable law or exchange controls.

The Calculation Agent may exercise its right to deliver a Credit Event Notice even if the relevant Credit Event is no longer continuing and Noteholders will have no right to compel the exercise of this right or to control the timing of a Credit Event Determination Date. Notwithstanding this, in most cases a Credit Event can only be triggered (whether by an ISDA Credit Derivatives Determinations Committee determination or the Calculation Agent) if the relevant event occurred within a 60 calendar day look-back period. These provisions mean that there is a time limit on the ability to act on a Credit Event and that it is possible that the Notes could be affected by a Credit Event that took place prior to the Trade Date.

Not all of the Credit Events require an actual default with respect to the Reference Entity's obligations. Thus Noteholders may bear losses based on a deterioration in the credit of a Reference Entity short of default. Also, not all Credit Events are triggered by events which are easily ascertainable and disputes can and have arisen as to whether a specific event did or did not constitute a Credit Event. Under the terms of the Notes, subject to certain Credit Derivatives Determinations Committee determinations, the Calculation Agent's determination will be binding on the Issuer, the Trustee and Noteholders and may be different from the view of the Trustee, Noteholders, other financial institutions and/or commentators.

The Issuer may determine that certain terms of the Notes (for example the applicable Credit Events, Deliverable Obligations and Obligations) be those set in the Credit Derivatives Physical Settlement Matrix for the Transaction Type(s) specified in the Pricing Supplement for the Reference Entity(ies), rather than being specified in the Pricing Supplement. The Physical Settlement Matrix sets out a number of terms which, depending on the Transaction Type specified, will apply to standard credit derivatives transactions if incorporated into the documentation for those transactions and is published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto). If applicable to the Notes, the version of the Physical Settlement Matrix which will apply will be that dated the date specified in the relevant Pricing Supplement.

#### *Redemption following a Credit Event*

Where cash settlement or auction settlement applies, the occurrence of a Credit Event in relation to any Reference Entity from time to time may result in a redemption of the Notes in a reduced principal amount or at zero, and interest bearing Credit Linked Notes may cease to bear interest on or prior to the date of occurrence of such circumstance. The value of obligations of the relevant Reference Entity which will affect the amount (if any) due on such redemption may substantially decrease in value during the period between the Credit Event and settlement of the Notes.

Where cash settlement applies and the amount (if any) due on redemption of the Notes is to be calculated by reference to the value of one or more Valuation Obligations of the relevant Reference Entity, the Issuer will select the relevant Valuation Obligations in its sole and absolute discretion irrespective of their market value or liquidity and will not be obliged to consider the interests of Noteholders or mitigate their losses.

Where physical settlement is intended to apply, unless the Issuer does not deliver a Notice of Physical Settlement following the occurrence of a Credit Event because it determines that it would not have any relevant assets to deliver or that all of the relevant assets would be impossible, illegal or impractical to deliver (in which case auction or cash settlement will apply as above), the occurrence of a Credit Event may result in the redemption of the Notes by delivery of certain direct or indirect obligations of the affected Reference Entity and/or obligations received under certain transactions which may be entered into by the Issuer and/or its affiliates in connection with the Issuer's obligations under the Notes, which obligations are likely to have a market value which is substantially less than their par amount (and may substantially decrease in value during the period between the Credit Event and settlement of the Notes), and interest bearing Credit Linked Notes may cease to bear interest on or prior to the date of occurrence of such circumstance. Where the Notes provide for physical delivery and the Issuer delivers a Notice of Physical Settlement, the Calculation Agent may nonetheless determine that the specified assets to be delivered are either (a) assets which, for any reason (including, without limitation, failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any requisite consents with respect to the delivery of assets which are loans), are impossible, illegal or impractical to deliver on the specified settlement date, or (b) assets which the Issuer and/or any affiliate has not received under the terms of any transaction entered into by the Issuer and/or such affiliate in connection with the Issuer's obligations under the Notes. Any such determination may delay settlement in respect of the Notes (in the case of paragraph (b)) and/or cause the obligation to deliver such specified assets to be replaced by an obligation to pay a cash amount (if any) which, in either case, may affect the value of the Notes and, in the case of payment of a cash amount, will affect the timing of the valuation of such Notes and as a result, the amount of principal payable on redemption. In this respect investors should note that neither the Issuer nor its affiliates are under any obligation to acquire any assets for delivery under the Notes and if no such assets are held for these purposes the Notes will be redeemed by payment of a cash amount (if any). Prospective investors should review the "*Additional Terms and Conditions relating to Credit-Linked Notes (2014 ISDA Credit Derivatives Definitions Version)*" and the relevant Pricing Supplement to ascertain whether and how such provisions should apply to the Notes.

Investors in the Notes are accordingly exposed, as to both principal and (if applicable) interest, to the credit risk of the Reference Entity. The maximum loss to an investor in the Notes is 100 per cent. of their initial principal investment, together with (if applicable) any accrued interest amounts.

*A Credit Event may occur prior to the Trade Date*

As mentioned above, holders of the Notes may suffer a loss of some or all of the principal amount of the Notes in respect of one or more Credit Events that occur prior to the Trade Date or the Issue Date. Neither the Calculation Agent nor the Issuer nor any of their respective affiliates has any responsibility to inform any Noteholder, or avoid or mitigate the effects of a Credit Event that has taken place prior to the Trade Date or the Issue Date.

*Basket Credit Linked Notes - increased credit risk and settlement on maturity*

Where the Notes are Basket Credit Linked Notes, the Notes may be subject to redemption in part as described above in relation to each Credit Event which occurs in respect of a Reference Entity. The credit risk to Noteholders may further be increased as a result of the concentration of Reference Entities in a particular industry sector or geographic area or the exposure of the Reference Entities to similar financial or other risks.

Investors' exposure to the credit performance of the Reference Entities may not correspond to actual market recovery on such Reference Entities.

In addition, where Credit Payment on Maturity applies (as specified in the relevant Pricing Supplement) payment of any cash settlement or auction settlement amount in respect of a Credit Event will be delayed until maturity of the Credit Linked Notes, notwithstanding that this may occur a significant time following the occurrence of the relevant Credit Event and no further interest will be payable in this respect.

Interest and principal repayments on the Notes may be calculated by reference to the Adjusted Credit Outstanding Nominal Amount. As at the Issue Date the Adjusted Credit Outstanding Nominal Amount is an amount equal to the Aggregate Principal Amount. If a Credit Event occurs in respect of a Reference Entity, then the Adjusted Credit Outstanding Nominal Amount will be reduced by (i) an amount equal to



a predefined portion of the Aggregate Principal Amount (reflecting the Notes' exposure to such Reference Entity) and, in certain circumstances depending upon the elections made in the relevant Pricing Supplement, (ii) if the hedging costs arising in relation to the Issuer's and/or any of its affiliates' hedging arrangements in connection with the partial redemption of the Notes exceed the Recovery Value, such excess. Therefore investors' exposure to each Reference Entity may exceed the exposure that they might incur in respect of having entered into a standard single name credit default swap as protection seller in respect of each Reference Entity and investors may lose the entire principal amount invested.

#### *Successors*

A Reference Entity may be replaced as Reference Entity by one or more Successor(s). For these purposes the relevant Succession Date must occur within a 90 calendar day look-back period, other than in the case of a universal succession, where the Succession Date must have occurred on or after 1 January 2014. These provisions mean that there is a time limit on the ability to act on a succession and that it is possible that the Securities could be affected by a succession that took place prior to the Trade Date.

The Calculation Agent may, if it determines appropriate, select an alternative Transaction Type for any Successor to a Reference Entity and adjust such of the Conditions, the Credit Linked Conditions and/or the relevant Pricing Supplement as it determines appropriate to reflect such new Transaction Type and determine the effective date of any such change and adjustment.

In addition, where more than one Successor to a Reference Entity has been identified the Calculation Agent shall adjust such of Conditions, the Credit Linked Conditions and/or the relevant Pricing Supplement as it shall determine to be appropriate (including, without limitation, the relevant Reference Entity Notional Amount and (if applicable) the relevant Transaction Type) to reflect that the relevant Reference Entity has been succeeded by more than one Successor and shall determine the effective date of that adjustment.

#### *Maturity Date extension, interest postponement and settlement suspension*

Investors should note that the maturity of the Notes may be extended beyond the Scheduled Maturity Date in circumstances where a Credit Event may have occurred in relation to a Reference Entity or a Potential Credit Event has or may have occurred in relation to a Reference Entity. As a result repayment to the Noteholders may be delayed for a significant period of time even in circumstances where it transpires no Credit Event has occurred. In addition, the maturity of the Notes may be extended and ongoing interest payments may be delayed if there is a pending Credit Derivatives Determinations Committee decision at the relevant time.

The Credit Linked Conditions also provide that if, following the determination of a Credit Event Determination Date but prior to a cut-off date, there is a DC Credit Event Meeting Announcement, the Calculation Agent may at its option determine that the applicable timing requirements of the Credit Linked Conditions and the definitions of Credit Event Redemption Date, Credit Event Payment Date, Valuation Date, Maturity Date, Physical Settlement Period and PSN Cut-off Date and any other Credit Linked Condition as determined by the Calculation Agent, shall toll and be suspended and remain suspended (such period of suspension, a "**Suspension Period**") until the date of the relevant DC Credit Event Announcement or DC Credit Event Question Dismissal. At that point, the relevant timing requirements of the Credit Linked Conditions that have previously tolled or been suspended shall resume on the Business Day following such public announcement by the DC Secretary.

In the event of any such Suspension Period, the Calculation Agent may make (i) such consequential or other adjustment(s) or determination(s) to or in relation to the Credit Linked Conditions as may be desirable or required either during or following any relevant Suspension Period to account for or reflect such suspension and (ii) determine the effective date of such adjustment(s) or determination(s). In the case of interest bearing Credit Linked Notes:

- (a) if a Suspension Period falls in any one or more Interest Period(s), then no interest shall accrue during each portion of an Interest Period during which a Suspension Period exists; and
- (b) if an Interest Payment Date falls in a Suspension Period, payment of the relevant interest will be deferred until after the end of the Suspension Period.

#### *Amendment of Credit Linked Conditions in accordance with market convention*

The Calculation Agent may from time to time amend any provision of the Credit Linked Conditions to incorporate and/or reflect further or alternative documents or protocols from time to time published by ISDA with respect to the settlement of credit derivative transactions and/or the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees which the Calculation Agent and the Issuer determine in a commercially reasonable manner is necessary to reflect market practice for credit derivative transactions.

#### *ISDA Credit Derivatives Definitions*

Whilst there are many similarities between the terms used in this Information Memorandum (in particular, in the "Additional Terms and Conditions relating to Credit-Linked Notes (2014 ISDA Credit Derivatives Definitions Version)") and the terms used in the 2014 ISDA Definitions, there are many substantial differences and a prospective investor should understand that the complete terms and conditions of the Notes are as set out in the relevant sections of this Information Memorandum and the relevant Pricing Supplement and that the 2014 ISDA Definitions are not incorporated by reference herein. Consequently, investing in Credit Linked Notes is not necessarily equivalent to investing a credit default swap that incorporates the 2014 ISDA Definitions.

While ISDA has published and, where appropriate, supplemented the 2014 ISDA Definitions in order to facilitate transactions and promote uniformity in the credit derivatives market, the credit derivatives market has evolved over time and is expected to continue to change. Consequently, the 2014 ISDA Definitions and the terms applied to credit derivatives generally, including Credit Linked Notes are subject to further evolution. Past events have shown that the view of market participants may differ as to how sets of ISDA Definitions operate or should operate. As a result of the continued evolution of the market, the Credit Linked Notes may not conform to future market standards. Such a result may have a negative impact on the Credit Linked Notes and there can be no assurances that changes to the terms applicable to credit derivatives generally will be predicable or favourable to the Issuer or the Noteholders.

#### *Risks relating to Auction Settlement of Credit Linked Notes*

Where an Auction Final Price Determination Date occurs in respect of Credit Linked Notes, the Auction Final Price will be determined according to an auction procedure set out in the applicable Transaction Auction Settlement Terms, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time. The Auction Final Price determined pursuant to an auction may be less than the market value that would otherwise have been determined in respect of the relevant Reference Obligation.

The Issuer and the Noteholders may have little or no influence in outcome of any such auction. However, there is a possibility that the Issuer or the Calculation Agent (or one of their affiliates) would act as a participating bidder in any such auction. In such capacity, it may take certain actions which may influence the Auction Final Price including (without limitation): (a) providing rates of conversion to determine the applicable currency conversion rates to be used to convert any obligations which are not denominated in the auction currency into such currency for the purposes of the auction; and (b) submitting bids, offers and physical settlement requests with respect to the relevant Deliverable Obligations. In deciding whether to take any such action (or whether to act as a participating bidder in any auction), neither the Issuer nor the Calculation Agent (or any of their affiliates) shall be under any obligation to consider the interests of any Noteholder.

#### *No representation by Issuer, Calculation Agent and affiliates*

None of the Issuer, the Calculation Agent nor any of their respective affiliates makes any representation whatsoever with respect to any Reference Entity, Reference Obligation(s) or other underlying obligation(s).

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

The Issuer, the Calculation Agent and any of their respective affiliates may deal in Reference Obligation(s) or other underlying obligation(s) of any Reference Entity and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, any Reference Entity, any affiliate of any Reference Entity, and/or any other person or entity having obligations relating to any Reference Entity and may act with respect to

such business in the same manner as each of them would if the Notes had not been issued, regardless of whether any such action might have an adverse effect on any Reference Entity, Reference Obligation(s) or other underlying obligation(s) or the Noteholders or otherwise (including, without limitation, any action which might constitute or give rise to a Credit Event).

*No disclosure of information*

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

*Potential conflicts of interest*

HSBC Bank Middle East Limited as Issuer and HSBC Bank plc as Calculation Agent will be entitled to make certain determinations and actions and exercise certain discretions under the Credit Linked Conditions including (*inter alia*) as to whether an event constituting a Credit Event has occurred. In doing so, potential conflicts of interest may exist between HSBC Bank Middle East Limited and the Noteholders and HSBC Bank plc and the Noteholders respectively. In their capacities as Issuer and Calculation Agent respectively, neither HSBC Bank Middle East Limited nor HSBC Bank plc acts as fiduciary for or as an adviser to any of the Noteholders in respect of any such or otherwise.

*No post-issuance information*

The Issuer will not provide investors with any post-issuance information regarding any Reference Entity, Reference Obligation(s) or other underlying obligation(s). In addition, prospective investors should understand that historical performance of a Reference Entity, Reference Obligation or other underlying obligation should not be viewed as predictive of future results.

*Currency risk*

Exchange rates can be volatile and unpredictable. Investors should be aware of the possibility of significant changes in rates of exchange between (i) the Specified Currency, (ii) the currency of any relevant underlying obligation(s) of a Reference Entity and (iii) the relevant local currency of the investor's domicile.

*Additional risks relating to Leveraged Credit Linked Notes*

Leveraged Credit Linked Notes provide investors with a leveraged exposure to the credit of the relevant Reference Entity so that investors are exposed to a notional credit-linked calculation amount greater than the Aggregate Principal Amount of the Notes. In relation to such Notes a notional Reference Transaction is valued on a regular basis by the Calculation Agent and if the offered side spread is greater than a specified amount, a Trigger Event will occur and the Issuer may elect either to issue additional Notes of the same Series (but so that the calculation amount relating to the Notes is not changed) or to redeem the Notes at an amount equal to each Note's *pro rata* share of the Note Value. In such circumstances the Note Value may be significantly less than the Aggregate Principal Amount of such Notes and could be zero. A Trigger Event may occur notwithstanding that no Credit Event may have occurred. Accordingly investors in Leveraged Credit Linked Notes risk losing all or some of their investment as a result of movements in the credit spreads relating to the Reference Entity even if no Credit Event occurs.

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

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

**General** — An investment in Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes is speculative and entails substantial risks. Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes are only intended for investors who have the necessary experience and knowledge in order to understand the risks involved in relation to the Notes. Prospective Noteholders should understand that in

some instances they could suffer a partial or complete loss of their investment subject, if applicable, to any minimum redemption amount specified in the relevant Pricing Supplement. Any investment return on a Note determined by reference to changes in the value of the Reference Asset(s) described in the Pricing Supplement is subject to fluctuation and may be less than would be received by investing in a conventional debt instrument. Changes in value of the Reference Asset(s) cannot be predicted. If so provided in the relevant Pricing Supplement, the Notes may be subject to early redemption by reference to changes in value of the Reference Asset(s). On redemption, Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes may be redeemed in such manner as the Pricing Supplement provides or, in certain circumstances, may be exchanged for other securities. If Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes are redeemed prior to maturity the value may be less than the nominal amount.

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

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

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

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

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

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

**Hedging** — Prospective investors intending to acquire Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes to hedge against the market risk associated with investing in any securities or indices should recognise the complexities of utilising Notes in this manner. For

instance, due to fluctuating supply and demand for the Notes, there is no assurance that their value will correlate with fluctuations in value of the Reference Asset(s).

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

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

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

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

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

Notes denominated and/or settled in Renminbi outside the PRC may be issued. Set out below is a description of some of the risks that should be taken into consideration by investors in such Notes.

#### ***Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of the Notes***

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies including the Hong Kong Dollar. However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are being developed.

On 13 February 2015, the State Foreign Exchange Administration (the "**SAFE**") promulgated the Notice on Further Simplifying and Improving the Foreign Exchange Administration Policies of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**2015 SAFE Notice**"), which became effective on 1 June 2015. Under the 2015 SAFE Notice, the SAFE delegates the authority for approval/registration of foreign currency (including cross-border Renminbi) related matters for foreign direct investment and overseas direct investment to designated foreign exchange banks. On 30 March 2015, SAFE further promulgated the Circular on Reforming Foreign Exchange Capital Settlement for Foreign Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) (the "**2015 SAFE Circular**"), effective from 1 June 2015, which allows foreign-invested enterprises to settle 100 per cent. (subject to future adjustment in the SAFE's discretion) of the foreign currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash

or registered by a bank on the SAFE's system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs. The 2015 SAFE Circular has set forth a negative list with respect to the usage of the capital and the RMB proceeds obtained through the aforementioned settlement procedure.

There is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

***There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Notes and the Issuer's ability to source Renminbi outside the PRC to service Notes***

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the People's Bank of China ("**PBoC**") has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including but not limited to Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

***Investment in the Renminbi Notes is subject to interest rate risks***

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

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

***Investment in the Renminbi Notes is subject to exchange rate risks***

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBoC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi

against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

***Investment in the Renminbi Notes is subject to currency risk***

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

***Payments with respect to Renminbi-denominated Notes may be made only in the manner designated in Renminbi-denominated Notes***

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong. All Renminbi payments to investors in respect of Renminbi-denominated Notes will be made solely (i) for so long as Renminbi-denominated Notes are represented by global notes or global registered notes held with the common depository or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong, or (ii) for so long as Renminbi-denominated Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than described in the Conditions, the Issuer cannot be required to make payment by any other means (including in any other currency or in bank instruments, by cheque or draft or by transfer to a bank account in the PRC).

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

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Notes by non-PRC resident enterprise or individual holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The *PRC Enterprise Income Tax Law* levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise or individual Holder from the transfer of Renminbi Notes but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The *PRC Individual Income Tax Law* levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or individual Holder from the transfer of Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Notes by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Noteholders who are residents of Hong Kong, including enterprise holders and individual holders, will not be subject to the PRC EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if non-PRC enterprise or individual resident holders are required to pay PRC income tax on gains derived from the transfer of Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Notes reside that reduces or exempts the relevant EIT or IIT), the value of their investment in Notes may be materially and adversely affected.

## INFORMATION RELATING TO THE ISSUER

### History and Development of the Issuer

The Issuer is a company limited by shares incorporated in the Dubai International Financial Centre (the "DIFC") in Dubai, United Arab Emirates (the "UAE") under registration number 2199. The liability of its members is limited. It has its registered office and head office at Level 1, Building No. 8, Gate Village, DIFC, P.O. Box 502601, Dubai, UAE and its telephone contact number is +971 4 423 5607.

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

The Issuer relocated its place of incorporation to Jersey, Channel Islands on 1 July 2003, where it was incorporated as a private limited company. The shareholder of the Issuer passed a special resolution on 5 October 2004 to re-register it as a public company with limited liability under the Companies (Jersey) Law 1991, as amended, for an unlimited duration. This re-registration was registered with the Registrar of Companies of the Jersey Financial Services Commission on 7 October 2004. On 30 June 2016, the Issuer's head office and place of incorporation was moved from Jersey to the DIFC and a certificate of continuance for the Issuer as a company limited by shares was issued by the DIFC Registrar of Companies on the same day.

The Issuer is a wholly-owned, indirectly held (via intermediate holding entities in the United Kingdom and the Netherlands) subsidiary of HSBC Holdings, and thereby a member of the HSBC Group. The Issuer is widely represented in the MENA region with its head office located in the DIFC, and has branches throughout the UAE, Qatar, Kuwait, Lebanon, Bahrain and Algeria and subsidiary undertakings in the UAE, Bahrain, Lebanon and Morocco. The Issuer's equity shares are not listed. As at May 2016, the Issuer employed 3,685 staff within its head office and branches, and 3,426 staff within its subsidiaries.

### Ratings

As at the date of this Information Memorandum, the Issuer has been assigned the following long-term credit ratings:

- A2 (negative) by Moody's Investors Service Limited ("**Moody's**"). This means that Moody's is of the opinion that the obligations of the Issuer are upper-medium grade and are subject to low credit risk; and
- AA- (stable) by Fitch Ratings Limited ("**Fitch**"). This means that Fitch is of the opinion that the Issuer has very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

As at the date of this Information Memorandum, the Issuer has also been assigned the following short-term credit ratings:

- P-1 by Moody's. This means that Moody's is of the opinion that the Issuer (or supporting institutions) have a superior ability to repay short-term debt obligations; and
- F1+ by Fitch. This means that Fitch is of the opinion that the Issuer has the strongest intrinsic capacity for timely payment of financial commitments.

A rating is not a recommendation to buy, sell or hold securities issued by the Issuer (or beneficial interests therein), does not address the likelihood of timing of repayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisations.

### Legislation

Both in its jurisdiction of incorporation and generally, the Issuer is governed by, and is subject to, DIFC Law No. 1 of 2004 as amended and the relevant subsidiary regulations of the DFSA.



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

### **Principal Business Activities of the Issuer**

The Issuer, through its branch network and subsidiary undertakings, provides a range of banking and related financial services for both commercial and retail customers in Bahrain, Lebanon, Qatar, Kuwait, Algeria and the UAE.

The Issuer's principal business activities are as follows:

#### ***Retail Banking and Wealth Management***

The Issuer offers a range of banking and personal financial services, such as current and savings accounts, time deposits, credit cards, mortgages, financial planning services, loans and diverse payment services.

#### ***Private Banking***

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

#### ***Commercial Banking***

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

#### ***Global Markets***

The Issuer's Global Markets division offers various treasury, transactional banking, financing, investments, advisory and risk management products and services to its customers, in areas such as foreign exchange, credit, rates and equities and related products such as derivative and structured products.

The Issuer's hub for treasury services is located in Dubai, UAE and provides support and services to the dealing rooms of its branch network in the MENA region.

#### ***Global Banking***

As part of the HSBC Group's regional investment banking arm in the MENA region, the Issuer has one of the most significant investment banking operations in the region.

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

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

#### **Islamic Financial Products**

The Issuer offers wholesale Islamic financing/sukuk products to its client base through its Global Banking and Global Markets platforms which are based in Dubai.

### ***HSBC Group Operations in the MENA region***

The HSBC Group operates in the MENA region through a number of consolidated subsidiaries, which includes: the Issuer, HSBC Financial Services (Middle East) Limited, HSBC Bank Egypt S.A.E, HSBC Securities (Egypt) S.A.E., HSBC Bank Oman S.A.O.G., HSBC Bank Middle East Limited Representative Office Morocco SARL, HSBC Middle East Finance Company Limited, HSBC Middle East Securities LLC, HSBC Bank International Limited (Representative Office), The Hongkong and Shanghai Banking Corporation Limited Representative Office and HSBC Middle East Leasing Partnership. An associate company of the HSBC Group, The Saudi British Bank, and its subsidiaries, and a joint venture, HSBC Saudi Arabia Limited, also have operations in the Middle East.

The Issuer also plays an important role in the community by supporting a range of charitable and community projects, principally through the annual Community Investment programme in the MENA region, an annual donation scheme into which the Issuer contributed US\$4,332,585 and 10,858 employee volunteering hours (with an estimated value of US\$135,786) in 2015.

### **Organisational Structure**

The HSBC Group is one of the largest banking and financial services organisations in the world, with a market capitalisation of US\$105.55 billion as at 31 December 2015.

As at 31 December 2015, the HSBC Group had total assets of US\$2,409,656 million, and total shareholders' equity of US\$188,460 million. For the year ended 31 December 2015, the HSBC Group's reported operating profit was US\$16,311 million on a total operating income of US\$71,092 million. The HSBC Group had a CRD IV transitional common equity tier 1 capital ratio of 11.9 per cent. and an estimated CRD IV end point basis common equity tier 1 ratio of 11.9 per cent. as at 31 December 2015.

Headquartered in London, the HSBC Group operates through long-established businesses and has an international network of more than 4,700 branches in 71 countries and territories in five geographical regions: Europe, Asia, MENA, North America and Latin America. Within these regions, a comprehensive range of banking and related financial services is offered to retail, commercial, corporate, institutional, investment and private banking clients.

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

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

As at the date of this Information Memorandum, the Issuer's subsidiary undertakings are:

|  | <b>Country of<br/>Incorporation<br/>or registration</b> | <b>HBME's<br/>interest in<br/>equity capital</b> |
|--|---|--|
|  |   | <i>(per cent.)</i>                               |
| HSBC Bank Middle East Nominees W.L.L. ....                             | Bahrain   | 95   |
| HSBC Financial Services (Middle East) Limited.....                     | Dubai, UAE  | 100  |
| HSBC Middle East Finance Company Limited .....                         | Dubai, UAE  | 80   |
| HSBC Middle East Securities LLC.....                                   | Dubai, UAE  | 100  |
| HSBC Insurance Services (Lebanon) S.A.L (in liquidation).....          | Lebanon   | 100  |
| HSBC Bank Middle East Limited Representative Office Morocco SARL ..... | Morocco   | 99   |

The countries of operation are the same as the countries of incorporation.

In order to comply with local legal requirements, the ownership of the investment in HSBC Middle East Securities LLC is held 49 per cent. in the name of the Issuer and 51 per cent. in the personal name of Mr Abdul Wahid Al Ulama as nominee. Under a Memorandum of Understanding, the nominee has transferred his legal and/or beneficial interest in HSBC Middle East Securities LLC to the Issuer.

On 9 December 2013, HSBC Insurance Services (Lebanon) SAL, a wholly-owned subsidiary of the Issuer, went into formal liquidation and remains in liquidation as at the date of this Information Memorandum.

### **Acquisitions / Disposals**

The Issuer completed the following transactions since 15 July 2015:

#### *Morocco*

On 30 September 2015, the Issuer completed the incorporation of its representative office in the Kingdom of Morocco, in HSBC Bank Middle East Limited Representative Office Morocco SARL ("**HBME Morocco Representative Office**"). HSBC Morocco Representative Office is established as a limited liability company under the laws of the Kingdom of Morocco. The Issuer owns 99.99 per cent. of the shares of HBME Morocco Representative Office, with the remaining 0.01 per cent. being held by HSBC Middle East Holdings B.V.

#### *Oman*

On 1 October 2015, the Issuer completed the sale of its 51% shareholding in HSBC Bank Oman S.A.O.G. to HSBC Middle East Holdings B.V.

#### *Palestinian Autonomous Area*

On 31 December 2015, the Issuer closed its branch in the Palestinian Autonomous Area (the "**PAA**"). The Issuer continued to offer limited securities services in the PAA until 30 June 2016, following which date the Issuer has ceased all operations in the PAA.

#### *DIFC*

On 28 February 2016, the Issuer completed the de-registration of its private banking branch at the DIFC.

#### *UAE*

On 30 March 2016, the Issuer completed the disposal of its 40 per cent. shareholding in Rewards Management Middle East FZ LLC, a company incorporated under the laws of the Dubai Creative Cluster Authority.

#### *Cayman Islands*

On 31 March 2016, the Issuer completed the striking off of its 33.33 per cent. shareholding in MENA Holdings Limited from the Cayman Islands Companies Register.

### **Authorised Share Capital**

As at the date of this Information Memorandum:

- the authorised ordinary share capital of the Issuer is U.S.\$1,500,000,000, divided into 1,500,000,000 ordinary shares of U.S.\$1.00 each per share, of which 931,055,000 shares have been issued; and
- the authorised non-equity preference share capital of the Issuer is: (a) 1,350,000 cumulative redeemable preference shares of US\$1.00 each per share, of which 950,000 shares have been issued; and (b) 1,150,000 non-cumulative redeemable preference shares of U.S.\$1.00 each per share.

**Financial Trend Information**

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

**Management**

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

| <b>Name</b>                        | <b>Function within the Issuer</b>               | <b>Principal Outside Activities</b>  |
|------------------------------------|---|--|
| David Gordon Eldon                 | Chairman and Independent Non-Executive Director | <ul style="list-style-type: none"> <li>– Investment Promotion Ambassador Scheme (Member)</li> <li>– Hong Kong Academy for Performing Arts (Special Adviser to the Staff Retirement Benefits Scheme)</li> <li>– The Community Chest (Vice Patron) (Chairman Executive Committee)</li> <li>– Southern Capital Group (Advisor)</li> <li>– HK Institute for the Humanities and Social Science (Honorary Adviser)</li> <li>– Alexander Proudfoot (Advisor)</li> <li>– Global Institute for Tomorrow (GIFT) (Advisory Council Member)</li> <li>– Noble Group Ltd (Lead Independent Director)</li> <li>– HSBC Bank Middle East Limited. (Non-Executive Chairman)</li> <li>– DIFC Higher Board (Board Member)</li> <li>– HSBC Global Commercial Banking Risk Committee (Chairman)</li> <li>– New Lily International Ltd. (Advisor)</li> <li>– HSBC Bank Oman S.A.O.G (Director)</li> <li>– KC Maritime Limited. (Director)</li> <li>– Octopus Holdings Limited (Non-Executive Chairman)</li> <li>– Octopus Cards Limited (Non-Executive Chairman)</li> </ul> |
| Raja Easa Al Gurg                  | Independent Non-Executive Director              | <ul style="list-style-type: none"> <li>– Dubai Healthcare City Authority (Deputy Chairperson of the Board of Directors and Executive Director)</li> <li>– Dubai Chamber of Commerce and Industry (Board Member)</li> <li>– The Dubai Economic Council, Government of Dubai (Member)</li> <li>– Board of Trustees of Dubai University (Member)</li> <li>– UAE-UK Business Joint Council (Board Member)</li> <li>– Coutts Bank (Advisory Board MENA)</li> </ul>  |
| Khalid Abdullah Abdulaziz Almolhem | Independent Non-Executive Director              | <ul style="list-style-type: none"> <li>– The Saudi British Bank (Board Member)</li> <li>– King Abdullah Economic City (Board Member)</li> <li>– AlEssa (Board Member)</li> <li>– Amlak International (Board Member)</li> <li>– Saudi Catering Company Ltd. (Chairman)</li> <li>– Saudi White Cement Company (Board Member)</li> </ul>  |
| Alan McAlpine Keir                 | Non-Executive Director                          | <ul style="list-style-type: none"> <li>– Aufsichtsrat HSBC Trinkaus &amp; Burkhardt AG (Member)</li> <li>– HSBC Holdings (Group Management Board Member)</li> <li>– HSBC France S.A. (Administrateur)</li> <li>– TheCityUK (Member of Advisory Council)</li> <li>– Bradford University School of Management (Member of Advisory Board)</li> </ul>  |

|                                   |                                    |  |
|-----------------------------------|------------------------------------|--|
| Abdul Hakeem Hashim Bin Mostafawi | Executive Director                 | – None   |
| Sir William Charters Patey        | Independent Non-Executive Director | – WCP Consultants Limited (Director)<br>– Government and International Affairs Adviser, Control Risks Group<br>– UK Government's Middle East Task Force (HSBC's Representative)<br>– Ambassador Partnership LLP (Equity Partner)   |
| Abdulfattah Sayed Mansoor Sharaf  | Executive Director                 | – DIFC Higher Board (Member)<br>– Etisalat Telecommunications Corporation (Board Member)<br>– Noor Dubai Foundation (Board Member)<br>– Advisory Board Council of the American University of Sharjah's School of Business and Management (Board Member)<br>– Emirates Golf Federation (Board Member) |
| Christopher David Spooner         | Non-Executive Director             | – Risk Management Committee of the HSBC Retail Banking and Wealth Management line of business (Non-Executive Member)<br>– Financial Adviser to the Group Finance Director of HSBC Holdings   |
| Thomas Lindsay Slattery           | Independent Non-Executive Director | – Jersey Rate Appeal Board (Chairman)<br>– HSBC Bank International Limited (Independent Non-Executive Director)  |

On 8 May 2016, Mohammad Al Tuwaijri was appointed as Deputy Minister of Economy and Planning by the Government of Saudi Arabia. This appointment became effective immediately and as a consequence, Mohammad Al Tuwaijri resigned as Executive Director, Deputy Chairman and Chief Executive Officer ("CEO") of the Issuer with immediate effect and Robin Jones, previously Deputy CEO and Chief Operating Officer of the Issuer in the MENA region, became the acting CEO. A permanent replacement CEO for the MENA region will be announced in due course.

The business address for the purposes of correspondence for all the Directors of the Issuer is Level 1, Building No. 8, Gate Village, DIFC, P.O. Box 502601, Dubai, UAE.

The Company Secretary of the Issuer is John Alan Tothill, whose business address for the purposes of correspondence is Level 1, Building No. 8, Gate Village, DIFC, PO Box 502601, Dubai, UAE.

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

### Major Shareholders

The whole of the ordinary issued share capital of the Issuer and the majority of the issued preference share capital of the Issuer is beneficially owned by HSBC Middle East Holdings B.V., the Issuer's immediate parent shareholder, which is incorporated in The Netherlands, and which is a wholly-owned, indirectly held, subsidiary of HSBC Holdings. The appointment of auditors and any changes to the Memorandum and Articles of Association of the Issuer require the approval of the Issuer's shareholders in a general meeting.

**Material Contracts**

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

### INFORMATION INCORPORATED BY REFERENCE

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

- the audited and consolidated Annual Report and Accounts of the Issuer and its subsidiary undertakings and auditor's report for the years ended 31 December 2014 and 2015;
- the Terms and Conditions of the Notes contained in each of the previous base prospectuses of the Issuer dated 28 September 2006, 17 January 2008, 5 February 2009, 22 April 2010, 17 May 2011 and 17 May 2012;
- the Terms and Conditions of the Notes contained in the information memorandum dated 16 November 2004, in the information memorandum dated 15 July 2013, in the information memorandum dated 15 July 2014, as amended by the supplementary listing particulars dated 18 December 2014, and in the information memorandum dated 15 July 2015, as amended by the supplementary listing particulars dated 20 October 2015;

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

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



## OVERVIEW OF PROGRAMME PARTIES

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

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

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

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

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

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

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

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

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

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

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

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

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

## TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series of Notes (the "**Notes**") issued pursuant to the debt issuance programme (the "**Programme**") established by HSBC Bank Middle East Limited (the "**Bank**" or the "**Issuer**") and is constituted by a Trust Deed dated 16 November 2004 (such Trust Deed as last modified and restated by a modified and restated trust deed dated 14 July 2016 and as further modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") made between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**" which expression shall wherever the context so admits include its successors) and has the benefit of an Agency Agreement dated 16 November 2004 (such Agency Agreement as last modified and restated on 14 July 2016 and as further modified and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between, amongst others, the Issuer, the Principal Paying Agent (the "**Principal Paying Agent**" which expression shall wherever the context so admits include its successors as such in respect of the Notes), any CMU Lodging and Paying Agent (as defined below) and any successor or additional paying agents appointed in respect of the Notes (together with the Principal Paying Agent and any CMU Lodging and Paying Agent (as defined below), the "**Paying Agents**"), the ICSD Registrar (the "**ICSD Registrar**" which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes), the Transfer Agent (the "**Transfer Agent**", which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes), any CMU Registrar (as defined below) (together with the ICSD Registrar, the "**Registrars**" and each, a "**Registrar**"), the Agent Bank (the "**Agent Bank**" which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes) each named therein and the Trustee. The initial Principal Paying Agent, the initial ICSD Registrar and the initial Agent Bank are named below. In addition, the Issuer may from time to time, in relation to any Notes denominated in Renminbi, appoint a CMU Lodging and Paying Agent (the "**CMU Lodging and Paying Agent**" which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes, as appointed from time to time). In relation to any Notes denominated in Renminbi, a CMU Registrar (the "**CMU Registrar**" which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes) may also be appointed. Details of any such CMU Lodging and Paying Agent and CMU Registrar shall be given in the relevant Pricing Supplement (as defined below).

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

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

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

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

1. **FORM, DENOMINATION AND TITLE**

(a) **Form**

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

(b) **Form of Bearer Notes**

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

(c) **Form of Registered Notes**

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

(d) **Instalment Notes**

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

(e) **Partly Paid Notes**

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

(f) **Denomination**

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

(g) **Title**

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

To the extent permitted by law and subject to the provisions of the fourth paragraph of Condition 14(a), while the Notes of any Series are represented by a Note or Notes in global form, the Issuer, the Principal Paying Agent, the CMU Lodging and Paying Agent (as the case may be), any other Paying Agents, the Transfer Agents, the Agent Bank and the relevant Registrar may deem and treat the Holder of any Bearer Note or of any Coupon and the Holder of any Registered Note (and, if more than one, the first named thereof) as the absolute owner thereof (whether or not such Note shall be overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for the purpose of receiving payment on account thereof and for all other purposes.

(h) **Transfer of Registered Notes**

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

(i) **Delivery**

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

(j) **No charge**

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

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

All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations (the "**Regulations**") concerning exchange and transfer of Registered Notes scheduled to the Agency Agreement. The Regulations may be amended, supplemented or replaced by the Issuer with the prior written approval of the relevant Registrar but without the consent of the Holders of any Notes. A copy of the current

Regulations are available for inspection during usual business hours at the specified office of the relevant Registrar and the Transfer Agents.

2. **STATUS**

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

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

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

3. **INTEREST ON FIXED RATE NOTES**

(a) **Application**

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

(b) **Accrual of interest**

Fixed Rate Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless payment of the redemption amount and/or delivery of all assets deliverable is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 3 (as well after as before judgment) until whichever is the earlier of: (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and/or all assets in respect of such Note have been delivered; and (ii) the day which is seven days after the day the Principal Paying Agent or the Trustee has notified the Noteholders that it or (as applicable) any agent appointed by the Issuer to deliver the relevant assets to the Noteholders has received all sums and/or all assets due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment and/or delivery, in which case the Notes will continue to bear interest as aforesaid).

(c) **Fixed Coupon Amount**

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

(d) **Calculation of interest amount**

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (as defined in Condition 19 (*Definitions*)) (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the principal outstanding amount of such Note (as specified in the relevant Pricing Supplement) divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

4. **INTEREST ON FLOATING RATE NOTES**(a) **Application**

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

(b) **Accrual of interest**

Floating Rate Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless payment of the redemption amount and/or delivery of all assets deliverable is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 4 (as well after as before judgment) until whichever is the earlier of: (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and/or all assets in respect of such Note have been delivered; and (ii) the day which is seven days after the day the Principal Paying Agent or the Trustee has notified the Noteholders that it or (as applicable) any agent appointed by the Issuer to deliver the relevant assets to the Noteholders has received all sums and/or all assets due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment and/or delivery, in which case the Notes will continue to bear interest as aforesaid).

(c) **Screen Rate Determination**

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

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Agent Bank will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Agent Bank will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Agent Bank will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an

amount that is representative for a single transaction in that market at that time;

- (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Agent Bank will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Agent Bank) quoted by major banks in the principal financial centre of the Specified Currency, selected by the Agent Bank, at approximately 11.00 a.m. (local time in the principal financial centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Agent Bank is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) **Linear interpolation**

Where "**Linear Interpolation**" is specified as applicable in respect of an Interest Period in the relevant Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the Relevant Screen Page, one of which shall be determined as if the Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period; **provided, however, that** if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(e) **ISDA Determination**

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

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



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

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

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

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

(h) **Calculation of Interest Amount**

The Agent Bank will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the principal outstanding amount of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(i) **Calculation of other amounts**

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

(j) **Publication**

The Agent Bank will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s), to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Agent Bank will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum denomination, the Agent Bank shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum denomination.

(k) **Notifications etc.**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such person will attach to the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

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

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

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

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

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

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

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

6. **REDEMPTION AND PURCHASE**

(a) **Final Redemption**

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

(b) **Redemption for Taxation Reasons**

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

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

the Issuer may, having given not less than 30 nor more than 45 days' notice (ending, in the case of Floating Rate Notes, on an Interest Payment Date) to the Noteholders in respect of such Series of Notes, redeem all, but not some only, of the Notes, at their

principal amount or such other redemption amount as may be set out in the relevant Pricing Supplement together with interest accrued and unpaid, if any, to the date fixed for redemption **provided that** no such notice of redemption shall be given earlier than 90 days (or in the case of Floating Rate Notes or Variable Coupon Amount Notes a number of days which is equal to the aggregate of the number of days in the then current Interest Period plus 60 days **provided that** such aggregate number of days shall not be greater than 90 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

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

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

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

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

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

- in the case of Bearer Notes (other than a temporary global Note or permanent global Note), the Notes to be redeemed shall be drawn by lot in such European city as the Principal Paying Agent may specify or, as the case may be, a city as the CMU Lodging and Paying Agent may specify, or identified in such other manner or in such other place as the Principal Paying Agent or the CMU Lodging and Paying Agent (as the case may be) and the Trustee may approve and deem appropriate and fair, subject to the rules and procedures of Euroclear and/or Clearstream, Luxembourg (such redemption to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion); and
- in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, **provided always that** the

amount redeemed in respect of each Note shall be equal to the minimum denomination thereof or an appropriate multiple thereof,

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

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

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

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

In order to give such notice, the Holder must, not less than 45 days before the date for redemption as set out in the relevant Pricing Supplement (or such other period as may be set out in the Pricing Supplement), deposit the relevant Note (together, in the case of an interest-bearing Definitive Note, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Note, any Paying Agent, or, in the case of a Registered Note, the relevant Registrar or any Transfer Agent together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the relevant Registrar or any Transfer Agent. The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under Condition 6(b), (c) or (i).

(e) **Purchases**

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

(f) **Cancellation**

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

(g) **Zero Coupon Notes**

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

(h) **Other Redemption Provisions**

The relevant Pricing Supplement may provide for other circumstances in which Notes may or shall be redeemed, the amount payable on such redemption in respect of

principal only, principal and interest or interest only and whether or not Notes so redeemed shall or may be cancelled pursuant to paragraph (f) of this Condition 6.

(i) **Illegality and Force Majeure**

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

*For Notes which are specified as Credit-Linked Notes, please also refer to the section entitled "Additional Terms and Conditions relating to Credit-Linked Notes (2014 ISDA Credit Derivatives Definitions Version)" which includes additional redemption and purchase circumstances relating to such Notes.*

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

7. **TAXATION**

Except as otherwise set out in the relevant Pricing Supplement, all payments by the Issuer of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature, present or future, as are imposed or levied by or on behalf of the DIFC or the United Arab Emirates (or any authority or political subdivision therein or thereof having power to tax) unless the Issuer is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges.

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

- (a) to, or to a third party on behalf of, a Holder of a Note or Coupon who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the DIFC or the United Arab Emirates other than the mere holding of such Note or Coupon; or
- (b) unless it is proved, in the case of Bearer Notes, to the satisfaction of the Principal Paying Agent, the CMU Lodging and Paying Agent (as the case may be) or the Paying Agent to whom the same is presented, or, in the case of Registered Notes, to the satisfaction of the relevant Registrar, that the Holder is unable to avoid such withholding or deduction by satisfying any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to a Paying Agent or the relevant tax authorities (as applicable) or by notifying (and/or presenting evidence of such notification) any tax authorities of such payment of principal or interest or by presenting the relevant Note or Coupon at the specified office of another Paying Agent (whether within or outside the European Union); or
- (c) more than 30 days after the Relevant Date (defined below) except, in the case of Bearer Notes, to the extent that the Holder thereof would have been entitled to such additional

amounts on presenting the same for payment on the last day of such period of 30 days;  
or

- (d) in the case of Registered Notes, unless the Holder, immediately upon becoming the Holder, is otherwise entitled to a complete exemption from withholding taxes on payments under the Notes; or
- (e) to, or to a third party on behalf of, a Holder who is not the sole beneficial owner of the Note or any Coupon, or a portion of either, or that is a fiduciary or partnership, but only to the extent that a beneficiary or settlor with respect to the fiduciary, a beneficial owner or member of the partnership would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment.

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

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

- (i) any additional amounts which may be payable under this Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the principal amount payable on the relevant Notes on the Maturity Date specified in the relevant Pricing Supplement;
- (iii) the principal amount payable on redemption of the relevant Notes prior to such Maturity Date; and
- (iv) any premium and any other amounts which may be payable under or in respect of the relevant Notes.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code of 1986 Section 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of FATCA withholding.

## 8. PAYMENTS

### (a) Bearer Notes

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

Payments of amounts due in respect of interest on Bearer Notes and exchanges of Talons for Coupon sheets will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code of 1986 and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest

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

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

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

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

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

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

In relation to Definitive Bearer Notes initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered

at the specified office of any Paying Agent outside the United States (save as provided above) in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 11 (*Prescription*). Each Talon shall, for the purpose of these Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

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

(b) **Registered Notes**

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

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

Payment will be made in the currency in which such amount is due either by cheque posted to the Noteholder's registered address (or, in the case of joint Holders, the first-named) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the relevant Registrar and such Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency, in each case as specified in paragraph 8(c) below.

(c) **General Provisions**

The following provisions apply to both Bearer Notes and Registered Notes. Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due either (a) by cheque, or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee, **provided that** payments in respect of Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Bearer Note or, as the case may be, Registered Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Trust Deed) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Trust Deed) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment. For the avoidance of doubt, so long as any Note or Coupon is held by the



CMU Service, presentation thereof to the CMU Lodging and Paying Agent shall not be required as a precondition of its making payments in respect thereof.

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

Without prejudice to the generality of the foregoing, the Issuer reserves the right to require any person receiving payment of principal, interest and/or other sums with respect to any Note or Coupon to provide a Paying Agent with such certification or information as may be required to enable the Issuer to comply with the requirements of the United States Federal Income Tax laws or such other laws as the Issuer may be required to comply with.

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

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

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

9. **REDENOMINATION**

(a) **General**

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

With effect from the Redenomination Date:

- (i) each Note shall (unless already so provided by mandatory provisions of applicable law) be deemed to be redenominated into an amount of euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Relevant Currency converted into euro at the rate for the conversion of the Relevant Currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to roundings in accordance with EC regulations); **Provided, however, that**, if the Issuer determines, with the prior approval of the Trustee, that the market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;
- (ii) if Notes are in definitive form:
  - (A) all unmatured Coupons denominated in the Relevant Currency (whether or not attached to the Notes) will become void with effect from the date

(the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (**provided that** such Notes and Coupons are available) and no payments will be made in respect thereof;

- (B) the payment obligations contained in all Notes denominated in the Relevant Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 9(a)(ii)) shall remain in full force and effect; and
- (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Relevant Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Relevant Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro, as though references in the Notes to the Relevant Currency were to euro. Such payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Communities; and
- (iv) such other changes will be made to the Programme as the Issuer may decide, with the prior written approval of the Trustee, to conform such Notes to conventions then applicable to instruments denominated in euro. Any such other changes will not take effect until after they have been notified to the Noteholders in accordance with Condition 14 (*Notices*).

None of the Issuer, the Trustee, or any Paying Agent will be liable to any Noteholder or other person for any commissions, costs, losses or expenses in relation to or resulting from any credit or transfer of euro or any currency conversion or rounding effected in connection therewith.

(b) **Interest**

Following redenomination of the Notes pursuant to Condition 9(a) above:

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

- (iii) in respect of Fixed Rate Notes where interest is payable quarterly or semi-annually, the amount of interest payable in respect of each Note on any Interest Payment Date shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by four or two (as the case may be) and rounding the figure down to the nearest euro 0.01. If interest is required to be calculated for any other period, it shall be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); **provided, however, that** if the Issuer determines, with the prior agreement of the Trustee, that the market practice in respect of such internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendment;
- (iv) in respect of Floating Rate Notes, the Interest Amount payable in respect of the Notes for each Interest Period will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during the Interest Period, multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure down to the nearest euro 0.01; and
- (v) in respect of Floating Rate Notes, the Rate of Interest for any subsequent Interest Period shall be determined by the Agent Bank on the basis of provisions which it determines, in its sole and absolute discretion, reflects the market practice in respect of internationally offered euro denominated securities.

## 10. ENFORCEMENT

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

**Provided that** it shall not be such a default to withhold or refuse any such payment or delivery (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 delivery or (2) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers acceptable to the Trustee as to such validity or applicability.

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

**Provided that** it shall not be such a default to withhold or refuse any such payment (1) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (2) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 7 or 14 days, as the case may be, by independent legal advisers acceptable to the Trustee as to such validity or applicability;

- (ii) the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit and may, subject as hereinafter provided, institute proceedings for the winding up of the Issuer in the DIFC to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed in relation to such Series of Subordinated Notes or under such Notes or the Coupons appertaining thereto (other than any obligation for the payment of any principal or interest in respect of such Notes or Coupons or any other payment obligation in respect thereof) **provided that** the Issuer shall not by virtue of the institution of any such proceedings other than proceedings for the winding up of the Issuer be obliged to pay any sum or sums (whether in respect of principal or interest or other sums in respect of the relevant Notes or the Coupons appertaining thereto or by way of damages in respect of any breach of any such obligation, condition or provision or otherwise howsoever). The Trustee may only institute proceedings for the winding up of the Issuer to enforce the obligations above referred to in this paragraph if a default by the Issuer thereunder is not remedied to the satisfaction of the Trustee within 60 days (or such longer period as the Trustee may permit) after notice of such default has been given to the Issuer by the Trustee requiring such default to be remedied.

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

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

against the Issuer for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

11. **PRESCRIPTION**

Notes and Coupons will become void unless presented for payment within a period of ten (10) years and five (5) years, respectively, from the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect thereof. Any monies paid by the Issuer to the Principal Paying Agent, CMU Lodging and Paying Agent (as the case may be) or the Trustee for the payment of the principal or interest in respect of any Notes or Coupons and remaining unclaimed when such Notes or Coupons become void will then revert to the Issuer and all liability of the Principal Paying Agent, the CMU Lodging and Paying Agent (as the case may be) or the Trustee with respect thereto will thereupon cease.

There shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 11 or Condition 8 (*Payments*).

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

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

The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, the CMU Lodging and Paying Agent, any Paying Agent or Transfer Agent, the Agent Bank or any Registrar and to appoint additional or other Paying Agents and/or Transfer Agents or a substitute Agent Bank or a substitute Registrar, **provided that** it will, so long as any Notes are outstanding, maintain (i) an Agent Bank, (ii) a Paying Agent, and (iii) in the case of any Registered Notes, a Registrar with a specified office in England or such City as may be specified in the relevant Pricing Supplement. Notice of all changes in the identities or specified offices of any Paying Agent, Agent Bank or Registrar will be given by the Issuer to Noteholders in accordance with Condition 14.

13. **REPLACEMENT, EXCHANGE AND TRANSFER**

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office (in the case of a Bearer Note or Coupon) of the Principal Paying Agent, the CMU Lodging and Paying Agent (as the case may be) or such other Paying Agent or office as the Trustee may approve or (in the case of Registered Notes) of the relevant Registrar upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

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

Upon the terms and subject to the conditions set out in the Agency Agreement, a Registered Note may be transferred in whole or in part only (**provided that** such part is, or is an appropriate multiple of, the minimum denomination set out in the Pricing Supplement) by the Holder or Holders surrendering the Registered Note for registration of transfer at the office of the relevant Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the relevant Registrar, duly executed by the Holder or Holders thereof or his or their attorney duly authorised in writing. A new Registered Note will be issued

to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

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

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

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

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

#### 14. NOTICES

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

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

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

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

given to the Holders holding through the relevant clearing system or depository on the date of delivery to the relevant clearing system or depository.

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

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

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

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

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

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

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

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

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

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

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

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

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

16. **FURTHER ISSUES**

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

17. **LAW AND JURISDICTION**

17.1 **Governing Law**

The Trust Deed, the Notes and the Coupons (if any) and all non-contractual obligations arising out of or in connection with them, shall be governed by, and shall be construed in accordance with, English law.

17.2 **Arbitration**

Without limiting the rights of the Noteholders under Condition 17.3, any dispute, claim, difference or controversy arising out of, relating to, or having any connection with the Trust Deed, the Notes and the Coupons (if any) (including any dispute regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a "**Dispute**")) shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("**LCIA**") Rules (the "**Rules**"), which rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 17.2. For these purposes:

- (i) the seat of arbitration shall be London;
- (ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and
- (iii) the language of the arbitration shall be English.



### 17.3 Jurisdiction

Notwithstanding Condition 17.2, the Trustee (or, but only where permitted to take action in accordance with the terms of the Trust Deed, any Noteholder) may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

- (i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (ii) in the event no arbitration is commenced,

require that a Dispute be heard by the courts of England. If the Trustee (or any Noteholder) gives such notice, the Dispute to which such notice refers shall be determined in accordance with this Condition 17.3 and, subject as provided below, any arbitration commenced under Condition 17.2 in respect of that Dispute will be terminated.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Trustee (or the relevant Noteholder) must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (ii) his entitlement to be paid his proper fees and disbursements; and
- (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

In the event that a notice pursuant to this Condition 17.3 is issued, the following provisions shall apply:

- (i) the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts; and
- (ii) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

### 17.4 Service of Process

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

### 17.5 Consent

The Issuer irrevocably and generally consents in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including,

without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.

17.6 **Substitution**

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

18. **THIRD PARTY RIGHTS**

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

19. **DEFINITIONS**

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

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

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

**"Business Day Convention"**, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be the first preceding day that is a Business Day;

- (iv) **"FRN Convention", "Floating Rate Convention" or "Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
- (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

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

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

**"Clearstream, Luxembourg"** means Clearstream Banking, S.A., Luxembourg;

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

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

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

- (i) if **"Actual/Actual"**, **"Actual/Actual (ISDA)"**, **"Act/Act"** or **"Act/Act (ISDA)"** is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **"Actual/Actual (ICMA)"** or **"Act/Act (ICMA)"** is so specified means:
  - (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (B) where the Calculation Period is longer than one Regular Period, the sum of:
    - (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any one year; and

- (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (iii) if "**Actual/365 (Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (iv) if "**Actual/360**", "**Act/360**" or "**A/360**" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vi) if "**30E/360**" or "**Eurobond Basis**" is specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

- (vii) if "**30E/360 (ISDA)**" is specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

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

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

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

"**euro**" and "**EUR**" means the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty;

"**Euro Business Day**" or "**TARGET Business Day**" means a day on TARGET2 is open for settlement of payments in euro;

"**Euroclear**" means Euroclear Bank SA/NV;

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

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

"**Hong Kong Governmental Authority**" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

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

"**Illiquidity**" means where the general Renminbi exchange market in Hong Kong becomes illiquid and, as a result of which, the Issuer cannot obtain sufficient Renminbi in order to satisfy

its obligation to pay interest and principal (in whole or in part) in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers;

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

**"Interest Determination Date"** means the day determined by the Agent Bank, in its sole and absolute discretion, to be customary for fixing the Reference Rate applicable to deposits in the relevant currency for the relevant Interest Period; **provided that** where so specified in the relevant Pricing Supplement, such day shall be a day (i) if such currency is euro, which is a Euro Business Day, and (ii) if such currency is any other currency, on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres of the country of such currency (or where such currency is a National Currency Unit (as defined in Condition 20(i) (*Effects of European Monetary Union*)) and the Notes have been redenominated into euro pursuant to Condition 9 (*Redenomination*), the former principal financial centre or centres);

**"Interest Payment Date"** means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the First Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and supplemented as at the date of issue of the first Tranche of the Notes of the relevant Series), as published by the International Swaps and Derivatives Association, Inc (formerly the International Swap Dealer Association, Inc.);

**"Local Banking Day"** means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Principal Paying Agent, the Paying Agent or the Registrar or the Transfer Agent to which the relevant Note or Coupon is presented for payment is located;

**"National Currency Unit"** means the national currency unit of any Participating Member State that becomes a denomination of the euro by reason of Council Regulation (EC) No. 1103/97, Council Regulation (EC) No. 974/98 or any other applicable laws;

**"Non-transferability"** means the occurrence of any event that makes it impossible for the Issuer to transfer Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong and outside the PRC or from an account outside Hong Kong and outside the PRC to an account inside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Hong Kong Governmental Authority (unless such law, rule or regulation is enacted after date of the

relevant Pricing Supplement and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

**"Participating Member State"** means any member state of the European Union that has adopted or adopts the single currency in accordance with the Treaty;

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

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

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

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

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

**"Regular Period"** means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

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

**"Relevant Financial Centre Day"** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres for the currency in which payment falls to be made (or, where such currency is a National Currency Unit and the Notes have been redenominated into euro pursuant to Condition 9 (*Redenomination*), the former principal financial centre or centres) and in any other place set out in the Pricing Supplement. In the case of payments which fall to be made in euro (save for payments in relation to Notes which have been redenominated into euros pursuant to Condition 9 (*Redenomination*)), a Euro Business Day. The Relevant Financial Centre Days in relation to any

Tranche determined in accordance with the above provisions as at the Issue Date shall be specified in the relevant Pricing Supplement;

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

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

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

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

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

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

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

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

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

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

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

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

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

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

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



## ADDITIONAL TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

##### A *Additional Disruption Event*

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

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

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

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

- (iv) **"FX Disruption"** means the occurrence, as determined by the Calculation Agent in its sole and absolute discretion, of (i) an Inconvertibility, Non-transferability or Illiquidity, or any other event affecting the Reference Currency or Specified Currency (as applicable) (the **"Relevant Currency"**) which would make it unlawful or impractical in whole or in part (including without limitation, as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial power) for the Issuer (or the Issuer's affiliate) to pay or receive amounts in the Relevant Currency under or in respect of any hedging arrangement relating to or connected with the Relevant Currency.

For the purposes hereof:

**"Governmental Authority"** means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the Specified Currency Jurisdiction;

**"Illiquidity"** means where the foreign exchange market in the Specified Currency Jurisdiction becomes illiquid after the Issue Date and, as a result of which, the Issuer cannot obtain sufficient Specified Currency in order to satisfy its obligation to pay any amount in respect of the Notes as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation (if practicable) with two Reference Dealers;

**"Inconvertibility"** means the occurrence of any event after the Issue Date that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the foreign exchange market in the Specified Currency Jurisdiction, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

**"Non transferability"** means the occurrence of any event after the Issue Date that makes it impossible for the Issuer to transfer any Specified Currency between accounts inside the Specified Currency Jurisdiction or from an account inside the Specified Currency Jurisdiction to an account outside the Specified Currency Jurisdiction or from an account outside the Specified Currency Jurisdiction to an account inside the Specified Currency Jurisdiction, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

**"Reference Currency"** and **"Reference Currency Jurisdiction"** have the respective meanings given to them in the relevant Pricing Supplement;

**"Reference Dealers"** means leading dealers in the relevant foreign exchange market, as determined by the Calculation Agent in its sole and absolute discretion; and

**"Specified Currency"** and **"Specified Currency Jurisdiction"** have the respective meanings given to them in the relevant Pricing Supplement.

- B **"Non-deliverability of Specified Currency"** at the time any payment of principal, premium, interest and/or additional or other amounts, if any, in respect of the Notes is due (each a

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

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

**C** ***Screen Rate Unavailability***

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

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

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

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

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

(a) **Definitions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**"Reference Level"** means, unless otherwise specified in the relevant Pricing Supplement (a) in respect of an Index and an Averaging Date, the level of such Index as determined by the Calculation Agent as of the Valuation Time on the Exchange on such Averaging Date and (b) in respect of a Multiple Exchange Index and an Averaging Date, the official closing level of such Multiple Exchange Index on such Averaging Date as calculated and published by the Index Sponsor;

**"Reference Price"** means, unless otherwise specified in the relevant Pricing Supplement, in respect of a Security and an Averaging Date, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the Exchange on such Averaging Date;

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

**"Residual Amount"** means, in relation to a Noteholder and a Note, the fraction of a Security rounded down pursuant to Condition 20(b), as determined by the Calculation Agent or such amount as otherwise specified in the relevant Pricing Supplement;

**"Residual Cash Amount"** means, in respect of a Residual Amount, the product of such Residual Amount and the fraction of which the numerator is the Final Price and the denominator is the Strike Price;

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

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

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

**"Securities"** means, in relation to a Series of Notes, the equity securities, debt securities (including without limitation Government Bonds), depositary receipts or other securities or property, as adjusted pursuant to this Condition 20, to which such Notes relate, as specified in the relevant Pricing Supplement and **"Security"** shall be construed accordingly;

**"Securities Transfer Amount"** means the number of Securities per Note as specified in the relevant Pricing Supplement or if no such number is so specified, the number of Securities per Note calculated by the Calculation Agent and equal to the fraction of which the numerator is the Denomination and the denominator is the Strike Price;

**"Settlement Cycle"** means, in respect of a Security or an Index, the period of Clearing System Business Days following a trade in the relevant Security or the securities underlying such Index, as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period);

**"Settlement Date"** means, in relation to Securities to be delivered in respect of an Equity-Linked Note (a) in the case of Equity-Linked Notes which relate to equity securities and unless otherwise specified in the relevant Pricing Supplement, the later of (i) the Maturity Date and (ii) the date that falls one Settlement Cycle after the Exchange Business Day following the Valuation Date (the **"Notional Sale Date"**) (or if such day is not a Clearing System Business Day, the next following Clearing System Business Day) subject to the provisions of Condition 20(b) or, (b) in any other case, and unless otherwise specified in the relevant Pricing Supplement, the date specified as such in the relevant Pricing Supplement, subject to adjustment in accordance with the Following Business Day Convention unless another Business Day Convention (as defined in Condition 19) is specified in the relevant Pricing Supplement. In each case, if a Settlement Disruption Event prevents delivery of such Securities on that day, then the Settlement Date shall be determined in accordance with Condition 20(b)(ii);

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

**"Strike Date"** means the date specified as such in the relevant Pricing Supplement;

**"Strike Price"** has the meaning ascribed thereto in the relevant Pricing Supplement;

**"Successor Index"** has the meaning given in Condition 20(d);

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

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

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

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

- (i) specify the name and address of the Noteholder;
- (ii) specify the number of Notes in respect of which it is the Noteholder;
- (iii) specify the number of the Noteholder's account at Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system, as the case may be, to be debited with such Notes;
- (iv) irrevocably instruct and authorise Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system, as the case may be, (A) to debit the

Noteholder's account with such Notes on the Settlement Date, if physical delivery applies, or otherwise on the Maturity Date and (B) that no further transfers of the Notes specified in the Transfer Notice may be made;

- (v) contain a representation and warranty from the Noteholder to the effect that the Notes to which the Transfer Notice relates are free from all liens, charges, encumbrances and other third party rights;
- (vi) specify the number and account name of the account at the Clearing System to be credited with the Securities if physical delivery applies;
- (vii) contain an irrevocable undertaking to pay the Transfer Expenses (if any) and an irrevocable instruction to Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system, as the case may be, to debit on or after the Settlement Date the cash or other account of the Noteholder with Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system, as the case may be, specified in the Transfer Notice with such Transfer Expenses;
- (viii) include a certificate of non-US beneficial ownership in the form required by the Issuer; and
- (ix) authorise the production of the Transfer Notice in any applicable administrative or legal proceedings;

**"Underlying Company"** means the issuer of the Security as specified in the relevant Pricing Supplement and, if the Notes are DR Linked Notes, each of the Depositary and the issuer of the relevant Underlying Security, in each case subject to adjustment in accordance with Condition 20(g);

**"Underlying Index"**, in relation to a Fund, has the meaning given to it in the relevant Pricing Supplement;

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

**"Unit"**, in relation to a Fund, has the meaning given to it in the relevant Pricing Supplement;

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

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

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

**"Worst Performing Index"** means, with respect to the Valuation Date, the Index which gives rise to the lowest percentage as determined by the Calculation Agent in accordance with the formula that is set out in the relevant Pricing Supplement; and

**"Worst Performing Security"** means, in respect of a Valuation Date, the Security which gives rise to the lowest percentage as determined by the Calculation Agent in accordance with the formula that is set out in the relevant Pricing Supplement.

(b) ***Physical Delivery***

In relation to Equity-Linked Notes which are to be redeemed by the delivery of a Securities Transfer Amount, and subject to the other provisions of these Conditions and the relevant Pricing Supplement:

- (i)
- (A) Each Noteholder shall, on or before the date five calendar days before the Maturity Date (or such earlier date as the Issuer shall determine is necessary for the Issuer, the Paying Agents, Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system to perform their respective obligations in relation to the Notes and notify to the Paying Agents and the Noteholders) send to Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system, as the case may be, in accordance with its then applicable operating procedures, and copied to the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent, a duly completed Transfer Notice.
  - (B) A Transfer Notice, once delivered to Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system, shall be irrevocable and may not be withdrawn without the consent in writing of the Issuer. A Noteholder may not transfer any Note which is the subject of a Transfer Notice following delivery of such Transfer Notice to Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system. A Transfer Notice shall only be valid to the extent that Euroclear, Clearstream, Luxembourg, CMU, DTC and/or any other relevant clearing system have not received conflicting prior instructions in respect of the Notes which are the subject of the Transfer Notice.
  - (C) Failure properly to complete and deliver a Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided shall be made by the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent and shall be conclusive and binding on the Issuer and the Noteholder.
  - (D) The Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent shall promptly on the local banking day following receipt of a Transfer Notice send a copy thereof to the Issuer or such person as the Issuer may previously have specified.
  - (E) Delivery of the Securities will be via the relevant Clearing System. The delivery or transfer of Securities to each Noteholder is at the relevant Noteholder's risk and if delivery occurs later than the earliest possible date for delivery, no additional amounts will be payable by the Issuer.
  - (F) the Issuer shall discharge its obligation to redeem the relevant proportion of the Notes by delivering, or procuring the delivery of, the Securities Transfer Amount on the Settlement Date to the Clearing System for credit to the account with the Clearing System specified in the Transfer Notice of the relevant Noteholder.
  - (G) The amount of Securities to be delivered to or for the account of each Noteholder shall be an amount of Securities equal to the number of Notes in respect of which such Noteholder is the holder as specified in the relevant Transfer Notice multiplied by the Securities Transfer Amount **provided, however, that** if a Noteholder would become entitled to a number of Securities

which is not equal to a board lot of the Securities at such time, as determined by the Calculation Agent, or an integral multiple thereof, then the Noteholder's entitlement to delivery of Securities shall be rounded down to the nearest whole Security.

- (H) In relation to each Noteholder, the Calculation Agent shall calculate the Residual Amount and the Residual Cash Amount. The Residual Cash Amount shall be paid by the Issuer to the relevant Noteholder on the Settlement Date.
  - (I) Each Noteholder shall be required as a condition of its entitlement to delivery of Securities in respect of any Notes to pay all Transfer Expenses in respect of such Notes.
  - (J) After delivery to or for the account of a Noteholder of the relevant Securities Transfer Amount and for such period of time as the transferor or its agent or nominee shall continue to be registered in any clearing system as the owner of the Securities comprised in such Securities Transfer Amount (the "**Intervening Period**"), none of such transferor or any agent or nominee for the Issuer or such transferor shall (i) be under any obligation to deliver to such Noteholder or any other person any letter, certificate, notice, circular, dividend or any other document or payment whatsoever received by the Issuer or such transferor, agent or nominee in its capacity as holder of such Securities, (ii) be under any obligation to exercise any rights (including voting rights) attaching to such Securities during the Intervening Period, or (iii) be under any liability to such Noteholder or any other person in respect of any loss or damage which the Noteholder or any other person may sustain or suffer as a result, whether directly or indirectly, of the Issuer or such transferor, agent or nominee being registered in such clearing system during such Intervening Period as legal owner of such Securities.
  - (L) All dividends on Securities to be delivered will be payable to the party that would receive such dividends according to market practice for a sale of the Securities executed on the Notional Sale Date to be delivered in the same manner as such Securities. Any such dividends will be paid to or for credit to the account specified by the Noteholder in the relevant Transfer Notice. No right to dividends on the Securities will accrue to Noteholders prior to the Notional Sale Date.
- (ii) the Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Securities on the original day that but for such Settlement Disruption Event would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which delivery of such Securities can take place through the relevant Clearing System unless a Settlement Disruption Event prevents settlement on each of the eight relevant Clearing System Business Days immediately following the original date (or during such other period (the "**Disruption Period**") specified in the relevant Pricing Supplement) that, but for the Settlement Disruption Event, would have been the Settlement Date. In that case, if the Securities are debt securities, the Issuer shall use reasonable efforts to deliver such Securities promptly thereafter in a commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) outside the Clearing System and in all other cases (a) if such Securities can be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be the first Business Day on which settlement of a sale of Securities executed on that eighth relevant Clearing System Business Day, or during such other period specified in the relevant Pricing Supplement, customarily would take place using such other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) of delivery (which other manner of delivery will be deemed the relevant Clearing System for the purposes of delivery of the relevant Securities), and (b) if such Securities cannot be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its

sole and absolute discretion), then the Settlement Date will be postponed until delivery can be effected through the relevant Clearing System or in any other commercially reasonable manner.

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

- (iii) if the Calculation Agent determines, in its sole and absolute discretion, that a Delivery Disruption Event has occurred, it shall notify the Issuer who shall promptly notify the relevant Noteholder(s) and the Issuer may then:
  - (A) determine, in its sole and absolute discretion, that the obligation to deliver the relevant Securities Transfer Amount will be terminated and the Issuer will pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the Securities Transfer Amount, in which event the entitlements of the respective Noteholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount; or
  - (B) deliver on the Settlement Date such amount of the Securities Transfer Amount (if any) as it can deliver on that date and pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the remainder of the Securities Transfer Amount, in which event the entitlements of the respective Noteholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount.

Where this Condition 20(b)(iii) fails to be applied, insofar as the Calculation Agent determines in its sole and absolute discretion to be practical, the same shall be applied as between the Noteholders on a *pro rata* basis, but subject to such rounding down (whether of the amount of a payment or of a number of Securities to be delivered) and also to such other adjustments as the Calculation Agent determines, in its sole and absolute discretion, to be appropriate to give practical effect to such provisions.

(c) ***Automatic Early Redemption***

This Condition 20(c) is applicable only to Automatic Early Redemption Notes.

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

As used herein:

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

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



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

**"Automatic Early Redemption Level"** means the level of the Index specified as such or otherwise determined in the relevant Pricing Supplement;

**"Automatic Early Redemption Price"** means the price per Security specified as such or otherwise determined in the relevant Pricing Supplement;

**"Automatic Early Redemption Rate"** means, in respect of any Automatic Early Redemption Date, the rate specified as such in the relevant Pricing Supplement; and

**"Automatic Early Redemption Valuation Date(s)"** means each of the date(s) specified as such in the relevant Pricing Supplement or, if any such date is not a Scheduled Trading Day, the next following Scheduled Trading Day, subject to the provisions of Condition 20(e)(i) which shall apply as if such Automatic Early Redemption Valuation Date were a Valuation Date.

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

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

For the purposes hereof:

**"Knock-in Determination Day"** means each Scheduled Trading Day during the Knock-in Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-in Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-in Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-in Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-in Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is also a Disrupted Day in accordance with the provisions of Condition 20(e)(i)(A), (B) or (C), as the case may be;

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

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

**"Knock-in Level"** means the level of the Index specified as such or otherwise determined in the relevant Pricing Supplement;

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

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

**"Knock-in Price"** means the price per Security specified as such or otherwise determined in the relevant Pricing Supplement; and

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

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

For the purposes hereof:

**"Knock-out Determination Day"** means each Scheduled Trading Day during the Knock-out Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-out Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-out Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-out Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-out Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is a Disrupted Day in accordance with the provisions of Condition 20(e)(i)(A), (B) or (C), as the case may be;

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

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

**"Knock-out Level"** means the level of the Index specified as such or otherwise determined in the relevant Pricing Supplement;

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

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

**"Knock-out Price"** means the price per Security specified as such or otherwise determined in the relevant Pricing Supplement; and

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

(e) ***Consequences of Disrupted Days***

For the purposes of this Condition 20(e) "**Limit Valuation Date**" shall mean, if any Valuation Date in respect of a Note is a Disrupted Day, the eighth Scheduled Trading Day following such Valuation Date, notwithstanding the Market Disruption Event, **provided that**:

- (i) if, as a result of the foregoing, the Valuation Date would be deemed to fall less than five local banking days prior to the Maturity Date, a relevant Interest Payment Date or (as the case may be) any due date for payment of any amount due in respect of such Note, the Limit Valuation Date shall be deemed to fall on the day which is five local banking days prior to the Maturity Date, such Interest Payment Date or (as the case may be) due date for payment of any amount due in respect of such Note or, if such local banking day is not a Scheduled Trading Day, the immediately preceding Scheduled Trading Day; and
- (ii) if the Scheduled Valuation Date falls on a day which is five local banking days or less prior to the Maturity Date, a relevant Interest Payment Date or (as the case may be) any due date for payment of any amount due in respect of such Note, the Limit Valuation Date shall be deemed to be such Scheduled Valuation Date,

in each case notwithstanding the fact that such day is a Disrupted Day.

- (iii) If any Valuation Date is a Disrupted Day, then:
  - (A) in the case of an Equity-Linked Note, a Cash Equity Note or an Index-Linked Note which, in each case, relates to a single Security or Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, **provided that** the Valuation Date shall not fall after the Limit Valuation Date. In that case:
    - (1) in respect of an Index-Linked Note, the Calculation Agent shall determine in its absolute discretion that either:
      - (aa) the Valuation Date shall be the Limit Valuation Date; or
      - (bb) the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event,

and, in the case of (aa) above, the Calculation Agent shall determine the level of the Index as of the Valuation Time on the Limit Valuation Date determined in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the Limit Valuation Date of each security or other property comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or other property on the Limit Valuation Date, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on the Limit Valuation Date); and
    - (2) in respect of an Equity-Linked Note or a Cash Equity Note, the Limit Valuation Date shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and the Calculation Agent shall determine its good faith estimate of the value for the relevant Security as of the Valuation Time on that Limit Valuation Date;
  - (B) in the case of an Index-Linked Note which relates to a basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index, unless each of the succeeding Scheduled Trading Days up to and

including the Limit Valuation Date is a Disrupted Day relating to that Index. In that case, the Calculation Agent shall determine in its absolute discretion that either:

- (1) the Limit Valuation Date shall be the Valuation Date for the relevant Index notwithstanding the fact that such day is Disrupted Day relating to that Index; or
- (2) the Valuation Date shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index,

and, in the case of (1) above, the Calculation Agent shall determine, in its sole and absolute discretion, the level of that Index, as of the Valuation Time on the Limit Valuation Date in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the Limit Valuation Date of each security or other property comprised in the relevant Index (or, if an event giving rise to a Disrupted Day has occurred in respect to the relevant security or other property on the Limit Valuation Date, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on the Limit Valuation Date); and

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

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

- (A) The Final Price or Final Index Level will be, in relation to any Valuation Date:

- (1) in respect of an Index-Linked or an Equity-Linked Note settled by way of Cash Settlement or a Cash Equity Note which, in each case, relates to a single Security or Index (as the case may be), the arithmetic mean of the Reference Price of the Security or (as the case may be) of the Reference Level of the Index on each Averaging Date;
- (2) in respect of an Index-Linked Note settled by way of Cash Settlement or a Cash Equity Note which, in each case, relates to a basket of indices, the arithmetic mean of the amounts for such basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Pricing Supplement as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Final Index Level is so provided, the arithmetic mean of the amounts for such basket calculated on each Averaging Date as the sum of the Reference Level of each Index comprised in such basket (weighted or adjusted in relation to each Index as provided in the relevant Pricing Supplement); and

- (3) in respect of an Equity-Linked Note settled by way of Cash Settlement or a Cash Equity Note which relates to a basket of Securities, the arithmetic mean of the prices for such basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Pricing Supplement as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Final Price is so provided, the arithmetic mean of the prices for such basket calculated on each Averaging Date as the sum of the values calculated for the Securities of each Underlying Company as the product of (aa) the Reference Price of such Security and (bb) the number of such Securities comprised in such basket (weighted or adjusted in relation to each Security as provided in the relevant Pricing Supplement).
- (B) If any Averaging Date is a Disrupted Day, then, if the consequence specified in the relevant Pricing Supplement in relation to "**Averaging Date Market Disruption**" is:
- (1) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Final Price or Final Index Level, as applicable, **provided that**, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 20(e)(i) will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such final Averaging Date were a Valuation Date that was a Disrupted Day. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Maturity Date or any early redemption date in accordance with the Conditions or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date;
  - (2) "**Postponement**", then Condition 20(e)(i) will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the relevant Notes. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Maturity Date or any early redemption date in accordance with the Conditions or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date; or
  - (3) "**Modified Postponement**", then:
    - (aa) in the case of an Index-Linked Note or an Equity-Linked Note or a Cash Equity Note which relates to a single Index or Security, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the Limit Valuation Date immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date (the "**Scheduled Final Averaging Date**") in relation to the relevant Scheduled Valuation Date, then:

- (i) in respect of an Index-Linked Note, the Calculation Agent shall determine in its absolute discretion that either:
    - (a) the Limit Valuation Date shall be deemed to be the Averaging Date, (irrespective of whether that Limit Valuation Date is already an Averaging Date); or
    - (b) the Averaging Date shall be the first succeeding Valid Date,and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 20(e)(iii)(A)(1); and
  - (ii) in respect of an Equity-Linked Note or a Cash Equity Note, the Limit Valuation Date shall be the Averaging Date (irrespective of whether the Limit Valuation Date is already an Averaging Date), and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant price for that Averaging Date in accordance with Condition 20(e)(iii)(A)(2); and
- (bb) in the case of an Index-Linked Note, an Equity-Linked Note or a Cash Equity Note which relates to a basket of Indices or Securities, the Averaging Date for each Index or Security not affected by the occurrence of a Disrupted Day shall be the day specified in the relevant Pricing Supplement as an Averaging Date in relation to the relevant Valuation Date (the "**Scheduled Averaging Date**") and the Averaging Date for an Index or Security affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Index or Security. If the first succeeding Valid Date in relation to such Index or Security has not occurred as of the Valuation Time on the Limit Valuation Date immediately following the Scheduled Final Averaging Date, then:
- (i) in respect of an Index-Linked Note, the Calculation Agent shall determine in its absolute discretion that either:
    - (a) the Limit Valuation Date shall be deemed to be the Averaging Date, (irrespective of whether that Limit Valuation Date is already an Averaging Date) in relation to such Index; or
    - (b) the Averaging Date shall be the first succeeding Valid Date,and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 20(e)(i)(B); and
  - (ii) in respect of an Equity-Linked Note or a Cash Equity Note, the Limit Valuation Date shall be the Averaging Date (irrespective of whether that Limit Valuation Date is already an Averaging Date) in relation to such Security, and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant amount

for that Averaging Date in accordance with Condition 20(e)(iii)(C).

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

- (C) If (1) on or prior to any Averaging Date, in respect of an Index-Linked Note, an Index Modification, Index Cancellation or Index Disruption (each as defined in Condition 20(f)(ii)) occurs, or (2) on any Averaging Date in respect of an Index-Linked Note an Index Disruption Event occurs, then the Calculation Agent shall determine, in its sole and absolute discretion, the Final Index Level using, in lieu of a published level of the relevant Index, the level for that Index as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities that comprised that Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on any relevant Exchange).

(f) *Adjustments to Indices*

This Condition 20(f) is applicable only in relation to Index-Linked Notes.

(i) *Successor Index*

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

(ii) *Index Adjustment Events*

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

(iii) *Correction of Index Levels*

If the level of an Index published by the Index Sponsor at any time and used or to be used by the Calculation Agent for any calculation or determination under the Notes is subsequently corrected and the correction is published by the Index Sponsor within one Settlement Cycle after the original publication, the Calculation Agent will make such

adjustment as it in its sole and absolute discretion determines to be appropriate, if any, to the settlement or payment terms of the Notes to account for such correction **provided that** if any amount has been paid in an amount which exceeds the amount that would have been payable if the correction had been taken into account, no further amount in an amount at least equal to the excess is payable in respect of the Notes and the Calculation Agent determines that it is not practicable to make such an adjustment to account fully for such correction, the Issuer shall be entitled to reimbursement of the relevant excess payment (or, as the case may be, the proportion thereof not accounted for by an adjustment made by the Calculation Agent) by the relevant Noteholder, together with interest on that amount for the period from and including the day on which payment was originally made to (but excluding) the day of payment of reimbursement by the Noteholder (all as calculated by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall determine.

(g) *Adjustments and Events affecting Securities*

This Condition 20(g) is applicable only in relation to Equity-Linked Notes and Cash Equity Notes.

(i) *Potential Adjustment Events*

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

(ii) *Extraordinary Events*

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



(iii) *Conversion*

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

(iv) *Correction of Prices*

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

(h) *Additional Disruption Events*

Following the occurrence of any Additional Disruption Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the formula for the final redemption amount set out in the relevant Pricing Supplement, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion. If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute

discretion and the entitlements of the relevant Noteholders to receive the relevant Securities Transfer Amount or final redemption amount (or any other payment to be made by the Issuer), as the case may be, shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Notes.

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

- (i) "**Change in Law**" means that, on or after the Issue Date, (A) due to the adoption of or any change in any applicable law or regulation (including without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (x) it has become illegal for the Issuer to hold, acquire or dispose of Securities relating to such Notes, (y) it has become illegal for the Issuer to hold, acquire, purchase, sell or maintain one or more (i) positions or contracts in respect of any securities, options, futures, derivatives or foreign exchange in relation to such Notes, (ii) stock loan transactions in relation to such Notes or (iii) other instruments or arrangements (howsoever described) held by the Issuer in order to hedge, individually or on a portfolio basis, such Notes or (z) the Issuer will incur a materially increased cost in performing its obligations under the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);
- (ii) "**Failure to Deliver**" means the failure of a party to deliver, when due, the relevant Securities in respect of the Notes, where such failure is due to illiquidity in the market for such Securities;
- (iii) "**Insolvency Filing**" means that the issuer of the Securities institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such petition, **provided that** proceedings instituted or petitions presented by creditors and not consented to by the issuer of the Securities shall not be deemed an Insolvency Filing;
- (iv) "**Hedging Disruption**" means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of issuing and performing its obligations with respect to the Notes or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s); and
- (v) "**Increased Cost of Hedging**" means that the Issuer would incur a materially increased costs (as compared with circumstances existing on the Issue Date), amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), **provided that** any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging.

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

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

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

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

For the purposes hereof:

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

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

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

(j) ***Other Adjustments***

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

(k) ***Adjustments where the Securities are Units in a Fund***

Where the Securities are specified in the relevant Pricing Supplement as being Units in a Fund, in the case of the occurrence at any time on or prior to the Valuation Date of any Extraordinary Event affecting the Fund or the value of the Units, the Calculation Agent may make any adjustment as provided in the preceding provisions of this Condition 20 or:

- (i) if the Calculation Agent determines that no adjustment that it could make under the preceding provisions of this Condition 20 would produce a commercially reasonable result:
  - (A) the Calculation Agent will use commercially reasonable efforts to identify a new underlying asset with characteristics, investment objectives and policies similar to those in effect for the Affected Units immediately prior to the occurrence of the relevant Extraordinary Event and any substitution of the new underlying asset for the Affected Units shall be effected at such time and in such manner as determined by the Calculation Agent in its sole and absolute discretion; and
  - (B) if necessary, the Calculation Agent will adjust any relevant terms, including, but not limited to, adjustments to account for changes in volatility, investment strategy or liquidity relevant to the Units or the Notes; or
- (ii) if the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Noteholders to receive the relevant Securities Transfer Amount or final redemption amount, as the case may be, shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of an amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Notes.

In this Condition 20(k) "**Affected Unit(s)**" means each Unit subject to an applicable Extraordinary Event.

**ADDITIONAL TERMS AND CONDITIONS RELATING TO CREDIT-LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

The section headed "*Terms and Conditions of the Notes*" of this Information Memorandum shall be supplemented and modified by the following "*Additional Terms and Conditions relating to Credit-Linked Notes (2014 ISDA Credit Derivatives Definitions Version)*" (the "**Credit Linked Conditions**" and, together with the Terms and Conditions of the Notes, the "**Base Conditions**") in respect of any issue of Credit-Linked Notes as amended or supplemented by the terms of each Tranche of Notes set out in the Pricing Supplement (the "**Pricing Supplement**") for which "Additional Terms and Conditions relating to Credit-Linked Notes (2014 ISDA Credit Derivatives Definitions Version)" is specified as applicable therein.

In the event of any inconsistency between the "*Terms and Conditions of the Notes*" and the "*Additional Terms and Conditions relating to Credit-Linked Notes (2014 ISDA Credit Derivatives Definitions Version)*", such "*Additional Terms and Conditions relating to Credit-Linked Notes (2014 ISDA Credit Derivatives Definitions Version)*" shall prevail and the "*Terms and Conditions of the Notes*" shall be amended accordingly.

Unless otherwise stated in these Credit Linked Conditions or in the relevant Pricing Supplement, in the event that any day specified in the section "Credit Linked Redemption" in the relevant Pricing Supplement or the last day of any period calculated by reference to calendar days falls on a day that is not a Business Day, such day or last day shall be subject to adjustment in accordance with the applicable Business Day Convention.

In the case of Credit Linked Notes for which more than one Reference Entity is specified in the relevant Pricing Supplement, all references to "the Reference Entity" herein shall be construed to refer to the Reference Entity in respect of which the relevant determination falls to be made at any relevant time and all related provisions and determinations will be construed accordingly. In addition, where an event, date, determination or circumstance relates to a Reference Entity, only those Business Centre(s) specified in relation to that Reference Entity will be deemed to apply for the purposes of the definition of "Business Day" in relation thereto and otherwise all of the Business Centre(s) specified in the relevant Pricing Supplement (including those for all Reference Entities) will apply for the purposes of the definition of "Business Day".

For the avoidance of doubt no Credit Linked Notes will be considered frustrated, or otherwise void or voidable (whether for mistake or otherwise) solely because:

- (a) any relevant Reference Entity does not exist on, or ceases to exist on or following, the Trade Date; and/or
- (b) Obligations, Deliverable Obligations, Valuation Obligations or the Reference Obligation do not exist on, or cease to exist on or following, the Trade Date.

Credit Linked Notes may take the form of Single Reference Entity Credit Linked Notes (which may be Leveraged Credit Linked Notes) or Basket Credit Linked Notes. The Settlement Method for Single Reference Entity Credit Linked Notes which are not Leveraged Credit Linked Notes may be Auction Settlement or Physical Settlement and the Settlement Method for Single Reference Entity Credit Linked Notes which are Leveraged Credit Linked Notes will be Auction Settlement. The Settlement Method for Basket Credit Linked Notes will be Auction Settlement and either Credit Payment on Maturity or Credit Payment As You Go will apply. The relevant Pricing Supplement shall specify, amongst other things:

- (a) the type of Credit Linked Notes;

- (b) the Settlement Method and (in the case of Basket Credit Linked Notes) whether Credit Payment on Maturity or Credit Payment As You Go will apply;
- (c) the Reference Entity or Reference Entities in respect of which a Credit Event may occur;
- (d) the Reference Obligation(s) (if any) in respect of each Reference Entity;
- (e) the Trade Date and the Scheduled Maturity Date; and
- (f) the Reference Entity Notional Amount in respect of each Reference Entity.

**1. Redemption of Credit Linked Notes**

- (a) Unless previously redeemed or purchased and cancelled and subject as provided in Credit Linked Condition 2, Credit Linked Condition 3, Credit Linked Condition 4 and Credit Linked Condition 5 and, in the case of Leveraged Credit Linked Notes, provided that no Trigger Event Option Notice has been delivered (unless, if a Trigger Event Option Notice has been delivered, an Additional Note Issuance has also occurred), the Issuer shall redeem each Credit Linked Note on the Maturity Date by payment of the final redemption amount set out in the relevant Pricing Supplement. The final redemption amount will be rounded to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards).

In the case of Instalment Notes, subject as provided in Credit Linked Condition 2, Credit Linked Condition 3 or Credit Linked Condition 4, as applicable, the Issuer shall redeem each Credit Linked Note in such number of instalments and in such amounts ("**Instalment Amounts**") as may be specified in, or determined herein or in accordance with the provisions of, the relevant Pricing Supplement.

If a Credit Event Determination Date has occurred in respect of any Reference Entity, provided, in the case of Leveraged Credit Linked Notes, that no Trigger Event Option Notice has been delivered (unless, if a Trigger Event Option Notice has been delivered, an Additional Note Issuance has also occurred), the Issuer shall redeem each Credit Linked Note as described below.

If a Trigger Event Option Notice has been delivered in the case of Leveraged Credit Linked Notes (and no Additional Note Issuance has also occurred), the Issuer shall redeem each Credit Linked Note as described below.

References in these Credit Linked Conditions to a Credit Linked Note or Note are to a principal amount of Credit Linked Notes equal to the Calculation Amount. Any payment of a "*pro rata*" amount in respect of a Note will be determined by reference to its principal amount relative to the then aggregate principal amount of Notes. For the avoidance of doubt, Condition 6(a) will not apply.

- (b) Where the Notes are Single Reference Entity Credit Linked Notes, if a Credit Event Determination Date has occurred in relation to the Reference Entity, then the Notes will be settled in accordance with Credit Linked Condition 2, Credit Linked Condition 3 or Credit Linked Condition 4, as applicable.
- (c) Where the Notes are Basket Credit Linked Notes, if a Credit Event Determination Date has occurred in respect of any specified Reference Entity, then the provisions of Credit Linked Condition 5 will apply.

- (d) Where any Credit Event Redemption Amount is or would be zero then, other than for the payment of accrued interest or any other due but unpaid amounts, the Notes will be cancelled as of the Credit Event Redemption Date with no payment being due other than any final amount of accrued interest or any other due but unpaid amounts. The Issuer will have no further obligations in respect of the Credit Linked Notes.
- (e) Where the Notes are Leveraged Credit Linked Notes, if a Trigger Event Option Notice is delivered (and no Additional Note Issuance has also occurred), then the Notes will be settled in accordance with Credit Linked Condition ¶13.
- (f) If any purchase and cancellation of Notes occurs under Condition 6(f) or any further issue under Condition 16, the Calculation Agent will make such adjustments to the relevant Pricing Supplement and/or these Credit Linked Conditions as it determines appropriate (including Reference Entity Notional Amounts) to ensure the Notes continue to reflect economic intentions.

## 2. Auction Settlement

- (a) Where (i) Auction Settlement is specified as the applicable Settlement Method in the relevant Pricing Supplement for Single Name Credit Linked Notes and a Credit Event Determination Date occurs on or prior to the Auction Final Price Determination Date or (ii) Credit Linked Condition 4(b) applies and the Issuer does not give a Notice of Physical Settlement, the Issuer shall give notice (such notice an "**Auction Settlement Notice**") to the Noteholders in accordance with Condition 14 (*Notices*), and, subject to these Credit Linked Conditions, in particular Credit Linked Condition ¶1, redeem all but not some only of the Credit Linked Notes, each Credit Linked Note being redeemed by the Issuer at the Credit Event Redemption Amount on the Credit Event Redemption Date. Any delay in the delivery of an Auction Settlement Notice or failure by the Issuer to deliver an Auction Settlement Notice shall not affect the validity of a Credit Event Determination Date.
- (b) Unless settlement has occurred in accordance with the paragraph above, if:
  - (i) an Auction Cancellation Date occurs;
  - (ii) a No Auction Announcement Date occurs (and in circumstances where such No Auction Announcement Date occurs pursuant to paragraphs (b) or (c)(ii) of the definition of No Auction Announcement Date, the Issuer has not exercised the Movement Option);
  - (iii) a DC Credit Event Question Dismissal occurs;
  - (iv) a Credit Event Determination Date was determined pursuant to paragraph (a)(i) of the definition of Credit Event Determination Date or paragraph (a) of the definition of Non-Standard Credit Event Determination Date and no Credit Event Resolution Request Date has occurred on or prior to the date falling three Business Days after such Credit Event Determination Date; or
  - (v) the Calculation Agent determines that it is otherwise reasonably likely that the Reference Transaction would be settled in accordance with the Fallback Settlement Method and gives notice of such to the Issuer (the date on which the Calculation Agent gives such notice, the "**Calculation Agent Fallback Settlement Determination Date**"),

then the Issuer shall redeem the Credit Linked Notes in accordance with Credit Linked Condition 2 below.

*If a Credit Event Determination Date has occurred and the Notes become redeemable in accordance with this Credit Linked Condition 2, upon payment of the Credit Event Redemption Amounts in respect of the Notes, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the principal amount of a Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.*

### 3. Cash Settlement

If a Credit Event Determination Date has occurred and Credit Linked Condition 2(b) above applies, the Issuer shall give notice (such notice a "**Cash Settlement Notice**") to the Noteholders in accordance with Condition 14 (*Notices*), and, subject to these Credit Linked Conditions, in particular Credit Linked Condition 1, redeem all but not some only of the Credit Linked Notes, each Credit Linked Note being redeemed by the Issuer at the Credit Event Redemption Amount on the Credit Event Redemption Date. Any delay in the delivery of a Cash Settlement Notice or failure by the Issuer to deliver a Cash Settlement Notice shall not affect the validity of a Credit Event Determination Date.

*If a Credit Event Determination Date has occurred and the Notes become redeemable in accordance with this Credit Linked Condition 3, upon payment of the Credit Event Redemption Amounts in respect of the Notes, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the principal amount of a Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.*

### 4. Physical Settlement

- (a) A Series of Credit Linked Notes for which the Settlement Method is Physical Delivery may only comprise one Note and therefore be issued with a Specified Denomination and Calculation Amount equal to the Aggregate Principal Amount and these Credit Linked Conditions will be construed accordingly. Condition 16 shall not apply to such Credit Linked Notes.
- (b) If a Credit Event Determination Date has occurred, then where Physical Delivery is specified as the applicable Settlement Method in the relevant Pricing Supplement, the Issuer shall give notice (such notice a "**Notice of Physical Settlement**") to the Noteholders in accordance with Condition 14 (*Notices*), and, subject to these Credit Linked Conditions, in particular Credit Linked Condition 1, redeem each Credit Linked Note by the Delivery of the Deliverable Obligations comprising the Entitlement on or prior to the Credit Settlement Date, subject to and in accordance with the Conditions and these Credit Linked Conditions, unless in the determination of the Issuer in its sole and absolute discretion in its opinion (i) it would not have any Deliverable Obligations to so Deliver or (ii) all of the Deliverable Obligations would be Undeliverable Obligations, in which case the provisions of Credit Linked Condition 2 above shall apply as if Auction Settlement were thereafter the Settlement Method and these Credit Linked Conditions and the relevant Pricing Supplement will be construed accordingly and the Issuer shall redeem the Credit Linked Notes in accordance with Credit Linked Condition 2. Any delay in the delivery of a Notice of Physical Settlement or failure by



the Issuer to deliver a Notice of Physical Settlement shall not affect the validity of a Credit Event Determination Date.

The relevant Asset Package, if applicable, will be deemed to be a Deliverable Obligation and the composition of the Asset Package and the Entitlement in respect of each Credit Linked Note will be determined by reference to the relevant Prior Deliverable Obligation or Package Observable Bond specified in the relevant Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable. Where appropriate the Calculation Agent may make any adjustment in relation to provisions for physical delivery and determination of the Entitlement to take account of the relevant Asset Package.

In the Notice of Physical Settlement, the Issuer shall specify the Deliverable Obligations comprising the Entitlement that it reasonably expects to Deliver. For the avoidance of doubt, the Issuer shall be entitled to select any of the Deliverable Obligations to constitute the Entitlement, irrespective of their market value.

The Issuer may, from time to time, amend a Notice of Physical Settlement by delivering a notice to Noteholders in accordance with Condition 14 (*Notices*), (each such notification, a "**Physical Settlement Amendment Notice**") that the Issuer is replacing, in whole or in part, one or more Deliverable Obligations specified in the Notice of Physical Settlement or a prior Physical Settlement Amendment Notice, as applicable, (to the extent the relevant Deliverable Obligation has not been Delivered as of the date such Physical Settlement Amendment Notice is effective). A Physical Settlement Amendment Notice shall specify each replacement Deliverable Obligation that the Issuer will Deliver (each, a "**Replacement Deliverable Obligation**") and shall also specify the Outstanding Principal Balance or Due and Payable Amount (determined on the same basis as in the definition of Entitlement) of each Deliverable Obligation identified in the Notice of Physical Settlement or a prior Physical Settlement Amendment Notice, as applicable, that is being replaced or the equivalent Currency Amount of any such amount (with respect to each such Deliverable Obligation, the "**Replaced Deliverable Obligation Outstanding Amount**"). The Replacement Deliverable Obligation(s), taken together, shall have an aggregate Replaced Deliverable Obligation Outstanding Amount at least equal to the Outstanding Principal Balance(s) and/or Due and Payable Amount(s) (or the equivalent Currency Amount(s) of any such amount(s)) of the Deliverable Obligations being replaced. Each such Physical Settlement Amendment Notice must be effective on or prior to the Credit Settlement Date (determined without reference to any change resulting from such Physical Settlement Amendment Notice). Notwithstanding the foregoing, (i) the Issuer may correct any errors or inconsistencies contained in the Notice of Physical Settlement or any Physical Settlement Amendment Notice, as applicable, by notice to Noteholders in accordance with Condition 14 (*Notices*), prior to the relevant Delivery Date; and (ii) if Asset Package Delivery is applicable, the Issuer shall on the PSN Effective Date, or as soon as reasonably practicable thereafter (but in any case, prior to the Delivery Date), notify the Noteholders (in accordance with Condition 14 (*Notices*)) of the detailed description of the Asset Package, if any, that the Issuer will Deliver in lieu of the Prior Deliverable Obligation or Package Observable Bond, if any, specified in the Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable, it being understood in each case that any such notice shall not constitute a Physical Settlement Amendment Notice.

If "Mod R" is specified as applicable in the relevant Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice, then unless

the Deliverable Obligation falls within paragraph (e) of the definition thereof or the Deliverable Obligation is a Prior Deliverable Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Deliverable Obligation may be included in the Entitlement only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the applicable Restructuring Maturity Limitation Date, in each case, as of each such date as the Calculation Agent determines relevant for purposes of the Hedging Arrangements or, if none at the relevant time, both the PSN Effective Date and the Delivery Date.

If "Mod Mod R" is specified as applicable in the relevant Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice, then unless the Deliverable Obligation falls within paragraph (e) of the definition thereof or the Deliverable Obligation is a Prior Deliverable Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Deliverable Obligation may be included in the Entitlement only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date, in each case, as of each such date as the Calculation Agent determines relevant for purposes of the Hedging Arrangements or, if none at the relevant time, both the PSN Effective Date and the Delivery Date. For the purposes of this paragraph only and notwithstanding the foregoing, in the case of a Restructured Bond or Loan with a final maturity date on or prior to the 10-year Limitation Date, the final maturity date of such Bond or Loan shall be deemed to be the earlier of such final maturity date or the final maturity date of such Bond or Loan immediately prior to the relevant Restructuring.

Asset Package Delivery will apply if an Asset Package Credit Event occurs, unless (i) such Asset Package Credit Event occurs prior to the Credit Event Backstop Date determined in respect of the Credit Event specified in the Credit Event Notice or DC Credit Event Announcement applicable to the Credit Event Determination Date, or (ii) if the Reference Entity is a Sovereign, no Package Observable Bond exists immediately prior to such Asset Package Credit Event. Notwithstanding the foregoing, if Sovereign No Asset Package Delivery is specified as applicable in the relevant Pricing Supplement, it shall be deemed that no Package Observable Bond exists with respect to a Reference Entity that is a Sovereign (even if such a Package Observable Bond has been published by ISDA) and accordingly, Asset Package Delivery shall not apply thereto.

***If a Credit Event Determination Date has occurred and the Notes become redeemable in accordance with this Credit Linked Condition 4, upon Delivery of the Deliverable Obligations and/or payment of the Partial Cash Settlement Amounts, as the case may be, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The value of such Deliverable Obligations and/or the Partial Cash Settlement Amount, as the case may be, may be less than the principal amount of a Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.***

(c) Terms relating to Physical Delivery

(i) Asset Transfer Notices

In relation to a Credit Linked Note to be redeemed by Delivery of the Entitlement(s), in order to obtain Delivery of the Entitlement in respect of any Note, the relevant Noteholder must:

- (A) if such Note is in global form, deliver to the relevant Clearing System and (in the case of Registered Notes) the Registrar, with a copy to the Principal Paying Agent, the Issuer and any entity appointed by the Issuer to Deliver the Entitlement on its behalf (the "**Delivery Agent**") no later than the close of business in each place of reception on the Cut-off Date, a duly completed asset transfer notice (the "**Asset Transfer Notice**"); and
- (B) if such Note is in definitive form, deliver (i) if such Note is a Bearer Note, to any Paying Agent or (ii) if such Note is a Registered Note, to the Registrar or any Paying Agent, in each case, with a copy to the Principal Paying Agent, the Issuer and the Delivery Agent (as defined above) no later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice.

For the purposes hereof, "**Cut-Off Date**" means the date specified as such in the Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable.

A form of Asset Transfer Notice may be obtained during normal business hours from the specified office of the Registrar or any Paying Agent.

An Asset Transfer Notice may only be delivered (i) if such Note is in global form, in such manner as is acceptable to the relevant Clearing System or (ii) if such Note is in definitive form, in writing.

If a Note is in definitive form, it must be delivered together with the duly completed Asset Transfer Notice.

The Asset Transfer Notice shall:

- (1) specify the name, address and contact telephone number of the relevant Noteholder and the person from whom the Issuer or Delivery Agent may obtain details for the Delivery of the Entitlement;
- (2) specify the series number of the Notes;
- (3) in the case of a Note in global form, specify the number of the Noteholder's account at the relevant Clearing System to be debited with the Note and irrevocably instruct and authorise the relevant Clearing System to debit the relevant Noteholder's account with such Note on or before the Credit Settlement Date;
- (4) include an undertaking to pay all Expenses and, in the case of a Note in global form, an authority to the relevant Clearing System to debit a specified account of the Noteholder with the relevant Clearing System in respect thereof and to pay such Expenses;
- (5) include such details as are required for Delivery of the Entitlement which may include account details and/or the name and address of any person(s) into whose name evidence of the Entitlement is to be registered and/or any bank, broker or agent to whom documents evidencing the Entitlement are to be Delivered and/or any other Delivery instructions and specify the name and number of the Noteholder's account to be credited with any cash

payable by the Issuer, (including, where applicable, pursuant to Credit Linked Condition ¶11, in respect of any cash amount constituting the Entitlement); and

(6) authorise the production of such certification in any applicable administrative or legal proceedings,

all as provided therein.

(ii) Verification of the Noteholder

In the case of a Note in global form, upon receipt of an Asset Transfer Notice, the relevant Clearing System shall verify that the person delivering the Asset Transfer Notice is the holder of the Note described therein according to its records. Subject thereto, the relevant Clearing System will confirm to the Principal Paying Agent the series number of the Note the subject of such notice, the relevant account details and the details for the Delivery of the Entitlement of such Note. Upon receipt of such confirmation, the Principal Paying Agent will inform the Issuer and any Delivery Agent thereof. The relevant Clearing System will on or before the Credit Settlement Date debit the securities account of the relevant Noteholder with the relevant Note.

(iii) Determination and Delivery

Any determination as to whether an Asset Transfer Notice is duly completed and in proper form shall be made by the relevant Paying Agent or the Registrar, as the case may be, in each case in consultation with the Principal Paying Agent, and shall be conclusive and binding on the Issuer, the Principal Paying Agent, any Delivery Agent and the relevant Noteholder. Subject as set out below, any Asset Transfer Notice so determined to be incomplete or not in proper form, or which is not copied to the Principal Paying Agent, the Issuer and any Delivery Agent immediately after being delivered or sent as provided in paragraph (i) above, shall be null and void.

If such Asset Transfer Notice is subsequently corrected to the satisfaction of, in the case of Notes in global form, the relevant Clearing System, or, in the case of a Note in definitive form, by the relevant Paying Agent or the Registrar, as the case may be, in each case in consultation with the Principal Paying Agent, it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered as provided above.

The relevant Clearing System or the relevant Registrar or the Paying Agent, as applicable, shall use its reasonable efforts as soon as reasonably practicable to notify the Noteholder submitting an Asset Transfer Notice, if, in consultation with the Principal Paying Agent and the Issuer, it has determined that such Asset Transfer Notice is incomplete or not in proper form. In the absence of negligence or wilful misconduct on its part, none of the Issuer, the Paying Agents, the Registrar or the relevant Clearing System shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Noteholder.

No Asset Transfer Notice may be withdrawn after receipt thereof by the relevant Clearing System, the Registrar or a Paying Agent, as the case may be,

as provided above. After delivery of an Asset Transfer Notice, the relevant Noteholder may not transfer the Note which is the subject of such notice.

In relation to each Deliverable Obligation comprising an Entitlement the Issuer will Deliver or procure the Delivery of the relevant Deliverable Obligation on or prior to the Credit Settlement Date at the risk of the relevant Noteholder in the manner provided below and provided that the Asset Transfer Notice is duly delivered as provided above not later than the close of business in each place of reception on the Cut-Off Date, Provided That if all or some of the Deliverable Obligations included in such Entitlement are Undeliverable Obligations and/or Hedge Disruption Obligations as of the Credit Settlement Date, then the provisions of Credit Linked Condition ¶11 below will apply.

If a Noteholder fails to give an Asset Transfer Notice as provided herein with a copy to each relevant party prior to the close of business in each place of reception on the Cut-Off Date, then the Deliverable Obligations comprising the relevant Entitlement will be treated as Hedge Disruption Obligations and the provisions of Credit Linked Condition ¶11 below will apply.

The Issuer (or any Delivery Agent on its behalf) shall, at the risk of the relevant Noteholder, Deliver (or procure the Delivery) of the Entitlement for a Note, in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice or in such manner as is specified in the relevant Pricing Supplement. All Expenses shall be for the account of the relevant Noteholder and no Delivery of the Entitlement shall be made until all Expenses have been paid by the relevant Noteholder to the satisfaction of the Issuer.

(iv) General

The Entitlement will be rounded down to the nearest whole unit of the Deliverable Obligation or each of the Deliverable Obligations, as the case may be, in such manner as the Calculation Agent shall determine. Fractions of the Deliverable Obligation or of each of the Deliverable Obligations, as the case may be, will not be delivered and in lieu thereof a cash adjustment calculated by the Calculation Agent in its sole and absolute discretion shall be paid to the Noteholder.

For such period of time after Delivery of the Entitlement and for the Intervening Period, none of the Issuer, the Paying Agents, the Registrar, any Delivery Agent or any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Noteholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of the securities or obligations included in such Entitlement, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations or (iii) be under any liability to a Noteholder in respect of any loss or damage which such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations.

(d) Rights of Noteholders and Calculations

None of the Issuer, the Calculation Agent, any Delivery Agent and the Agents shall have any responsibility for any errors or omissions in any calculation or determination in respect of a Note.

The purchase of a Note does not confer on any holder of such Note any rights (whether in respect of voting, distributions or otherwise) attaching to any Deliverable Obligation.

**5. Redemption of Basket Credit Linked Notes following a Credit Event Determination Date**

- (a) If a Credit Event Determination Date has occurred in respect of any specified Reference Entity (i) the Issuer shall give notice in each case that a Credit Event Determination Date has occurred (such notice a "**Settlement Notice**") to the Noteholders in accordance with Condition 14 (*Notices*) and (ii) in respect of each Basket Credit Linked Note:
- (A) where the Notes are Basket Credit Linked Notes to which Credit Payment As You Go applies, the Issuer shall pay as an Instalment Amount for the purposes of Credit Linked Condition 1(a) above an amount equal to the relevant Credit Event Amount (for which purposes, subject as provided below, the Settlement Method shall apply), if any, on the relevant Credit Event Payment Date which will be the relevant Instalment Date;
- (B) for the avoidance of doubt, the interest calculation basis described in paragraph 1(b) below will continue to apply; and
- (C) where the Notes are Basket Credit Linked Notes to which Credit Payment As You Go applies, notwithstanding anything to the contrary herein, if on or prior to the Maturity Date the Adjusted Credit Outstanding Nominal Amount is equal to zero, each Credit Linked Note will be redeemed (together with accrued interest, if any) at the final Credit Event Amount on the final Credit Event Payment Date. If such final Credit Event Amount is zero then, other than for the payment of accrued interest or any other due but unpaid amounts, the Notes will be cancelled as of the final Credit Event Payment Date with no payment being due other than any final amount of accrued interest or any other due but unpaid amounts. The Issuer will have no further obligations in respect of the Credit Linked Notes.

Unless (x) in the case of Credit Linked Notes to which Credit Payment As You Go applies, settlement has occurred in accordance with part 1(A) above or (y) in the case of Credit Linked Notes to which Credit Payment on Maturity applies, the Notes have been redeemed at final redemption amount on the Maturity Date, if:

- (i) an Auction Cancellation Date occurs;
- (ii) a No Auction Announcement Date occurs (and in circumstances where such No Auction Announcement Date occurs pursuant to paragraphs (b) or (c)(ii) of the definition of No Auction Announcement Date, the Issuer has not exercised the Movement Option);
- (iii) a DC Credit Event Question Dismissal occurs;
- (iv) a Credit Event Determination Date was determined pursuant to paragraph (a)(i) of the definition of Credit Event Determination Date or paragraph (a) of the definition of Non-Standard Credit Event Determination Date and no Credit

Event Resolution Request Date has occurred on or prior to the date falling three Business Days after such Credit Event Determination Date; or

- (v) a Calculation Agent Fallback Settlement Determination Date occurs,

then the Fallback Settlement Method shall apply for the purposes of the Credit Event Amount.

For the avoidance of doubt and as applicable parts (A) and (B) of this provision will apply and part (C) of this provision will continue to apply in relation to each Reference Entity in respect of which a Credit Event Determination Date has occurred.

Any delay in the delivery of a Settlement Notice or failure by the Issuer to deliver a Settlement Notice shall not affect the validity of the Credit Event Determination Date in respect of the affected Reference Entity.

A Credit Event Determination Date may occur more than once except that, subject as provided in Credit Linked Condition 15 and the definition of Credit Event Determination Date in Credit Linked Condition 14, a Credit Event Notice (if applicable) may only be delivered on one occasion and a Credit Event Determination Date may occur once only, with respect to any Reference Entity (unless subsequent to the occurrence of a Credit Event Determination Date with respect to any Reference Entity, that Reference Entity becomes the Successor to one or more other Reference Entities in respect of which a Credit Event Determination Date has not occurred, in which case a Credit Event Determination Date may occur again).

- (b) Each Note will bear interest pursuant to, and in accordance with, Condition 3 or Condition 4, as applicable, provided that for the purposes of determining the interest amounts payable, the provisions set out in Credit Linked Condition 6 will not apply and instead the Calculation Amount shall be deemed to be each Note's *pro rata* share of the Interest Adjusted Credit Outstanding Nominal Amount in respect of the relevant Interest Period.
- (c) The final redemption amount will be, unless otherwise specified in the relevant Pricing Supplement, an amount calculated by the Calculation Agent equal to a Note's *pro rata* share of:
- (i) where the Notes are Basket Credit Linked Notes to which Credit Payment As You Go applies, the Adjusted Credit Outstanding Nominal Amount as of the Maturity Date; or
- (ii) where the Notes are Basket Credit Linked Notes to which Credit Payment on Maturity applies, the sum of (x) the Adjusted Credit Outstanding Nominal Amount as of the Maturity Date and (y) the sum of the aggregate of the Credit Event Amounts in respect of the Notes (for which purposes, subject as provided above, the Settlement Method shall apply), if any, in respect of each Reference Entity with respect to which a Credit Event Determination Date has occurred.

The final redemption amount will be rounded to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards).

If the final redemption amount is zero then, other than for the payment of accrued interest or any other due but unpaid amounts, the Notes will be cancelled as of the

Maturity Date with no payment being due other than any final amount of accrued interest or any other due but unpaid amounts. The Issuer will have no further obligations in respect of the Credit Linked Notes.

(d) For the purposes of Basket Credit Linked Notes:

**"Adjusted Credit Outstanding Nominal Amount"** means, on any date, (i) the Aggregate Principal Amount as of the Issue Date of the first Tranche of the Notes minus (ii) the aggregate Reference Entity Notional Amounts of Reference Entities in respect of which a Credit Event Determination Date has occurred on or prior to the relevant date minus, if Shortfall Amount is specified as applicable in the relevant Pricing Supplement, (iii) the aggregate of any Shortfall Amounts in respect of the aggregate of the Credit Event Amounts in respect of the Notes for each Reference Entity in respect of which a Credit Event Determination Date has occurred on or prior to the relevant date, Provided That in no event shall the Adjusted Credit Outstanding Nominal Amount be less than zero;

**"Interest Adjusted Credit Outstanding Nominal Amount"** means, in respect of an Interest Period, the arithmetic average of the Adjusted Credit Outstanding Nominal Amounts for each day in such Interest Period, calculated without the deduction of any applicable Shortfall Amounts; and

**"Shortfall Amount"** means, in respect of a Credit Event Amount, (a) (i) the relevant Unwind Costs minus (ii) the relevant Recovery Value or, if greater, (b) zero.

## 6. Accrual of Interest

Notwithstanding Condition 3(b) and Condition 4(b), as applicable, other than in the case of Basket Credit Linked Notes, where Credit Linked Condition 5(b) will apply, if:

- (i) "Accrual of Interest upon Credit Event" is specified as not applicable in the relevant Pricing Supplement, no interest shall be payable (and accordingly will be deemed not to have accrued) in respect of a Note in respect of which the relevant date for payment thereof (as may be adjusted pursuant to these Credit Linked Conditions) has not occurred on or prior to the Credit Event Determination Date or, if the Credit Event Determination Date falls prior to the first such payment date, no interest shall accrue on the Notes; or
- (ii) "Accrual of Interest upon Credit Event" is specified as applicable in the relevant Pricing Supplement, each Note shall cease to bear interest from the Credit Event Determination Date or, if earlier, the last day of the Interest Period ending on (but excluding) the Scheduled Maturity Date,

Provided That, if:

- (A) (1) Credit Linked Condition 7, Credit Linked Condition 8 or Credit Linked Condition 9 applies in respect of the Notes and, in the case of Credit Linked Condition 7, a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date or, in the case of Credit Linked Condition 8, a Failure to Pay has not occurred on the Grace Period Extension Date or, in the case of Credit Linked Condition 9, a Credit Event has not occurred on or prior to the DC Determination Cut-off Date, as the case may be; and/or



- (2) Credit Linked Condition ¶10 applies in respect of the Notes and a Credit Event Determination Date or the Repudiation/Moratorium Extension Condition, as applicable, has not occurred or is not satisfied on or prior to the Postponed Cut-off Date,

then interest will accrue as provided in Credit Linked Condition ¶7, Credit Linked Condition ¶8, Credit Linked Condition ¶9 or Credit Linked Condition ¶10, as the case may be; and

- (B) without duplication to any adjustment pursuant to the final paragraph of "Credit Event Determination Date" below, if one or more Interest Payment Dates has occurred between the Credit Event Determination Date and its determination, the Issuer may elect in its sole and absolute discretion to instigate the clawback, withholding and/or repayment by the Noteholder (whether by way of claim, set off, adjustment in future amounts payable or deliverable by the Issuer under the Notes or otherwise) of any overpaid Interest Amount(s) paid in respect of such Interest Payment Date(s).

## 7. Repudiation/Moratorium Extension

If "Repudiation/Moratorium" is specified as a Credit Event in the relevant Pricing Supplement, the provisions of this Credit Linked Condition ¶7 shall apply.

Where a Credit Event Determination Date has not occurred on or prior to the Scheduled Maturity Date but the Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Scheduled Maturity Date or, if Credit Linked Condition ¶10(y) applies, the Postponed Cut-off Date and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation Moratorium will, in the sole determination of the Calculation Agent, fall after the Scheduled Maturity Date, then the Calculation Agent shall notify the Noteholders in accordance with Condition 14 (*Notices*) that a Potential Repudiation/Moratorium has occurred and the maturity of the Notes will be delayed and:

- (a) where a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date:
- (i) each principal amount of Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer at the final redemption amount set out in the relevant Pricing Supplement on the fifth Business Day following the Repudiation/Moratorium Evaluation Date or, if later, the Postponed Cut-off Date; and
- (ii) in the case of interest bearing Credit Linked Notes, the Issuer shall be obliged to pay interest (if any) calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the Repudiation/Moratorium Evaluation Date or, if later, the Postponed Cut-off Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (b) where a Repudiation/Moratorium has occurred on or prior to the Repudiation/Moratorium Evaluation Date and a Credit Event Determination Date has occurred, the provisions of Credit Linked Condition ¶1 and Credit Linked Condition ¶2,

Credit Linked Condition ƒ, Credit Linked Condition ƒ or Credit Linked Condition ƒ, as applicable, shall apply to the Credit Linked Notes.

Any failure to provide notice of any such delay to Noteholders will not constitute an Event of Default under the Notes and will not affect the validity of any of the above provisions.

#### 8. **Grace Period Extension**

If "Grace Period Extension" is specified as applicable in the relevant Pricing Supplement, the provisions of this Credit Linked Condition ƒ shall apply.

Where a Credit Event Determination Date has not occurred on or prior to the Scheduled Maturity Date but, in the determination of the Calculation Agent, a Potential Failure to Pay has occurred with respect to one or more Obligation(s) in respect of which a Grace Period is applicable on or prior to the Scheduled Maturity Date (and such Grace Period(s) is/are continuing as at the Scheduled Maturity Date), then the Calculation Agent shall notify the Noteholders in accordance with Condition 14 (*Notices*) that a Potential Failure to Pay has occurred and the maturity of the Notes will be delayed and:

- (a) where a Failure to Pay has not occurred on the Grace Period Extension Date:
  - (i) each principal amount of Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer at the final redemption amount set out in the relevant Pricing Supplement on the fifth Business Day following the Grace Period Extension Date; and
  - (ii) in the case of interest bearing Credit Linked Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the Grace Period Extension Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (b) where a Failure to Pay has occurred on the Grace Period Extension Date and a Credit Event Determination Date has occurred, the provisions of Credit Linked Condition 1, and Credit Linked Condition 2, Credit Linked Condition 3, Credit Linked Condition 4 or Credit Linked Condition 5, as applicable, shall apply to the Credit Linked Notes.

Any failure to provide notice of any such delay to Noteholders will not constitute an Event of Default under the Notes and will not affect the validity of any of the above provisions.

#### 9. **Credit Derivatives Determinations Committee Extension**

If, in the determination of the Calculation Agent, a Potential Credit Event has occurred and following a Credit Event Resolution Request Date the Credit Derivatives Determinations Committee has not made its determination on or prior to the Scheduled Maturity Date or any Interest Payment Date then the Calculation Agent shall notify Noteholders in accordance with Condition 14 (*Notices*) that the Maturity Date or the relevant interest payment has been postponed to a date (the "**DC Determination Postponed Date**") being the day falling five Business Days after (a) if the Credit Derivatives Determinations Committee Resolves that a Credit Event has occurred, fifteen (15) Business Days following the relevant DC Credit Event Announcement or (b) if the Credit Derivatives Determinations Committee Resolves that a Credit

Event has not occurred, the second Business Day following the relevant DC No Credit Event Announcement or, as applicable, (c) fifteen (15) Business Days following the DC Credit Event Question Dismissal (the date of the relevant DC Credit Event Announcement, DC No Credit Event Announcement or DC Credit Event Dismissal, as applicable, the "**DC Determination Cut-off Date**"), and:

- (a) in the case of the Maturity Date, where a Credit Event has not occurred on or prior to the DC Determination Cut-off Date:
  - (i) each principal amount of Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer at the final redemption amount set out in the relevant Pricing Supplement on the relevant DC Determination Postponed Date; and
  - (ii) in the case of interest bearing Credit Linked Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or if none the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the relevant DC Determination Postponed Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (b) where a Credit Event has occurred on or prior to the DC Determination Cut-off Date and a Credit Event Determination Date has occurred, the provisions of Credit Linked Condition ¶1 and Credit Linked Condition ¶2, Credit Linked Condition ¶3, Credit Linked Condition ¶4 or Credit Linked Condition ¶5, as applicable, shall apply to the Credit Linked Notes; or
- (c) in relation to such event as of an Interest Payment Date, the Calculation Agent may delay the relevant amount of interest which would otherwise be payable on the relevant Interest Payment Date. In this case where (i) a Credit Event has not occurred on or prior to the DC Determination Cut-off Date then the relevant amount of interest shall be payable on the relevant DC Determination Postponed Date but no additional interest will be payable in respect of the relevant delay and for the avoidance of doubt no amendment will be made to any Interest Period or basis of calculation of the relevant amount of interest, other than as described above; or (ii) where a Credit Event has occurred on or prior to the DC Determination Cut-off Date and a Credit Event Determination Date has occurred thereafter, the relevant amount of interest will be adjusted accordingly and may be zero and (if any) will be payable on the relevant DC Determination Postponed Date.

Any failure to provide notice of any such postponement to Noteholders will not constitute an Event of Default under the Notes and will not affect the validity of any of the above provisions.

#### **10. Maturity Date Extension in the case of Credit Linked Notes**

The following provisions of this Credit Linked Condition ¶10 apply to Credit Linked Notes and, for the avoidance of doubt, may be applied on more than one occasion:

Without prejudice to Credit Linked Condition ¶12, if:

- (x) on (A) the Scheduled Maturity Date, (B), if applicable, the Repudiation/Moratorium Evaluation Date, (C) if Grace Period Extension is specified as applying in the relevant

Pricing Supplement, the Grace Period Extension Date, (D) the last day of the Notice Delivery Period or (E) the DC Determination Cut-off Date, as the case may be, a Credit Event Determination Date has not occurred but, in the determination of the Calculation Agent, a Credit Event or Potential Credit Event may have occurred; or

- (y) on the Scheduled Maturity Date, in the determination of the Calculation Agent, a Potential Repudiation/Moratorium may have occurred,

the Calculation Agent may at its option notify the Noteholders in accordance with Condition 14 (*Notices*) that redemption of the Notes has been postponed and, in the case of (x) above, the Repudiation/Moratorium Evaluation Date, the Grace Period Extension Date, the last day of the Notice Delivery Period (which for these purposes shall apply in the case of (x)(A) as well as (x)(D) above) or the DC Determination Cut-off Date, as the case may be, has been postponed to the Postponed Cut-off Date and:

where:

- (a) in the case of Credit Linked Condition 10(x), a Credit Event Determination Date has not occurred on or prior to the Postponed Cut-off Date or, in the case of Credit Linked Condition 10(y), the Repudiation/Moratorium Extension Condition is not satisfied on or prior to the Postponed Cut-off Date:

- (i) subject as provided below, each Note will be redeemed by the Issuer at the final redemption amount set out in the relevant Pricing Supplement on the Postponed Maturity Date; and

- (ii) in the case of interest bearing Credit Linked Notes, the Issuer shall be obliged to pay interest calculated as provided herein accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the Postponed Maturity Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or

- (b) where:

- (i) in the case of Credit Linked Condition 10(x), a Credit Event Determination Date has occurred on or prior to the Postponed Cut-off Date, the provisions of Credit Linked Condition 1 and Credit Linked Condition 2, Credit Linked Condition 3, Credit Linked Condition 4 or Credit Linked Condition 5, as applicable, shall apply to the Credit Linked Notes; or

- (ii) in the case of Credit Linked Condition 10(y), the Repudiation/Moratorium Extension Condition is satisfied on or prior to the Postponed Cut-off Date, the provisions of Credit Linked Condition 7 shall apply to the Credit Linked Notes.

For the purposes hereof:

**"Postponed Cut-off Date"** means the fifteenth (15th) Business Day after the Scheduled Maturity Date, the relevant Repudiation/Moratorium Evaluation Date or Grace Period Extension Date, or the last day of the Notice Delivery Period or the DC Determination Cut-off Date, as the case may be; and

**"Postponed Maturity Date"** means the fifth (5th) Business Day after the Postponed Cut-off Date.

#### 11. Partial Cash Settlement

If all or a portion of the Obligations comprising the Entitlement are Undeliverable Obligations and/or Hedge Disruption Obligations, the Issuer shall give notice (a **"Partial Cash Settlement Notice"**) to the Noteholders in accordance with Condition 14 (*Notices*) and the Issuer shall pay in respect of each Undeliverable Obligation and/or Hedge Disruption Obligation, as the case may be, the Partial Cash Settlement Amount on the Partial Cash Settlement Date. Any failure to provide a Partial Cash Settlement Notice will not constitute an Event of Default under the Notes and will not affect the validity of any of the foregoing provisions.

In the Partial Cash Settlement Notice, the Issuer must give details of why it is unable to deliver the relevant Undeliverable Obligations or Hedge Disruption Obligation, as the case may be.

Unless otherwise specified in the relevant Pricing Supplement, for the purposes of this Credit Linked Condition ¶11 only the following terms shall be defined as follows and such definitions will apply notwithstanding other definitions of such terms in Credit Linked Condition ¶14:

**"Indicative Quotation"** means, in accordance with the Quotation Method, each quotation obtained from a Quotation Dealer at the Valuation Time for (to the extent reasonably practicable) an amount of the Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, equal to the Quotation Amount, which reflects such Quotation Dealer's reasonable assessment of the price of such Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, based on such factors as such Quotation Dealer may consider relevant, which may include historical prices and recovery rates.

**"Market Value"** means, with respect to an Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, on a Valuation Date, (i) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (ii) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (iii) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (iv) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (v) if Indicative Quotations are specified as applying in the relevant Pricing Supplement and exactly three Indicative Quotations are obtained, the Indicative Quotation remaining after disregarding the highest and lowest Indicative Quotations (and, if more than one such Indicative Quotations have the same highest or lowest value, then one of such highest or lowest Indicative Quotations shall be disregarded); (vi) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) then, subject to paragraph (b) of the definition of "Quotation" below, an amount as determined by the Calculation Agent on the next Business Day on which at least two Full Quotations or a Weighted Average Quotation or, if applicable, three Indicative Quotations are obtained; and (vii) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) on the same Business Day on or prior to the tenth Business Day following the Valuation Date the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations)

for the Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.

**"Partial Cash Settlement Amount"** is deemed to be, for an Undeliverable Obligation or a Hedge Disruption Obligation, as the case may be, an amount calculated by the Calculation Agent equal to the greater of:

- (i) (A) the Outstanding Principal Balance, the Due and Payable Amount or the Currency Amount, as applicable, of each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be; multiplied by
  - (B) (x) the Final Price with respect to such Undeliverable Obligation or Hedge Disruption Obligation, determined as provided in this Credit Linked Condition or (y) in the case of a Hedge Disruption Obligation, if a Hedging Auction has been held on or prior to the Credit Settlement Date, the Hedging Auction Final Price; less if applicable
  - (C) Unwind Costs, if any (but excluding any Unwind Costs already taken into account in calculating the relevant Entitlement); less
  - (D) Expenses, if any (but excluding any Expenses already taken into account in calculating the relevant Entitlement); and
- (ii) zero,

provided that where the relevant Undeliverable Obligation or Hedge Disruption Obligation forms part of the Asset Package and (in the case of (x) above) the Calculation Agent determines in its sole discretion that a Final Price cannot reasonably be determined in respect of such Undeliverable Obligation or Hedge Disruption Obligation, then the Partial Cash Settlement Amount will be an amount calculated by the Calculation Agent in its sole discretion equal to the fair market value of the relevant Undeliverable Obligation or Hedge Disruption Obligation less Unwind Costs if any (but excluding any Unwind Costs already taken into account in calculating the relevant Entitlement) and less Expenses, if any (but excluding any Expenses already taken into account in calculating the relevant Entitlement).

**"Partial Cash Settlement Date"** is deemed to be the date falling five Business Days after the calculation of the Final Price or, if the Hedging Auction Final Price applies, the Credit Settlement Date.

**"Quotation"** means each Full Quotation, the Weighted Average Quotation and, if Indicative Quotations are specified as applying in the relevant Pricing Supplement, each Indicative Quotation obtained and expressed as a percentage of the Outstanding Principal Balance or Due and Payable Amount, as applicable, of the relevant Undeliverable Obligation or Hedge Disruption Obligation with respect to a Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations

from five or more Quotation Dealers, and, if two or more Full Quotations are not available, a Weighted Average Quotation. If two or more such Full Quotations or a Weighted Average Quotation are not available on any such Business Day and Indicative Quotations are specified as applying in the relevant Pricing Supplement, the Calculation Agent shall attempt to obtain three Indicative Quotations from five or more Quotation Dealers.

- (b) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation (or, if Indicative Quotations are specified as applying in the relevant Pricing Supplement, three Indicative Quotations) on the same Business Day on or prior to the tenth Business Day following the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.
- (c) The Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this determination.

**"Quotation Amount"** is deemed to be, with respect to each type or issue of Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, an amount equal to at least the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent by reference to exchange rates in effect at the time that the relevant Quotation is being obtained), as applicable, of such Undeliverable Obligation or Hedge Disruption Obligations, as the case may be.

**"Quotation Method"** is deemed to be Bid.

**"Valuation Date"** is the fifth Business Day following the Credit Settlement Date.

**"Valuation Method"** is deemed to be Highest unless fewer than two Full Quotations are obtained or a Weighted Average Quotation applies (or, if applicable, Indicative Quotations), in which case "Valuation Method" is deemed to be Market.

**"Valuation Obligation"** is deemed to be each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be.

**"Valuation Time"** is the time specified as such in the relevant Pricing Supplement, or, if no time is so specified, 11:00 a.m. in the principal trading market for the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be.

**"Weighted Average Quotation"** means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be, with an Outstanding Principal Balance or Due and Payable Amount, as applicable, of as large a size as available but less than the Quotation Amount that in aggregate are approximately equal to the Quotation Amount.

**12. Settlement Suspension**

**(a) Suspension**

Without prejudice to Credit Linked Condition ¶10, if, following the determination of a Credit Event Determination Date but prior to the Credit Settlement Date or, to the extent applicable, a Valuation Date, there is a DC Credit Event Meeting Announcement, the Calculation Agent may, at its option, determine that the applicable timing requirements of the Credit Linked Conditions and the definitions of Credit Event Redemption Date, Credit Event Payment Date, Valuation Date, Maturity Date, Physical Settlement Period and PSN Cut-off Date, and any other Credit Linked Condition provision(s) as determined by the Calculation Agent, shall toll and be suspended and remain suspended (such period of suspension, a "**Suspension Period**") until the date of the relevant DC Credit Event Announcement or DC Credit Event Question Dismissal. Once the relevant DC Credit Event Announcement or DC Credit Event Question Dismissal has occurred, the relevant timing requirements of the Credit Linked Conditions that have previously tolled or been suspended shall resume on the Business Day following such public announcement by the DC Secretary.

In the event of any such Suspension Period, the Calculation Agent may make (x) such consequential or other adjustment(s) or determination(s) to or in relation to the Conditions and these Credit Linked Conditions as may be desirable or required either during or following any relevant Suspension Period to account for or reflect such suspension and (y) determine the effective date of such adjustment(s) or determination(s).

**(b) Interest**

In the case of interest bearing Credit Linked Notes:

- (i) if a Suspension Period falls in any one or more Interest Period(s), then no interest (or any interest on any delayed payment of interest) shall accrue during each portion of an Interest Period during which a Suspension Period exists; and
- (ii) if an Interest Payment Date falls in a Suspension Period, payment of the relevant interest will be deferred until such date as determined by the Calculation Agent falling no earlier than the first Business Day and no later than the fifth Business Day following the end of the Suspension Period, all subject to the provisions of Condition 8 (*Payments*) and Credit Linked Conditions ¶7, ¶8, ¶9 and ¶10.

**13. Trigger Event Provisions**

- (a) Where the Notes are Leveraged Credit Linked Notes, from the date on which the Calculation Agent determines (in good faith) that a Trigger Event has occurred up to and including the tenth (10th) Business Day following the day of such determination (whether or not the Trigger Event is continuing), the Issuer may, by providing two (2) Business Days written notice to the Noteholders in accordance with Condition 14 (*Notices*) (a "**Trigger Event Option Notice**"), elect to either (i) issue additional Notes with a principal amount equal to the Principal Increase Amount (an "**Additional Note Issuance**") or (ii) redeem the Notes (a "**Principal Shortfall Redemption**") (such option, the "**Trigger Event Option**").



The Issuer may give a Trigger Event Option Notice whether or not it has already given a Credit Event Notice or taken any steps to exercise its option under Condition 6(b) (*Redemption for Taxation Reasons*) and any giving of a Trigger Event Option Notice (unless it is subsequently followed by an Additional Note Issuance) shall supersede and override any earlier Credit Event Notice or exercise of such option.

- (b) If the Issuer elects to exercise the Additional Note Issuance, the Aggregate Principal Amount of the Notes shall be increased by the Principal Increase Amount on the date falling two (2) Business Days following the delivery of the Trigger Event Option Notice. There will be no change to the Reference Entity Notional Amount upon the Additional Note Issuance.
- (c) If the Issuer elects to exercise the Principal Shortfall Redemption, the Issuer shall redeem all of the Notes on the date falling two (2) Business Days following the delivery of the Trigger Event Option Notice (such second Business Day, the "**Trigger Event Redemption Date**") at an amount equal to each Note's *pro rata* share of the Note Value as of the Trigger Event Redemption Date.
- (d) A Trigger Event may occur more than once during the term of the Notes. Only one Trigger Event Option Notice may be delivered by the Issuer and an Additional Note Issuance or a Principal Shortfall Redemption can only occur once.
- (e) Definitions relating to the occurrence of a Trigger Event

**"Mark to Market Swap Value"** means, on any date, an amount equal to the market value of the Reference Transaction on such date calculated on the basis of a Floating Rate Payer Calculation Amount equal to the Reference Entity Notional Amount and using the offered side of credit default swap rates, as determined by the Calculation Agent in good faith. The Mark to Market Swap Value will be positive if the Reference Transaction is in the money to the seller under such Reference Transaction.

**"Note Value"** means, on any date, an amount equal to the sum of (i) the Aggregate Principal Amount on such date and (ii) the Mark to Market Swap Value on such date minus (iii) the Unwind Costs on such date, provided that, solely for the purposes of this definition of "Note Value", on any date on which the Notes fall due for redemption, the Mark to Market Swap Value shall be the amount determined two (2) Business Days prior to such date.

**"Principal Increase Amount"** means the amount specified as such in the relevant Pricing Supplement.

**"Trigger Event"** shall occur on any Business Day on which (i) the offered side spread on such day on the Reference Transaction is greater than the Trigger Level as determined by the Calculation Agent in good faith; and (ii) no Additional Note Issuance has occurred on such date.

**"Trigger Level"** means the percentage rate per annum specified as such in the relevant Pricing Supplement.

#### 14. Definitions applicable to Credit Linked Notes

**"2.5-year Limitation Date"** has the meaning given to that term in the definition of "Limitation Date".

**"10-year Limitation Date"** has the meaning given to that term in the definition of "Limitation Date".

**"Accrued Interest"** means for the purpose of these Credit Linked Conditions:

- (a) in respect of any Notes for which "Physical Settlement" is specified to be the Settlement Method in the relevant Pricing Supplement, the Outstanding Principal Balance of the Deliverable Obligations being Delivered will exclude accrued but unpaid interest, unless "Include Accrued Interest" is specified in the relevant Pricing Supplement, in which case, the Outstanding Principal Balance of the Deliverable Obligations being Delivered will include accrued but unpaid interest (as the Calculation Agent shall determine in its reasonable discretion);
- (b) in respect of any Notes for which Cash Settlement is applicable as the Fallback Settlement Method in accordance with Credit Linked Condition ¶2, and:
  - (i) "Include Accrued Interest" is specified in the relevant Pricing Supplement, the Outstanding Principal Balance of the relevant Valuation Obligation shall include accrued but unpaid interest;
  - (ii) "Exclude Accrued Interest" is specified in the relevant Pricing Supplement, the Outstanding Principal Balance of the relevant Valuation Obligation shall not include accrued but unpaid interest; or
  - (iii) neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified in the relevant Pricing Supplement, the Calculation Agent shall determine, based on the then current market practice in the market of the relevant Valuation Obligation whether the Outstanding Principal Balance of the relevant Valuation Obligation shall include or exclude accrued but unpaid interest and, if applicable, the amount thereof; or
- (c) if Credit Linked Condition ¶11 applies, the Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligation (as applicable), whether such Quotations shall include or exclude accrued but unpaid interest.

**"Additional Note Issuance"** has the meaning given to that term in Credit Linked Condition ¶13.

**"Adjusted Credit Outstanding Nominal Amount"** has the meaning given to that term in Credit Linked Condition ¶5.

**"Affiliate"** means in relation to any entity (the **"First Entity"**), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes **"control"** means ownership of a majority of the voting power of an entity.

**"Asset"** means each obligation, equity, amount of cash, security, fee (including any "early-bird" or other consent fee), right and/or other asset, whether tangible or otherwise and whether issued, incurred, paid or provided by the Reference Entity or a third party (or any value which was realised or capable of being realised in circumstances where the right and/or other asset no longer exists).

**"Asset Market Value"** means the market value of an Asset, as the Calculation Agent shall determine by reference to an appropriate specialist valuation or in accordance with the methodology determined by the Credit Derivatives Determinations Committee.

**"Asset Package"** means, in respect of an Asset Package Credit Event, all of the Assets in the proportion received or retained by a Relevant Holder in connection with such relevant Asset Package Credit Event (which may include the Prior Deliverable Obligation or Package Observable Bond, as the case may be). If the Relevant Holder is offered a choice of Assets or a choice of combinations of Assets, the Asset Package will be the Largest Asset Package. If the Relevant Holder is offered, receives and retains nothing, the Asset Package shall be deemed to be zero.

**"Asset Package Credit Event"** means:

- (a) if "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the relevant Pricing Supplement:
  - (i) a Governmental Intervention; or
  - (ii) a Restructuring in respect of the Reference Obligation, if "Restructuring" is specified as applicable in the relevant Pricing Supplement and such Restructuring does not constitute a Governmental Intervention; and
- (b) if the Reference Entity is a Sovereign and "Restructuring" is specified as applicable in the relevant Pricing Supplement, a Restructuring,

in each case, whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement.

**"Asset Transfer Notice"** has the meaning given to that term in Credit Linked Condition ¶

**"Auction"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Cancellation Date"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Covered Transaction"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Final Price"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Final Price Determination Date"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

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

**"Auction Settlement Notice"** has the meaning given to that term in Credit Linked Condition ¶.

**"Bankruptcy"** means the Reference Entity:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement, scheme or composition with or for the benefit of its creditors generally, or such a general assignment, arrangement, scheme or composition becomes effective;
- (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty (30) calendar days of the institution or presentation thereof or before the Scheduled Maturity Date, whichever is earlier;
- (e) has a resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) calendar days thereafter or before the Scheduled Maturity Date, whichever is earlier; or
- (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has any analogous effect to any of the events specified in clauses (a) to (g).

**"Basket Credit Linked Notes"** means Credit Linked Notes indicated as such in the relevant Pricing Supplement, where the Issuer purchases credit protection from the Noteholders in respect of a basket of Reference Entities.

**"Calculation Agent City Business Day"** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the Calculation Agent City specified in the relevant Pricing Supplement.

**"Calculation Agent Fallback Settlement Determination Date"** has the meaning given to that term in Credit Linked Condition 2.

**"Cash Settlement Notice"** has the meaning given to that term in Credit Linked Condition 3.

**"Conditionally Transferable Obligation"** means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any

Deliverable Obligation other than Bonds, in each case as of each such date the Calculation Agent determines appropriate for purposes of the Hedging Arrangements or, if none at the relevant time, both the PSN Effective Date and the Delivery Date provided, however, that a Deliverable Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Deliverable Obligation other than Bonds (or the consent of the relevant obligor if the Reference Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this definition of "Conditionally Transferable Obligation".

**"Conforming Reference Obligation"** means a Reference Obligation which is a Deliverable Obligation determined in accordance with paragraph (a) below of the definition of Deliverable Obligation below.

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

**"Credit Derivatives Determinations Committee"** (and each a "Credit Derivatives Determinations Committee") means each committee established pursuant to the DC Rules for purposes of reaching certain DC Resolutions in connection with credit derivative transactions.

**"Credit Event"** means the occurrence of any one or more of the Credit Events specified in the relevant Pricing Supplement which may include Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium, Restructuring or Governmental Intervention.

If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon:

- (a) any lack or alleged lack of authority or capacity of the Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation;
- (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described;
- (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described; or
- (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

**"Credit Event Amount"** means, following the occurrence of a Credit Event Determination Date in respect of any Reference Entity (i) the amount specified as such in the relevant Pricing Supplement or (ii) a Note's *pro rata* share of the amount (which may be zero but never less than zero) calculated by the Calculation Agent in accordance with the following formula:

$$(\text{RENA} \times \text{FP}) - \text{UC}.$$

Where:

**"RENA"** is the Reference Entity Notional Amount in respect of the affected Reference Entity;

**"FP"** is the Final Price or the Auction Final Price, as applicable, in respect of the affected Reference Entity;

**"UC"** is Unwind Costs.

Expressed in words, this is (1) the product of the Reference Entity Notional Amount in respect of the affected Reference Entity and the Final Price or Auction Final Price, as applicable, in respect of the affected Reference Entity (the **"Recovery Value"**) minus (2) the Unwind Costs. Any Credit Event Amount will be rounded to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards).

**"Credit Event Backstop Date"** means:

- (a) for purposes of any event that constitutes a Credit Event (or with respect to a Repudiation/Moratorium, if applicable, the event described in paragraph (b) of the definition of Repudiation/Moratorium), as determined by DC Resolution, the date that is 60 calendar days prior to the Credit Event Resolution Request Date; or
- (b) otherwise, the date that is sixty (60) calendar days prior to the earlier of:
  - (i) if the Notice Delivery Date occurs during the Notice Delivery Period, the Notice Delivery Date; and
  - (ii) if the Notice Delivery Date occurs during the Post Dismissal Additional Period, the Credit Event Resolution Request Date.

The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

**"Credit Event Determination Date"** means, with respect to a Credit Event with respect to which:

- (a) Auction Settlement is the applicable Settlement Method:
  - (i) subject to paragraph (a)(ii) of this definition, the Notice Delivery Date if the Notice Delivery Date occurs during either the Notice Delivery Period or the Post Dismissal Additional Period, provided that neither (A) a DC Credit Event Announcement has occurred nor (B) a DC No Credit Event Announcement has occurred, in each case, with respect to the Credit Event specified in the Credit Event Notice; or
  - (ii) notwithstanding paragraph (a)(i) of this definition, the Credit Event Resolution Request Date, if a DC Credit Event Announcement has occurred, the Credit

Event Resolution Request Date has occurred on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) and either:

- (A) (1) the Credit Event is not an M(M)R Restructuring; and
- (2) the Trade Date occurs on or prior to a DC Announcement Coverage Cut-off Date; or
- (B) (1) the Credit Event is an M(M)R Restructuring; and
- (2) a Credit Event Notice is delivered and is effective on or prior to the fifth Business Day following the Exercise Cut-off Date,

*provided that* no Credit Event Notice specifying an M(M)R Restructuring as the only Credit Event has previously been delivered (I) unless the M(M)R Restructuring specified in such Credit Event Notice is also the subject of the DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date or (II) unless the Calculation Agent otherwise determines this is consistent with the Hedging Arrangements or, if none at the relevant time, (x) unless, and to the extent that, the Partial Redemption Amount specified in any such Credit Event Notice was less than the relevant Reference Entity Notional Amount or (y) unless the Deliverable Obligations set out on the Final List applicable to the Transaction Auction Settlement Terms are identical to the Permissible Deliverable Obligations, or

- (b) if paragraph (a) of this definition does not apply, the Non-Standard Credit Event Determination Date,

Provided further that no Credit Event Determination Date will occur, and any Credit Event Determination Date previously determined with respect to an event shall be deemed not to have occurred, if, or to the extent that, prior to the Auction Final Price Determination Date, a Valuation Date, the Credit Settlement Date, the Credit Event Redemption Date, the relevant Credit Event Payment Date or the Maturity Date, as applicable, a DC No Credit Event Announcement Date occurs with respect to the relevant event.

If, in accordance with the provisions above, (i) following the determination of a Credit Event Determination Date, such Credit Event Determination Date is deemed (A) to have occurred on a date that is different from the date that was originally determined to be the Credit Event Determination Date or (B) not to have occurred or (ii) a Credit Event Determination Date is deemed to have occurred prior to one or more preceding Interest Payment Dates, the Calculation Agent will determine (1) such adjustment(s) to these Credit Linked Conditions (including any adjustment to payment amounts) as may be required to achieve as far as practicable the same economic position of Noteholders as would have prevailed had a Credit Event Determination Date occurred on such deemed date of occurrence and (2) the effective date of such adjustment(s).

**"Credit Event Notice"** means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Credit Event that occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date.

Any Credit Event Notice that describes a Credit Event that occurred after the Scheduled Maturity Date must relate to the relevant Potential Failure to Pay, in the case of a Grace Period

Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.

A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective. A Credit Event Notice shall be subject to the requirements regarding notices set out in Credit Linked Condition 17.

**"Credit Event Payment Date"** means, subject as provided in Credit Linked Condition 12, in relation to any Credit Event Amount the day falling the number of Business Days specified in the relevant Pricing Supplement (or, if a number of Business Days is not so specified, five Business Days) following the calculation of the relevant Final Price or Auction Final Price, as applicable.

**"Credit Event Redemption Amount"** means, unless otherwise specified in the relevant Pricing Supplement:

- (a) in the case of Single Reference Entity Credit Linked Notes which are not Leveraged Credit Linked Notes, an amount calculated by the Calculation Agent equal to each Note's *pro rata* share of:

$$(RENA \times FP) - UC - E.$$

Expressed in words, this is (1) the product of the Reference Entity Notional Amount and the Final Price or Auction Final Price, as applicable, minus (2) the Unwind Costs, minus (3) if Credit Linked Condition 2(a)(ii) applies, Expenses, if any; or

- (b) in the case of Single Reference Entity Credit Linked Notes which are Leveraged Credit Linked Notes, an amount calculated by the Calculation Agent equal to each Note's *pro rata* share of:

$$APA - (RENA \times [100\% - FP]) - UC.$$

Expressed in words, this is (i) (a) the Aggregate Principal Amount minus the product of (a) the Reference Entity Notional Amount and (b) (x) 100 per cent. minus (y) the Final Price or Auction Final Price, as applicable, minus (ii) Unwind Costs.

Where:

**"RENA"** is the Reference Entity Notional Amount;

**"FP"** is the Final Price or the Auction Final Price, as applicable; and

**"UC"** is Unwind Costs,

provided that, in each case, in no event shall the Credit Event Redemption Amount be less than zero. The Credit Event Redemption Amount will be rounded to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards).

**"Credit Event Redemption Date"** means, subject to Credit Linked Condition 12, the day falling five Business Days, or such other number of Business Days specified in the relevant Pricing Supplement, after (i) the calculation of the Final Price or (ii) the Auction Settlement Date, as



applicable, in each case in respect of the Reference Entity in respect of which the relevant Credit Event Determination Date has occurred.

**"Credit Event Resolution Request Date"** means, with respect to a DC Credit Event Question, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which the DC Credit Event Question was effective and on which the relevant Credit Derivatives Determinations Committee was in possession of Publicly Available Information with respect to such DC Credit Event Question.

**"Credit Settlement Currency"** means the currency specified as such in the relevant Pricing Supplement, or if no currency is specified in the relevant Pricing Supplement, the Specified Currency of the Credit Linked Notes.

**"Credit Settlement Date"** means the last day of the longest Physical Settlement Period following the PSN Cut-off Date (the **"Scheduled Credit Settlement Date"**) provided that if a Hedge Disruption Event has occurred and is continuing on the second Business Day immediately preceding the Scheduled Credit Settlement Date, the Credit Settlement Date shall be the second Business Day following the date on which no Hedge Disruption Event subsists or such earlier date (if any) on which the Calculation Agent determines that in its opinion such Hedge Disruption Event is unlikely to cease.

**"Currency Amount"** means, with respect to (a) a Deliverable Obligation specified in a Notice of Physical Settlement that is denominated in a currency other than the Credit Settlement Currency, an amount converted to the Credit Settlement Currency using a conversion rate determined by reference to the Currency Rate and (b) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, an amount converted to the Credit Settlement Currency (or, if applicable, back into the Credit Settlement Currency) using a conversion rate determined by reference to the Currency Rate, if any, and each Revised Currency Rate used to convert each Replaced Deliverable Obligation Outstanding Amount specified in each Physical Settlement Amendment Notice with respect to that portion of the relevant Credit Linked Notes into the currency of denomination of the relevant Replacement Deliverable Obligation.

**"Currency Rate"** means, with respect to (a) a Deliverable Obligation specified in the Notice of Physical Settlement or any Physical Settlement Amendment Notice, as applicable, the rate of conversion between the Credit Settlement Currency and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Deliverable Obligation is denominated that is either (i) determined by reference to the Currency Rate Source as at the Next Currency Fixing Time or (ii) if such rate is not available at such time, determined by the Calculation Agent and (b) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, the Revised Currency Rate.

**"Currency Rate Source"** means the mid-point rate of conversion published by WM/Reuters at 4:00 p.m. (London time), or any successor rate source approved by the relevant Credit Derivatives Determinations Committee or, if no such successor rate source is approved by the relevant Credit Derivatives Determinations Committee where relevant, any successor rate source selected by the Calculation Agent in its sole and absolute discretion.

**"Cut-off Date"** has the meaning given to that term in Credit Linked Condition 4.

**"DC Announcement Coverage Cut-off Date"** means, with respect to a DC Credit Event Announcement, the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is fourteen calendar days following the No Auction Announcement Date, if any, as applicable.

**"DC Credit Event Announcement"** means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event has occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date, provided that if the Credit Event occurred after the Scheduled Maturity Date, the DC Credit Event Announcement must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.

**"DC Credit Event Meeting Announcement"** means, with respect to the Reference Entity, a public announcement by the DC Secretary that a Credit Derivatives Determinations Committee will be convened to Resolve the matters described in a DC Credit Event Question.

**"DC Credit Event Question"** means a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve whether an event that constitutes a Credit Event has occurred.

**"DC Credit Event Question Dismissal"** means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in a DC Credit Event Question.

**"DC Determination Cut-off Date"** has the meaning given to that term in Credit Linked Condition Ø.

**"DC Determination Postponed Date"** has the meaning given to that term in Credit Linked Condition Ø.

**"DC No Credit Event Announcement"** means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that is the subject of a DC Credit Event Question does not constitute a Credit Event.

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

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

**"DC Rules"** means the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof.

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

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

**"Deliver"** means to deliver, novate, transfer (including, in the case of a Guarantee, transfer of the benefit of the Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title (or, with respect to Deliverable Obligations where only equitable title is customarily conveyed, all equitable title) and interest in the Entitlement to the relevant Noteholder free and clear of any

and all liens, charges, claims or encumbrances (excluding any liens routinely imposed on all securities in a relevant clearance system, but including without limitation any counterclaim, defence (other than a counterclaim or defence based on the factors set out in (a) to (d) in the definition of "Credit Event" above) or right of set-off by or of the Reference Entity or any applicable Underlying Obligor) provided that (i) if all or a portion of the Entitlement consists of Direct Loan Participations, "**Deliver**" means to create (or procure the creation of) a participation in favour of the relevant Noteholder and (ii) if a Deliverable Obligation is a Guarantee, "**Deliver**" means to Deliver both the Underlying Obligation and the Guarantee, provided further that if the Guarantee has a Fixed Cap, "**Deliver**" means to Deliver the Underlying Obligation, the Guarantee and all claims to any amounts which are subject to such Fixed Cap. "**Delivery**" and "**Delivered**" will be construed accordingly. In the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for Delivery of such Loan at that time.

If Asset Package Delivery applies, (i) Delivery of a Prior Deliverable Obligation or a Package Observable Bond specified in the Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable, may be satisfied by Delivery of the related Asset Package, and such Asset Package shall be treated as having the same currency, Outstanding Principal Balance or Due and Payable Amount, as applicable, as the Prior Deliverable Obligation or Package Observable Bond to which it corresponds had immediately prior to the Asset Package Credit Event, (ii) the preceding paragraph above shall be deemed to apply to each Asset in the Asset Package provided that if any such Asset is not a Bond, it shall be treated as if it were a Loan for these purposes, (iii) if the Asset Package is zero, the Outstanding Amount of the Prior Deliverable Obligation or Package Observable Bond shall be deemed to have been Delivered in full three Business Days following the date on which the Issuer has notified the Noteholders in accordance with Credit Linked Condition 4 of the detailed description of the Asset Package that it intends to Deliver, (iv) the Issuer may satisfy its obligation to make Delivery of the Prior Deliverable Obligation or Package Observable Bond in part by Delivery of each Asset in the Asset Package in the correct proportion and (v) if the relevant Asset is a Non-Transferable Instrument or Non-Financial Instrument, the Asset shall be deemed to be an amount of cash equal to the Asset Market Value and the term Asset Package shall be construed accordingly.

"**Deliverable Obligation**" means:

- (a) any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) determined pursuant to the method described in "(i) Method for Determining Deliverable Obligations" below;
- (b) the Reference Obligation;
- (c) solely in relation to a Restructuring Credit Event applicable to a Reference Entity which is a Sovereign, and unless Asset Package Delivery is applicable, any Sovereign Restructured Deliverable Obligation;
- (d) if Asset Package Delivery is applicable, (i) if Financial Reference Entity Terms is specified as applicable in the relevant Pricing Supplement, any Prior Deliverable Obligation, or (ii) if the Reference Entity is a Sovereign, any Package Observable Bond; and
- (e) any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) received by the Issuer and/or any of its Affiliates in relation to the settlement of any credit derivative Hedging Arrangements in connection with the relevant Credit Event,

in each case, (i) other than in the case of paragraph (e) above, unless it is an Excluded Deliverable Obligation and (ii) provided that the obligation has an Outstanding Principal Balance or Due and Payable Amount that is greater than zero (determined for purposes of paragraph (d) above, immediately prior to the relevant Asset Package Credit Event).

(i) *Method for Determining Deliverable Obligations.* For the purposes of this definition of "Deliverable Obligation", the term "Deliverable Obligation" may be defined as each obligation of the Reference Entity described by the Deliverable Obligation Category specified in the relevant Pricing Supplement, and, subject to paragraph (ii) (*Interpretation of Provisions*) below, having each of, the Deliverable Obligation Characteristics, if any, specified in the relevant Pricing Supplement, in each case, as of each such date the Calculation Agent determines relevant for purposes of the Hedging Arrangements or, if none at the relevant time, both the PSN Effective Date and the Delivery Date (unless otherwise specified). The following terms shall have the following meanings:

(A) "**Deliverable Obligation Category**" means one of Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan (each as defined in the definition of "Obligation" below, except that, for the purpose of determining Deliverable Obligations, the definition of "Reference Obligation Only" shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligation Only).

(B) "**Deliverable Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance (each as defined in the definition of "Obligation" below), Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer;

(1) "**Assignable Loan**" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if the Reference Entity is guaranteeing such Loan) or any agent;

(2) "**Consent Required Loan**" means a Loan that is capable of being assigned or novated with the consent of the Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if the Reference Entity is guaranteeing such loan) or any agent;

(3) "**Direct Loan Participation**" means a Loan in respect of which, pursuant to a participation

agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Issuer (to the extent that the Issuer is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);

(4) "**Transferable**" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions:

I contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation);

II restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds; or

III restrictions in respect of blocked periods on or around payment dates or voting periods;

(5) "**Maximum Maturity**" means an obligation that has a remaining maturity of not greater than the period specified in the relevant Pricing Supplement (or if no such period is specified, thirty years);

(6) "**Accelerated or Matured**" means an obligation under which the principal amount owed, whether by reason of maturity, acceleration, termination or otherwise, is due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and

- (7) "**Not Bearer**" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via Euroclear, Clearstream International or any other internationally recognised clearing system.

(ii) *Interpretation of Provisions*

- (A) If either of the Obligation Characteristics "Listed" or "Not Domestic Issuance" is specified in the relevant Pricing Supplement, the relevant Pricing Supplement shall be construed as though the relevant Obligation Characteristic had been specified as an Obligation Characteristic only with respect to Bonds.
- (B) If (i) any of the Deliverable Obligation Characteristics "Listed", "Not Domestic Issuance" or "Not Bearer" is specified in the relevant Pricing Supplement, the relevant Pricing Supplement shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds; (ii) the Deliverable Obligation Characteristic "Transferable" is specified in the relevant Pricing Supplement, the relevant Pricing Supplement shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans; or (iii) any of the Deliverable Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified in the relevant Pricing Supplement, the relevant Pricing Supplement shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans.
- (C) If more than one of "Assignable Loan", "Consent Required Loan" and "Direct Loan Participation" are specified as Deliverable Obligation Characteristics in the relevant Pricing Supplement, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics.
- (D) If an Obligation or a Deliverable Obligation is a Relevant Guarantee, the following will apply:
- (1) for purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Relevant Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation;
- (2) for purposes of the application of the Obligation Characteristics or the Deliverable Obligation

Characteristics, both the Relevant Guarantee and the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the relevant Pricing Supplement from the following list: "Not Subordinated", "Specified Currency", "Not Sovereign Lender", "Not Domestic Currency" and "Not Domestic Law";

- (3) for purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the relevant Pricing Supplement from the following list: "Listed", "Not Domestic Issuance", "Assignable Loan", "Consent Required Loan", "Direct Loan Participation", "Transferable", "Maximum Maturity", "Accelerated" or "Matured" and "Not Bearer"; and
- (4) for purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (5) For purposes of the application of the Deliverable Obligation Characteristic "Maximum Maturity", remaining maturity shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the remaining maturity shall be zero.
- (6) If "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the relevant Pricing Supplement, if an obligation would otherwise satisfy a particular Obligation Characteristic or Deliverable Obligation Characteristic, the existence of any terms in the relevant obligation in effect at the time of making the determination which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, shall not cause such obligation to fail to satisfy such Obligation Characteristic or Deliverable Obligation Characteristic.
- (7) For purposes of determining the applicability of Deliverable Obligation Characteristics to a Prior

Deliverable Obligation or a Package Observable Bond, any such determination shall be made by reference to the terms of the relevant obligation in effect immediately prior to the Asset Package Credit Event.

- (8) If "Subordinated European Insurance Terms" is specified as applicable in the relevant Pricing Supplement, if an obligation would otherwise satisfy the "Maximum Maturity" Deliverable Obligation Characteristic, the existence of any Solvency Capital Provisions in such obligation shall not cause it to fail to satisfy such Deliverable Obligation Characteristic.

For the avoidance of doubt the provisions of this paragraph (i) apply in respect of the definitions of Obligation and Deliverable Obligation as the context admits.

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

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

**"Delivery Agent"** has the meaning give to that term in Credit Linked Condition 4.

**"Delivery Date"** means, with respect to a Deliverable Obligation or an Asset Package, the date such Deliverable Obligation is Delivered (or deemed to be Delivered pursuant to the definition of "Deliver" above).

**"Domestic Currency"** means the currency specified as such in the relevant Pricing Supplement and any successor currency thereto (or if no such currency is specified, the lawful currency and any successor currency of (a) the Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organised, if the Reference Entity is not a Sovereign.

**"Domestic Law"** means each of the laws of (a) the Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organised, if such Reference Entity is not a Sovereign.

**"Downstream Affiliate"** means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than fifty per cent.- owned, directly or indirectly, by the Reference Entity. As used herein, "Voting Shares" means the shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

**"Due and Payable Amount"** means the amount that is due and payable by the Reference Entity under the obligation whether by reason of maturity, acceleration, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts) less all or any portion of such amount which, pursuant to the terms of the obligation (a) is subject to any Prohibited Action, or (b) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (i) payment or (ii) a Permitted Contingency), in each case, determined in accordance with the terms of the obligation in effect on either (A) the relevant PSN Effective Date (or if the terms of



the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date), or (B) the relevant Valuation Date, as applicable.

**"Eligible Information"** means information which is publicly available or which can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

**"Eligible Transferee"** means:

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

provided, however, in each case that such entity has total assets of at least US\$500 million;

- (b) an Affiliate of an entity specified in sub-paragraph (a);
- (c) each of a corporation, partnership, proprietorship, organisation, trust or other entity:
  - (i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (A) has total assets of at least US\$100 million or (B) is one of a group of investment vehicles under common control or management having, in aggregate, total assets of at least US\$100 million; or
  - (ii) that has total assets of at least US\$500 million; or
  - (iii) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support, or other agreement by an entity described in sub-paragraphs (a), (b), (c)(i) or (d); or
- (d) any Sovereign; or
- (e) any entity or organization established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

All references in this definition to US\$ include equivalent amounts in other currencies in each case as determined by the Calculation Agent.

**"Entitlement"** means Deliverable Obligations, as selected by the Calculation Agent, with:

- (a) in the case of Deliverable Obligations that are Borrowed Money, an Outstanding Principal Balance; or

- (b) in the case of Deliverable Obligations that are not Borrowed Money, a Due and Payable Amount,

(or, in the case of either (a) or (b), the equivalent Currency Amount of any such amount), in an aggregate amount as of the relevant Delivery Date equal to the Calculation Amount; less

- (i) if Unwind Costs are specified as applying in the relevant Pricing Supplement, Deliverable Obligations with a market value determined by the Calculation Agent on the Business Day selected by the Calculation Agent falling during the period from and including the Credit Event Determination Date to and including the Delivery Date equal to Unwind Costs; and
- (ii) to the extent that the Issuer in its sole and absolute discretion determines that it is not satisfied that any Expenses have been or will be paid in full by the relevant Noteholder on or prior to the relevant Credit Settlement Date, an amount of Deliverable Obligations with a market value determined by the Calculation Agent at the time of calculation of the Entitlement in aggregate at least equal to such Expenses.

**"Excluded Deliverable Obligation"** means:

- (a) any obligation of a Reference Entity specified as such or of a type described in the relevant Pricing Supplement;
- (b) any principal only component of a Bond from which some or all of the interest components have been stripped; and
- (c) if Asset Package Delivery is applicable, any obligation issued or incurred on or after the date of the relevant Asset Package Credit Event.

**"Excluded Obligation"** means:

- (a) any obligation of a Reference Entity specified as such or of a type described in the relevant Pricing Supplement;
- (b) if "Financial Reference Entity Terms" is specified as applicable in the relevant Pricing Supplement and (i) the relevant Reference Obligation or Prior Reference Obligation, as applicable, is a Senior Obligation, or (ii) there is no Reference Obligation or Prior Reference Obligation, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Subordinated Obligation; and
- (c) if "Financial Reference Entity Terms" is specified as applicable in the relevant Pricing Supplement and the relevant Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Further Subordinated Obligation.

**"Excluded Valuation Obligation"** means:

- (a) any obligation of a Reference Entity specified as such or of a type described in the relevant Pricing Supplement;
- (b) any principal only component of a Bond from which some or all of the interest components have been stripped; and

- (c) if Asset Package Delivery is applicable, any obligation issued or incurred on or after the date of the relevant Asset Package Credit Event.

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

- (a) with respect to an M(M)R Restructuring and any Note (x) to which paragraph (a) of the definition of Credit Event Determination Date above applies or (y) to which Credit Linked Condition 2(a)(ii) applies:
  - (i) if the DC Secretary publishes a Final List applicable to the Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms, the date that is five Relevant City Business Days following the date on which such Final List is published; or
  - (ii) otherwise, the date that is fourteen calendar days following the relevant No Auction Announcement Date; or
- (b) with respect to a Credit Event where paragraph (a) of the definition of Credit Event Determination Date does not apply, unless paragraph (a)(y) above applies, the relevant Non-Standard Exercise Cut-off Date,

or, in each case, such other date as the relevant Credit Derivatives Determinations Committee Resolves.

**"Expenses"** means all costs, taxes, duties and/or expenses including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes arising from the Delivery or attempted Delivery of the Entitlement in respect of a Note and any related receipt of or attempt to receive the Deliverable Obligations that comprise or would or may comprise the Entitlement, as applicable, by the Issuer and/or its Affiliates, as applicable, under any Hedging Arrangements.

**"Extension Date"** means the latest of:

- (a) the Scheduled Maturity Date (for the purposes of this definition of Extension Date, the **"Scheduled Termination Date"**);
- (b) the Grace Period Extension Date if (i) "Failure to Pay" and "Grace Period Extension" are specified as applying in the relevant Pricing Supplement, and (ii) the Potential Failure to Pay with respect to the relevant Failure to Pay occurs on or prior to the Scheduled Termination Date; and
- (c) the Repudiation/Moratorium Evaluation Date (if any) if "Repudiation/Moratorium" is specified as applicable in the relevant Pricing Supplement, as applicable.

**"Failure to Pay"** means after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure provided that, if an occurrence that would constitute a Failure to Pay (a) is a result of a redenomination that occurs as a result of action taken by a Governmental Authority which is of general application in the jurisdiction of such Governmental Authority and (b) a freely available market rate of conversion existed at the time of the redenomination, then such occurrence will be deemed not to constitute a Failure to Pay unless the redenomination itself constituted a reduction in the rate or amount of interest,

principal or premium payable (as determined by reference to such freely available market rate of conversion) at the time of such redenomination.

**"Fallback Settlement Method"** means Cash Settlement.

**"Final List"** has the meaning given in the DC Rules.

**"Final Price"** means:

- (a) if there is more than one Valuation Obligation, the weighted average of the prices of each such Valuation Obligation, each expressed as a percentage of its Outstanding Principal Balance or Due and Payable Amount, as applicable; or
- (b) otherwise, the price of the relevant Valuation Obligation, expressed as a percentage of its Outstanding Principal Balance or Due and Payable Amount, as applicable,

in either case determined in accordance with the Valuation Method specified in the relevant Pricing Supplement or, where applicable, Credit Linked Condition ¶11.

Notwithstanding the foregoing and anything to the contrary herein (including, without limitation, that the Settlement Method is not Physical Delivery), if Asset Package Delivery is applicable and a Prior Deliverable Obligation or a Package Observable Bond is specified in the Valuation Obligation Notification, (i) the related Asset Package may be treated as the Valuation Obligation in lieu of such Prior Deliverable Obligation or Package Observable Bond, and such Asset Package shall be treated as having the same currency, Outstanding Principal Balance or Due and Payable Amount, as applicable, as the Prior Deliverable Obligation or Package Observable Bond to which it corresponds had immediately prior to the Asset Package Credit Event, (ii) if such Asset Package is zero, its price shall be deemed to be zero per cent. on the relevant Valuation Date and (iii) if the Calculation Agent determines in its sole and absolute discretion that a price cannot reasonably be determined in accordance with the Valuation Method, then the price of the Asset Package will be calculated by the Calculation Agent in its sole and absolute discretion as equal to the fair market value of the Asset Package, expressed as a percentage of its Outstanding Principal Balance or Due and Payable Amount, as applicable.

The Calculation Agent shall make available for inspection by Noteholders on request (i) each Quotation for a Valuation Date that it receives in connection with the calculation of the Final Price and (ii) a written computation showing its calculation of the Final Price.

**"Fixed Cap"** means, with respect to a Guarantee, a specified numerical limit or cap on the liability of the Reference Entity in respect of some or all payments due under the Underlying Obligation, provided that a Fixed Cap shall exclude a limit or cap determined by reference to a formula with one or more variable inputs (and for these purposes, the outstanding principal or other amounts payable pursuant to the Underlying Obligation shall not be considered to be variable inputs).

**"Full Quotation"** means, in accordance with the Quotation Method each firm quotation obtained from a Quotation Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Valuation Obligation with an Outstanding Principal Balance or Due and Payable Amount equal to the Quotation Amount.

**"Fully Transferable Obligation"** means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required in the case of any Deliverable Obligation other than Bonds, in each case, as of each such date as the Calculation Agent determines relevant for purposes of

the Hedging Arrangements or, if none at the relevant time, both the PSN Effective Date and the Delivery Date. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered as a requirement for consent for purposes of this definition of "Fully Transferable Obligation".

**"Further Subordinated Obligation"** means, in respect of a Reference Entity, if the relevant Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, any obligation which is Subordinated thereto.

**"Governmental Authority"** means:

- (a) any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof);
- (b) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (c) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) of the Reference Entity or some or all of its obligations; or
- (d) any other authority which is analogous to any of the entities specified in paragraphs (a) to (c) above.

**"Governmental Intervention"** means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs as a result of action taken or an announcement made by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other similar law or regulation), in each case, applicable to the Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Obligation:

- (a) any event which would affect creditors' rights so as to cause:
  - (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
  - (ii) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
  - (iii) a postponement or other deferral of a date or dates for either (I) the payment or accrual of interest, or (II) the payment of principal or premium; or
  - (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation;
- (b) an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Obligation;
- (c) a mandatory cancellation, conversion or exchange; or
- (d) any event which has an analogous effect to any of the events specified in paragraphs (a) to (c).

For purposes of this definition of Governmental Intervention, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee.

**"Grace Period"** means:

- (a) subject to paragraphs (b) and (c) below, the applicable grace period with respect to payments under and in accordance with the terms of the relevant Obligation in effect as of the date as of which such Obligation is issued or incurred;
- (b) if "Grace Period Extension" is specified as applying in the relevant Pricing Supplement, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date, the Grace Period will be deemed to be the lesser of such grace period and the period specified as such in the relevant Pricing Supplement or, if no period is specified in the relevant Pricing Supplement, thirty (30) calendar days; and
- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as applying in the relevant Pricing Supplement, such deemed Grace Period shall expire no later than the Scheduled Maturity Date.

**"Grace Period Business Day"** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and if a place or places are not so specified (a) if the Obligation Currency is the euro, a day on which the TARGET2 System is open, or (b) otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the Obligation Currency.

**"Grace Period Extension Date"** means, if:

- (a) "Grace Period Extension" is specified as applying in the relevant Pricing Supplement; and
- (b) a Potential Failure to Pay occurs on or prior to the Scheduled Maturity Date,

the date falling the number of days in the Grace Period after the date of such Potential Failure to Pay. If "Grace Period Extension" is not specified as applicable in the relevant Pricing Supplement, Grace Period Extension shall not apply.

**"Guarantee"** means a Relevant Guarantee or a guarantee which is the Reference Obligation.

**"Hedging Arrangements"** means any Representative Auction-Settled Transaction (the **"Hedging Representative Auction-Settled Transaction"**) that is to be entered into by the Issuer and/or any of its Affiliates or agents pursuant to the Transaction Auction Settlement Terms (if any) relating to any relevant Credit Event (the **"Hedging Transaction Auction Settlement Terms"**) in order that the Issuer may satisfy any of its physical delivery obligations under the Credit Linked Notes, and (without duplication) any underlying or related transaction(s), swap(s), asset(s), financing or other arrangement(s) or trading position(s) the Issuer and/or any of its Affiliates or agents may enter into or hold from time to time (including, if applicable, on a portfolio basis) to hedge directly or indirectly and whether in whole or in part

the credit or other price risk or funding of the Issuer issuing and performing its obligations with respect to the Credit Linked Notes and, as applicable, any Additional Note Issuance.

**"Hedging Auction"** means the "Auction" as such term shall be defined in the relevant Hedging Transaction Auction Settlement Terms.

**"Hedging Auction Final Price"** shall have the meaning as shall be set forth in the relevant Hedging Transaction Auction Settlement Terms.

**"Hedge Disruption Event"** means in the opinion of the Calculation Agent any event as a result of which the Issuer and/or any of its Affiliates has not received the relevant Deliverable Obligations under the terms of the Hedging Arrangements (if any).

**"Hedge Disruption Obligation"** means a Deliverable Obligation included in the Entitlement which, on the Credit Settlement Date for such Deliverable Obligation, the Calculation Agent determines cannot be Delivered as a result of a Hedge Disruption Event.

**"Interest Adjusted Credit Outstanding Nominal Amount"** has the meaning given to that term in Credit Linked Condition 5.

**"Intervening Period"** means such period of time as any person other than the relevant Noteholder shall continue to be registered as the legal owner of any securities or other obligations comprising the Entitlement.

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

**"Largest Asset Package"** means, in respect of a Prior Deliverable Obligation or a Package Observable Bond, as the case may be, the package of Assets for which the greatest amount of principal has been or will be exchanged or converted (including by way of amendment), as determined by the Calculation Agent by reference to Eligible Information. If this cannot be determined, the Largest Asset Package will be the package of Assets with the highest immediately realizable value, determined by the Calculation Agent in accordance with the methodology, if any, determined by the relevant Credit Derivatives Determinations Committee or, if none, as determined by the Calculation Agent in its sole and absolute discretion by reference to such source(s) as it determines appropriate.

**"Latest Maturity Restructured Bond or Loan"** has the meaning given to that term in the definition of "Restructuring Maturity Limitation Date".

**"Leveraged Credit Linked Notes"** means Single Reference Entity Credit Linked Notes indicated as such in the relevant Pricing Supplement, where the terms of the Notes include leverage.

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

**"M(M)R Restructuring"** means a Restructuring Credit Event in respect of which either Mod R or Mod Mod R is specified as applicable in the relevant Pricing Supplement.

**"Mark to Market Swap Value"** has the meaning given to that term in Credit Linked Condition ¶13.

**"Market Value"** means, with respect to the Valuation Obligation on a Valuation Date:

- (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations;
- (d) if fewer than two Full Quotations and a Weighted Average Quotation is obtained, such Weighted Average Quotation;
- (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject as provided in the definition of Quotation, an amount the Calculation Agent shall determine on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation is obtained; and
- (f) if two or more Full Quotations or a Weighted Average Quotation are not obtained on or prior to the tenth Business Day following the applicable Valuation Date the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Valuation Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

**"Minimum Quotation Amount"** means the amount specified as such in the relevant Pricing Supplement (or its equivalent in the relevant Obligation Currency) or, if no amount is so specified, the lower of (a) USD1,000,000 (or its equivalent in the relevant Obligation Currency) and (b) the Quotation Amount.

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

**"Modified Restructuring Maturity Limitation Date"** means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date. Subject to the foregoing, if the Scheduled Maturity Date is later than the 10 year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

**"Movement Option"** means, with respect to an M(M)R Restructuring for which a No Auction Announcement Date has occurred pursuant to paragraph ¶(b) or ¶(c)(ii) of the definition of No Auction Announcement Date, the option of the Issuer in its sole and absolute discretion to apply



to the Credit Linked Notes, for purposes of settlement, the Parallel Auction Settlement Terms, if any, for purposes of which the Permissible Deliverable Obligations are more limited than the Deliverable Obligations that could apply in respect of the Reference Transaction (provided that if more than one such set of Parallel Auction Settlement Terms are published, the Parallel Auction Settlement Terms specifying the greatest number of such Permissible Deliverable Obligations shall apply). If no Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, the Credit Linked Notes will be settled in accordance with the Fallback Settlement Method. If a Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, such event will be notified to Noteholders in accordance with Condition 14 (*Notices*). For the avoidance of doubt any failure to provide such a notice to Noteholders will not constitute an Event of Default under the Notes and will not affect the validity of any of the foregoing provisions.

**"Movement Option Cut-off Date"** means the date that is one Relevant City Business Day following the Exercise Cut-off Date, or such other date as the relevant Credit Derivatives Determinations Committee has Resolved.

**"Next Currency Fixing Time"** means 4:00 p.m. (London time) on such London Business Day as the Calculation Agent shall select falling no more than five (5) London Business Days immediately preceding the date on which the Notice of Physical Settlement or relevant Physical Settlement Amendment Notice or relevant Partial Cash Settlement Notice, as applicable, is effective. For the purposes of determining the Next Currency Fixing Time, **"London Business Day"** means a day on which banks and foreign exchange markets are generally open to settle payments in London.

**"No Auction Announcement Date"** means, with respect to a Credit Event, the date on which the DC Secretary first publicly announces that:

- (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published;
- (b) following the occurrence of an M(M)R Restructuring no Transaction Auction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published; or
- (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by the DC Secretary to the contrary, in circumstances where either:
  - (i) no Parallel Auction will be held; or
  - (ii) one or more Parallel Auctions will be held.

**"Non-Conforming Reference Obligation"** means a Reference Obligation which is not a Conforming Reference Obligation.

**"Non-Conforming Substitute Reference Obligation"** means an obligation which would be a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation above on the Substitution Date but for one or more of the same reasons which resulted in the Reference Obligation constituting a Non-Conforming Reference Obligation on the date it was issued or incurred and/or immediately prior to the Substitution Event Date (as applicable).

**"Non-Financial Instrument"** means any Asset which is not of the type typically traded in, or suitable for being traded in, financial markets.

**"Non-Standard Credit Event Determination Date"** means with respect to a Credit Event:

- (a) subject to paragraph (b) of this definition, the Notice Delivery Date, if the Notice Delivery Date occurs during either the Notice Delivery Period or the Post Dismissal Additional Period, provided that neither (i) a DC Credit Event Announcement has occurred nor (ii) a DC No Credit Event Announcement has occurred, in each case, with respect to the Credit Event specified in the Credit Event Notice; or
- (b) notwithstanding paragraph (a) of this definition, if a DC Credit Event Announcement has occurred and the Credit Event Resolution Request Date has occurred on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) either:
  - (i) the Credit Event Resolution Request Date, if either:
    - (A) (1) "Auction Settlement" is not the applicable Settlement Method;
    - (2) the relevant Credit Event is not an M(M)R Restructuring; and
    - (3) the Trade Date occurs on or prior to the date of the DC Credit Event Announcement; or
    - (B) (1) the relevant Credit Event is an M(M)R Restructuring; and
    - (2) a Credit Event Notice is delivered and is effective on or prior to the fifth Business Day following the Non-Standard Exercise Cut-off Date, or
  - (ii) the first date on which a Credit Event Notice is delivered and is effective during either the Notice Delivery Period or the period from and including the date of the DC Credit Event Announcement to and including the fifth Business Day following the date that is fourteen calendar days thereafter (provided, in each case, that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)), if either:
    - (A) (1) "Auction Settlement" is not the applicable Settlement Method;
    - (2) the relevant Credit Event is not an M(M)R Restructuring; and
    - (3) the Trade Date occurs following the date of the related DC Credit Event Announcement and on or prior to a DC Announcement Coverage Cut-off Date; or
    - (B) the Calculation Agent determines this is otherwise consistent with the Hedging Arrangements (if any at the relevant time),

provided that no Credit Event Notice specifying an M(M)R Restructuring as the only Credit Event has previously been delivered (I) unless the M(M)R Restructuring specified in such Credit Event Notice is also the subject of the

DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date or (II) unless the Calculation Agent determines this is otherwise consistent with the Hedging Arrangements or, if none at the relevant time, (x) unless, and to the extent that, the Partial Redemption Amount specified in any such Credit Event Notice was less than the relevant Reference Entity Notional Amount or (y) unless the Deliverable Obligations set out on the Final List applicable to the Transaction Auction Settlement Terms are identical to the Permissible Deliverable Obligations.

**"Non-Standard Exercise Cut-off Date"** means, with respect to a Credit Event to which paragraph (a) of the definition of Credit Event Determination Date does not apply:

- (a) if such Credit Event is not an M(M)R Restructuring, either:
  - (i) the Relevant City Business Day prior to the Auction Final Price Determination Date, if any;
  - (ii) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or
  - (iii) the date that is fourteen calendar days following the No Auction Announcement Date, if any, as applicable; or
- (b) if such Credit Event is an M(M)R Restructuring and:
  - (i) the DC Secretary publishes a Final List applicable to the Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms, the date that is five Relevant City Business Days following the date on which such Final List is published; or
  - (ii) otherwise, the date that is fourteen calendar days following the relevant No Auction Announcement Date.

**"Non-Standard Reference Obligation"** means, in respect of the Reference Entity, the Original Non-Standard Reference Obligation or if a Substitute Reference Obligation has been determined, the Substitute Reference Obligation.

**"Non-Transferable Instrument"** means any Asset which is not capable of being transferred to institutional investors, excluding due to market conditions.

**"Note Value"** has the meaning given to that term in Credit Linked Condition ¶13.

**"Notice Delivery Date"** means the first date on which both an effective Credit Event Notice and, unless "Notice of Publicly Available Information" is specified as not applicable in the relevant Pricing Supplement, an effective Notice of Publicly Available Information, have been delivered by the Calculation Agent.

**"Notice Delivery Period"** means the period from and including the Trade Date to and including the fifth Business Day following the date that is fourteen (14) calendar days after the Extension Date.

**"Notice of Physical Settlement"** has the meaning given to that term in Credit Linked Condition ¶4.

**"Notice of Publicly Available Information"** means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. The notice given must contain a copy or description in reasonable detail, of the relevant Publicly Available Information. If "Notice of Publicly Available Information" is specified as applicable in the relevant Pricing Supplement and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. A Notice of Publicly Available Information shall be subject to the requirements regarding notices in Credit Linked Condition ¶17.

**"Notice to Exercise Movement Option"** means, with respect to Notes for which (a) M(M)R Restructuring is applicable and (b) the Fallback Settlement Method would otherwise be applicable pursuant to the Auction Settlement provisions, a notice from the Issuer to the Calculation Agent that (i) specifies the Parallel Auction Settlement Terms applicable in accordance with the definition of Movement Option and (ii) is effective on or prior to the Movement Option Cut-off Date.

**"Number of Valuation Business Days"** means:

- (a) if Fixed Valuation Date is specified as applicable in the relevant Pricing Supplement, the number of Business Days specified therein (or, if the number of Business Days is not specified, five Business Days); or
- (b) otherwise, the number of Business Days selected by the Issuer.

**"Obligation"** means:

- (a) any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) determined pursuant to the method described in "Method for Determining Obligations" below); and
- (b) the Reference Obligation,

in each case unless it is an Excluded Obligation.

**"Method for Determining Obligations"**. For the purposes of paragraph (a) of this definition of "Obligation", the term "Obligation" may be defined as the obligation of each Reference Entity described by the Obligation Category specified in the relevant Pricing Supplement, and having each of the Obligation Characteristics (if any) specified in the relevant Pricing Supplement, in each case, immediately prior to the Credit Event which is the subject of either the Credit Event Notice or the DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- (i) **"Obligation Category"** means Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the relevant Pricing Supplement, where:
  - (a) **"Payment"** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;

- (b) "**Borrowed Money**" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);
  - (c) "**Reference Obligation Only**" means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligation Only;
  - (d) "**Bond**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;
  - (e) "**Loan**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and
  - (f) "**Bond or Loan**" means any obligation that is either a Bond or a Loan.
- (ii) "**Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance specified in the relevant Pricing Supplement, where:
- (a) "**Not Subordinated**" means an obligation that is not Subordinated to (1) the Reference Obligation or, (2) the Prior Reference Obligation, if applicable;
  - (b) "**Subordination**" means, with respect to an obligation (the "**Second Obligation**") and another obligation of the Reference Entity to which such obligation is being compared (the "**First Obligation**"), a contractual, trust or other similar arrangement providing that (I) upon the liquidation, dissolution, reorganisation or winding-up of the Reference Entity, claims of the holders of the First Obligation are required to be satisfied prior to the claims of the holders of the Second Obligation or (II) the holders of the Second Obligation will not be entitled to receive or retain principal payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the First Obligation. "**Subordinated**" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, (x) the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement or security arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference

Entity is a Sovereign and (y) in the case of the Reference Obligation or the Prior Reference Obligation, as applicable, the ranking in priority of payment shall be determined as of the date as of which it was issued or incurred (or in circumstances where the Reference Obligation or a Prior Reference Obligation is the Standard Reference Obligation and "Standard Reference Obligation" is applicable, then the priority of payment of the Reference Obligation or the Prior Reference Obligation, as applicable, shall be determined as of the date of selection) and, in each case, shall not reflect any change to such ranking in priority of payment after such date; and

- (c) "**Prior Reference Obligation**" means, in circumstances where there is no Reference Obligation applicable to the relevant Notes, (I) the Reference Obligation most recently applicable thereto, if any, and otherwise, (II) the obligation specified in the relevant Pricing Supplement as the Reference Obligation, if any, if such Reference Obligation was redeemed on or prior to the Trade Date and otherwise, (III) any unsubordinated Borrowed Money obligation of the Reference Entity;
- (d) "**Specified Currency**" means an obligation that is payable in the currency or currencies specified as such in the relevant Pricing Supplement (or, if Specified Currency is specified in the relevant Pricing Supplement and no currency is so specified, any Standard Specified Currency) provided that if the euro is a Specified Currency, "Specified Currency" shall also include an obligation that was previously payable in the euro, regardless of any redenomination thereafter if such redenomination occurred as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority;
- (e) "**Not Sovereign Lender**" means any obligation that is not primarily owed to (A) a Sovereign or (B) any entity or organization established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development, which shall include, without limitation, obligations generally referred to as "Paris Club debt";
- (f) "**Not Domestic Currency**" means any obligation that is payable in any currency other than applicable Domestic Currency provided that a Standard Specified Currency shall not constitute the Domestic Currency;
- (g) "**Not Domestic Law**" means any obligation that is not governed by applicable Domestic Law, provided that the laws of England and the laws of the State of New York shall not constitute a Domestic Law;
- (h) "**Listed**" means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and

- (i) **"Not Domestic Issuance"** means any obligation other than an obligation that was issued (or reissued, as the case may be) or intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or, as a result of some other action having been taken for such purpose, is qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be issued (or reissued, as the case may be), or intended to be offered for sale primarily in the domestic market of the Reference Entity.

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

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

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

**"Original Non-Standard Reference Obligation"** means the obligation of the Reference Entity (either directly or as provider of a guarantee) which is specified as the Reference Obligation in respect of such Reference Entity in the relevant Pricing Supplement (if any is so specified) provided that if an obligation is not an obligation of the Reference Entity, such obligation will not constitute a valid Original Non-Standard Reference Obligation for purposes of the relevant Notes (other than for the purposes of determining the Seniority Level and for the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic) unless the relevant Notes are Reference Obligation Only Notes.

**"Outstanding Amount"** means, in respect of a Prior Deliverable Obligation or Package Observable Bond, the Outstanding Principal Balance or Due and Payable Amount, as applicable, or the equivalent amount in the Credit Settlement Currency as specified in the relevant Notice of Physical Settlement or, as applicable, the Quotation Amount specified in the relevant Valuation Obligation Notification.

**"Outstanding Principal Balance"** means the outstanding principal balance of an obligation which will be calculated as follows:

- (a) first, by determining, in respect of the obligation, the amount of the Reference Entity's principal payment obligations and, where applicable in accordance with the definition of Accrued Interest above, the Reference Entity's accrued but unpaid interest payment obligations (which, in the case of a Guarantee will be the lower of (i) the Outstanding Principal Balance (including accrued but unpaid interest, where applicable) of the Underlying Obligation (determined as if references to the Reference Entity were references to the Underlying Obligor) and (ii) the amount of the Fixed Cap, if any);

- (b) second, by subtracting all or any portion of such amount which, pursuant to the terms of the obligation, (i) is subject to any Prohibited Action, or (ii) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (A) payment or (B) a Permitted Contingency) (the amount determined in accordance with paragraph (a) above less any amounts subtracted in accordance with this paragraph (b), the "**Non-Contingent Amount**"); and
- (c) third, by determining the Quantum of the Claim, which shall then constitute the Outstanding Principal Balance,

in each case, determined:

- (i) unless otherwise specified, in accordance with the terms of the obligation in effect on either (A) the relevant PSN Effective Date (or if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date), or (B) the relevant Valuation Date; and
- (ii) with respect to the Quantum of the Claim only, in accordance with any applicable laws (insofar as such laws reduce or discount the size of the claim to reflect the original issue price or accrued value of the obligation).

**"Package Observable Bond"** means, in respect of a Reference Entity which is a Sovereign, any obligation (a) which is identified as such and published by ISDA on its website at [www.isda.org](http://www.isda.org) from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time and (b) which fell within paragraphs (a) or (b) of the definition of Deliverable Obligation (above) or, as applicable, Valuation Obligation (below), in each case, immediately preceding the date on which the relevant Asset Package Credit Event was legally effective.

**"Parallel Auction"** means "Auction" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Cancellation Date"** means "Auction Cancellation Date" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Settlement Terms"** means, following the occurrence of an M(M)R Restructuring, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such M(M)R Restructuring, and for which (i) the Deliverable Obligation Terms are the same as the Reference Transaction and (ii) the Reference Transaction would not be an Auction Covered Transaction provided that if no such Credit Derivatives Auction Settlement Terms are published, the Calculation Agent may select in its sole discretion the applicable Credit Derivatives Auction Settlement Terms.

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

**"Payment Requirement"** means the amount specified as such in the relevant Pricing Supplement or its equivalent in the relevant Obligation Currency or, if no such amount is specified in the relevant Pricing Supplement, USD1,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

**"Permissible Deliverable Obligations"** has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms, being either all or the portion of the Deliverable



Obligations included in the Final List pursuant to the Deliverable Obligation Terms applicable to the relevant Auction.

**"Permitted Contingency"** means, with respect to an obligation, any reduction to the Reference Entity's payment obligations:

- (a) as a result of the application of:
  - (i) any provisions allowing a transfer, pursuant to which another party may assume all of the payment obligations of the Reference Entity;
  - (ii) provisions implementing the Subordination of the obligation;
  - (iii) provisions allowing for a Permitted Transfer in the case of a Qualifying Guarantee (or provisions allowing for the release of the Reference Entity from its payment obligations in the case of any other Guarantee);
  - (iv) if "Subordinated European Insurance Terms" are specified as applicable in the relevant Pricing Supplement, any Solvency Capital Provisions; or
  - (v) if "Financial Reference Entity Terms" are specified as applicable in the relevant Pricing Supplement, provisions which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention; or
- (b) which is within the control of the holders of the obligation or a third party acting on their behalf (such as an agent or trustee) in exercising their rights under or in respect of such obligation.

**"Permitted Transfer"** means, with respect to a Qualifying Guarantee, a transfer to and the assumption by any single transferee of such Qualifying Guarantee (including by way of cancellation and execution of a new guarantee) on the same or substantially the same terms, in circumstances where there is also a transfer of all (or substantially all) of the assets of the Reference Entity to the same single transferee.

**"Physical Settlement Amendment Notice"** has the meaning given to that term in Credit Linked Condition ¶4.

**"Physical Settlement Period"** means, subject to Credit Linked Condition ¶12, the number of Business Days specified as such in the relevant Pricing Supplement or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation comprising the Entitlement, the longest number of Business Days for settlement in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation Agent provided that if the Issuer has notified the Noteholders in accordance with Credit Linked Condition ¶4 that it will Deliver an Asset Package in lieu of a Prior Deliverable Obligation or a Package Observable Bond, the Physical Settlement Period shall be 35 Business Days.

**"Post Dismissal Additional Period"** means the period from and including the date of the DC Credit Event Question Dismissal to and including the date that is five Business Days following the fourteenth calendar day thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)).

**"Postponed Cut-off Date"** has the meaning given to that term in Credit Linked Condition ¶10.

**"Postponed Maturity Date"** has the meaning given to that term in Credit Linked Condition ¶10.

**"Potential Credit Event"** means a Potential Failure to Pay (if Failure to Pay is an applicable Credit Event in respect of the Reference Entity), a Potential Repudiation/Moratorium (if Repudiation/Moratorium is an applicable Credit Event in respect of the Reference Entity) or if a Credit Event Resolution Request Date has occurred and the relevant Credit Derivatives Determinations Committee has not made its determination, such event will be deemed to be a Potential Credit Event. A Credit Derivatives Determinations Committee and the Calculation Agent may each determine whether a Potential Failure to Pay or a Potential Repudiation/Moratorium has occurred.

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

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

**"Principal Increase Amount"** has the meaning given to that term in Credit Linked Condition ¶13.

**"Principal Shortfall Redemption"** has the meaning given to that term in Credit Linked Condition ¶13.

**"Prior Deliverable Obligation"** means:

- (a) if a Governmental Intervention has occurred (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement), any obligation of the Reference Entity which (i) existed immediately prior to such Governmental Intervention, (ii) was the subject of such Governmental Intervention and (iii) fell within paragraphs (a) or (b) of the definition of Deliverable Obligation above or, as applicable, Valuation Obligation below, in each case, immediately preceding the date on which such Governmental Intervention was legally effective; or
- (b) if a Restructuring which does not constitute a Governmental Intervention has occurred in respect of the Reference Obligation (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement), such Reference Obligation, if any.

**"Private-side Loan"** means a Loan in respect of which the documentation governing its terms is not publicly available or capable of being made public without violating a law, agreement, understanding or other restriction regarding the confidentiality of such information.

**"Prohibited Action"** means any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in (a) to (d) of the definition of Credit Event above) or right of set-off by or of the Reference Entity or any applicable Underlying Obligor.

**"PSN Cut-off Date"** means subject, where applicable, to Credit Linked Condition ¶14, the later of:

- (a) the later of:

- (i) the thirtieth calendar day after the Credit Event Determination Date; and
- (ii) the tenth calendar day after either the date of the relevant DC Credit Event Announcement or of the relevant DC Credit Event Question Dismissal, if any (or, if the relevant Credit Event is an M(M)R Restructuring, the tenth calendar day after the Non-Standard Exercise Cut-off Date),

provided that in the case of paragraph (ii) above, the relevant Credit Event Resolution Request Date, if any, occurred on or prior to the date described in paragraph (i) above; and

- (b) the fifth Business Day after the date on which the Notice of Physical Settlement is required to be delivered under the relevant Hedging Representative Auction-Settled Transaction (if any).

**"PSN Effective Date"** means the date on which an effective Notice of Physical Settlement or Physical Settlement Amendment Notice, as the case may be, is delivered by the Issuer in accordance with Credit Linked Condition 4.

**"Public Source"** means each source of Publicly Available Information specified as such in the relevant Pricing Supplement (or if no such source is specified in the relevant Pricing Supplement, each of Bloomberg, Reuters, Dow Jones Newswires, The Wall Street Journal, The New York Times, Nihon Keizai Shimbun, Asahi Shimbun, Yomiuri Shimbun, Financial Times, La Tribune, Les Echos, The Australian Financial Review and Debtwire (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

**"Publicly Available Information"** means information that reasonably confirms any of the facts relevant to the determination that the Credit Event or a Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice have occurred and which:

- (a) has been published in or on not less than the Specified Number of Public Sources (regardless of whether the reader or user thereof pays a fee to obtain such information);
- (b) is information received from or published by (i) the Reference Entity (or, if the Reference Entity is a Sovereign, any agency, instrumentality, ministry, department or other authority thereof acting in a governmental capacity (including, without limiting the foregoing, the central bank) of such Sovereign) or (ii) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation; or
- (c) is information contained in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body;

provided that where any information of the type described in paragraphs (b) or (c) above is not publicly available, it can only constitute Publicly Available Information if it can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

In relation to any information of the type described in paragraphs (b) or (c) above, the Calculation Agent may assume that such information has been disclosed to it without violating

any law, agreement, understanding or other restriction regarding the confidentiality of such information and that the entity disclosing such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the party receiving such information.

- (d) Without limitation, Publicly Available Information need not state:
  - (i) in relation to the definition of "Downstream Affiliate", the percentage of Voting Shares owned by the Reference Entity; and
  - (ii) that the relevant occurrence:
    - (A) has met the Payment Requirement or Default Requirement;
    - (B) is the result of exceeding any applicable Grace Period; or
    - (C) has met the subjective criteria specified in certain Credit Events.

In relation to a Repudiation/Moratorium Credit Event, Publicly Available Information must relate to the events described in paragraphs (a) and (b) of the definition of Repudiation/Moratorium below.

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

**"Qualifying Guarantee"** means a guarantee evidenced by a written instrument (which may include a statute or regulation), pursuant to which the Reference Entity irrevocably agrees, undertakes or is otherwise obliged to pay all amounts of principal and interest (except for amounts which are not covered due to the existence of a Fixed Cap) due under an Underlying Obligation for which the Underlying Obligor is the obligor, by guarantee of payment and not by guarantee of collection (or, in either case, any legal arrangement which is equivalent thereto in form under the relevant governing law).

A Qualifying Guarantee shall not include any guarantee:

- (a) which is structured as a surety bond, financial guarantee insurance policy or letter of credit (or any legal arrangement which is equivalent thereto in form); or
- (b) pursuant to the terms applicable thereto, the principal payment obligations of the Reference Entity can be discharged, released, reduced, assigned or otherwise altered as a result of the occurrence or non-occurrence of an event or circumstance, in each case, other than:
  - (i) by payment;
  - (ii) by way of Permitted Transfer;
  - (iii) by operation of law;
  - (iv) due to the existence of a Fixed Cap; or

- (v) due to:
  - (A) provisions permitting or anticipating a Governmental Intervention, if "Financial Reference Entity Terms" is specified as applicable in the relevant Pricing Supplement; or
  - (B) any Solvency Capital Provisions, if "Subordinated European Insurance Terms" is specified as applicable in the relevant Pricing Supplement.

If the guarantee or Underlying Obligation contains provisions relating to the discharge, release, reduction, assignment or other alteration of the principal payment obligations of the Reference Entity and such provisions have ceased to apply or are suspended at the time of the relevant determination, in accordance with the terms of such guarantee or Underlying Obligation, due to or following the occurrence of (I) a non-payment in respect of the guarantee or the Underlying Obligation, or (II) an event of the type described in the definition of Bankruptcy above in respect of the Reference Entity or the Underlying Obligor, then it shall be deemed for these purposes that such cessation or suspension is permanent, notwithstanding the terms of the guarantee or Underlying Obligation.

In order for a guarantee to constitute a Qualifying Guarantee:

- I. the benefit of such guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation; and
- II. if a guarantee contains a Fixed Cap, all claims to any amounts which are subject to such Fixed Cap must be capable of being Delivered together with the Delivery of such guarantee.

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

**"Quantum of the Claim"** means the lowest amount of the claim which could be validly asserted against the Reference Entity in respect of the Non-Contingent Amount if the obligation had become redeemable, been accelerated, terminated or had otherwise become due and payable at the time of the relevant determination, provided that the Quantum of the Claim cannot exceed the Non-Contingent Amount.

**"Quotation"** means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation. If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted

average of any firm quotations for the Valuation Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

**"Quotation Amount"** means:

- (a) the amount specified as such in the relevant Pricing Supplement (which may be specified by reference to an amount in a currency or by reference to a Representative Amount); or
- (b) if no amount is specified in the relevant Pricing Supplement, as specified in the Valuation Obligation Notification,

or, in each case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent by reference to exchange rates in effect at the time that the relevant Quotation is being obtained.

**"Quotation Dealer"** means a dealer in obligations of the type of Obligation(s) for which Quotations are to be obtained including each Quotation Dealer specified in the relevant Pricing Supplement. If no Quotation Dealers are specified in the relevant Pricing Supplement, the Calculation Agent shall select the Quotation Dealers. Upon a Quotation Dealer no longer being in existence (with no successors), or not being an active dealer in the obligations of the type for which Quotations are to be obtained, the Calculation Agent may substitute any other Quotation Dealer(s) for such Quotation Dealer(s).

**"Quotation Method"** means the applicable Quotation Method specified in the relevant Pricing Supplement by reference to one of the following terms:

- (a) **"Bid"** means that only bid quotations shall be requested from Quotation Dealers;
- (b) **"Offer"** means that only offer quotations shall be requested from Quotation Dealers; or
- (c) **"Mid-market"** means that bid and offer quotations shall be requested from Quotation Dealers and shall be averaged for purposes of determining a relevant Quotation Dealer's quotation.

If a Quotation Method is not specified in the relevant Pricing Supplement, Bid shall apply.

**"Reference Entity"** means the entity specified as such in the relevant Pricing Supplement. Any Successor to the Reference Entity either (a) identified pursuant to the definition of "Successor" on or following the Trade Date or (b) identified pursuant to a DC Resolution in respect of a Successor Resolution Request Date and publicly announced by the DC Secretary on or following the Trade Date shall, in each case, with effect from the Succession Date, be the Reference Entity for the purposes of the relevant Series.

**"Reference Entity Notional Amount"**, in respect of a Reference Entity, means the amount specified as such in the relevant Pricing Supplement (or, if no such amount is so specified, the Aggregate Principal Amount of the Notes as of the Issue Date divided by the number of Reference Entities), subject to adjustment as provided in "Successor" and pursuant to Credit Linked Condition ¶15 and as otherwise provided in these Credit Linked Conditions.

**"Reference Obligation"** means the Standard Reference Obligation, if any, unless:

- (a) "Standard Reference Obligation" is specified as not applicable in the relevant Pricing Supplement, in which case the Reference Obligation will be the Non-Standard Reference Obligation, if any; or
- (b) (i) "Standard Reference Obligation" is specified as applicable in the relevant Pricing Supplement (or no election is specified in the relevant Pricing Supplement), (ii) there is no Standard Reference Obligation and (iii) a Non-Standard Reference Obligation is specified in the relevant Pricing Supplement, in which case the Reference Obligation will be (A) the Non-Standard Reference Obligation to but excluding the first date of publication of the Standard Reference Obligation and (B) the Standard Reference Obligation from such date onwards, provided that the Standard Reference Obligation that is published would have been eligible to be selected as a Substitute Reference Obligation.

If the Standard Reference Obligation is removed from the SRO List, such obligation shall cease to be the Reference Obligation (other than for purposes of the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic) and there shall be no Reference Obligation unless and until such obligation is subsequently replaced on the SRO List, in which case, the new Standard Reference Obligation in respect of the Reference Entity shall constitute the Reference Obligation.

**"Reference Obligation Only Notes"** means any Notes in respect of which (a) "Reference Obligation Only" is specified as the Obligation Category and the Deliverable Obligation Category in the relevant Pricing Supplement and (b) "Standard Reference Obligation" is specified as not applicable in the relevant Pricing Supplement.

**"Reference Transaction"** means a hypothetical credit derivative transaction:

- (a) for which the Deliverable Obligation Terms, the Reference Obligation and (as applicable) the provisions for determining the Valuation Obligation(s) are (i) the same as in respect of the Credit Linked Notes (if such Deliverable Obligation Terms, Reference Obligation and Valuation Obligation terms are specified in the relevant Pricing Supplement) or (ii) if and to the extent the Deliverable Obligation Terms and/or the Reference Obligation and/or (as applicable) the Valuation Obligation terms are not specified, the Deliverable Obligation Terms, Reference Obligation and provisions for determining Valuation Obligation(s) determined by the Calculation Agent to be appropriate in respect of a credit derivative transaction linked to the relevant Reference Entity;
- (b) with a scheduled termination date matching the Scheduled Maturity Date of the Credit Linked Notes; and
- (c) otherwise having such other characteristics as the Calculation Agent may determine appropriate by reference to, without limitation, the Issuer's hedging arrangements (if any at the relevant time) and/or any credit derivative elections made in relation to the Credit Linked Notes.

**"Relevant City Business Day"** has the meaning given in the DC Rules.

**"Relevant Guarantee"** means a Qualifying Affiliate Guarantee or, if "All Guarantees" is specified as applicable in the relevant Pricing Supplement, a Qualifying Guarantee.

**"Relevant Holder"** means a holder of the latest Prior Deliverable Obligation or Package Observable Bond, as the case may be, with an Outstanding Principal Balance or Due and

Payable Amount, as applicable, immediately prior to the relevant Asset Package Credit Event, equal to the Outstanding Amount specified in respect of such Prior Deliverable Obligation or Package Observable Bond in the Notice of Physical Settlement or Physical Settlement Amendment Notice or Valuation Obligation Notification, as applicable.

**"Relevant Obligations"** means the Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan" and which are outstanding immediately prior to the Succession Date (or, if there is a Steps Plan, immediately prior to the legally effective date of the first succession), provided that:

- (a) any Bonds or Loans outstanding between the Reference Entity and any of its Affiliates, or held by the Reference Entity, shall be excluded;
- (b) if there is a Steps Plan, the Calculation Agent shall, for purposes of the determination required to be made under paragraph (a) of the definition of Successor below, make the appropriate adjustments required to take account of any Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan" that are issued, incurred, redeemed, repurchased or cancelled from and including the legally effective date of the first succession to and including the Succession Date;
- (c) if "Financial Reference Entity Terms" is specified as applicable in the relevant Pricing Supplement and (i) the Reference Obligation or Prior Reference Obligation, as applicable, is a Senior Obligation, or (ii) there is no Reference Obligation or Prior Reference Obligation, the Relevant Obligations shall only include the Senior Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan"; and
- (d) if "Financial Reference Entity Terms" is specified as applicable in the relevant Pricing Supplement, and the Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, Relevant Obligations shall exclude Senior Obligations and any Further Subordinated Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan", provided that if no such Relevant Obligations exist, "Relevant Obligations" shall only include the Senior Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan".

**"Replaced Deliverable Obligation Outstanding Amount"** has the meaning given to that term in Credit Linked Condition 4.

**"Replacement Deliverable Obligation"** has the meaning given to that term in Credit Linked Condition 4.

**"Representative Amount"** means an amount that is representative for a single transaction in the relevant market and at the relevant time, which amount will be determined by the Calculation Agent.

**"Representative Auction-Settled Transaction"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Repudiation/Moratorium"** means the occurrence of both of the following events:

- (a) an authorised officer of the Reference Entity or a Governmental Authority:



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

**"Repudiation/Moratorium Evaluation Date"** means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is sixty (60) days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is sixty (60) days after the date of such Potential Repudiation/Moratorium provided that, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Scheduled Maturity Date unless the Repudiation/Moratorium Extension Condition is satisfied.

**"Repudiation/Moratorium Extension Condition"** will be satisfied:

- (a) if the DC Secretary publicly announces, pursuant to a valid request that was delivered and effectively received on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the Reference Entity and that such event occurred on or prior to the Scheduled Maturity Date; or
- (b) otherwise, by the delivery by the Calculation Agent to the Issuer of a Repudiation/Moratorium Extension Notice and, unless "Notice of Publicly Available Information" is specified as not applicable in the relevant Pricing Supplement, a Notice of Publicly Available Information that are each effective on or prior to the fifth (5th) Business Day following the date that is fourteen (14) calendar days after the Scheduled Maturity Date.

In all cases, the Repudiation/Moratorium Extension Condition will be deemed not to have been satisfied, or not capable of being satisfied, if, or to the extent that, the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved that either (A) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the Reference Entity, or (B) an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the Reference Entity but that such event occurred after the Scheduled Maturity Date.

**"Repudiation/Moratorium Extension Notice"** means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Potential Repudiation/Moratorium that occurred on or prior to the Scheduled Maturity Date. A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential

Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.

"**Resolve**" has the meaning set out in the DC Rules, and "**Resolved**" and "**Resolves**" shall be construed accordingly.

"**Restructured Bond or Loan**" means an Obligation which is a Bond or Loan and in respect of which the relevant Restructuring has occurred.

"**Restructuring**" means, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all the holders of the Obligation or is announced (or otherwise decreed) by the Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation (including, in each case, in respect of Bonds only, by way of an exchange), and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Credit Event Backstop Date applicable to the relevant Credit Linked Notes and the date as of which such Obligation is issued or incurred:

- (a) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest, or (ii) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
- (e) any change in the currency of any payment of interest, principal or premium to any currency other than the lawful currency of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

Notwithstanding the above provisions, none of the following shall constitute a Restructuring:

- (i) the payment in euro of interest, principal or premium in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
- (ii) the redenomination from euros into another currency, if (A) the redenomination occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority and (B) a freely available market rate of conversion between euros and such other currency existed at the time of such redenomination and there is no reduction in the rate or amount of interest, principal or premium payable, as determined by reference to such freely available market rate of conversion;

- (iii) the occurrence of, agreement to or announcement of any of the events described in ¶(a) to ¶(e) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
- (iv) the occurrence of, agreement to or announcement of any of the events described in ¶(a) to ¶(e) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity, provided that in respect of paragraph ¶(e) above only, no such deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

For purposes of this definition of Restructuring and Credit Linked Condition ¶16, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee. In the case of a Guarantee and an Underlying Obligation, references to the Reference Entity in the definition of Restructuring and the definition of Subordination shall be deemed to refer to the Underlying Obligor and the references to the Reference Entity in paragraphs ¶(i) to ¶(iv) of this definition of Restructuring shall continue to be deemed to refer to the Reference Entity.

If an exchange has occurred, the determination as to whether one of the events described under paragraphs ¶(a) to ¶(e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

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

**"Restructuring Maturity Limitation Date"** means with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity date of any Restructured Bond or Loan occurs prior to the 2.5-year Limitation Date (such Restructured Bond or Loan, a **"Latest Maturity Restructured Bond or Loan"**) and the Scheduled Maturity Date occurs prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan. For these purposes, the final maturity date shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the final maturity date shall be deemed to be the date on which such determination is made.

**"Revised Currency Rate"** means, with respect to a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, the rate of conversion between the currency in which the Replaced Deliverable Obligation Outstanding Amount is denominated and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Replacement Deliverable Obligation is denominated that is determined either (a) by reference to the Currency Rate Source as at the Next Currency Fixing Time or (b) if such rate is not available at such time, by the Calculation Agent.

**"Scheduled Maturity Date"** has the meaning given to it in the relevant Pricing Supplement.

**"Seniority Level"** means, with respect to an obligation of the Reference Entity:

- (a) "Senior Level" or "Subordinated Level" as specified in the relevant Pricing Supplement, or
- (b) if no such seniority level is specified in the relevant Pricing Supplement, "Senior Level" if the Original Non-Standard Reference Obligation is a Senior Obligation or "Subordinated Level" if the Original Non-Standard Reference Obligation is a Subordinated Obligation, failing which "Senior Level".

**"Senior Obligation"** means any obligation which is not Subordinated to any unsubordinated Borrowed Money obligation of the relevant Reference Entity.

**"Settlement Method"** means, subject as provided herein, if (a) Auction Settlement is specified as the applicable Settlement Method in the relevant Pricing Supplement, Auction Settlement or (b) Physical Delivery is specified as the applicable Settlement Method in the relevant Pricing Supplement, Physical Delivery.

**"Shortfall Amount"** has the meaning given to that term in Credit Linked Condition 5.

**"Single Reference Entity Credit Linked Notes"** means Credit Linked Notes indicated as such in the relevant Pricing Supplement, where the Issuer purchases credit protection from the Noteholders in respect of only one Reference Entity.

**"Solvency Capital Provisions"** means any terms in an obligation which permit the Reference Entity's payment obligations thereunder to be deferred, suspended, cancelled, converted, reduced or otherwise varied and which are necessary in order for the obligation to constitute capital resources of a particular tier.

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

**"Sovereign Restructured Deliverable Obligation"** means an Obligation of a Reference Entity which is a Sovereign (either directly or as provider of a Relevant Guarantee) (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice or DC Credit Event Announcement has occurred and (b) which fell within paragraph (a) of the definition of Deliverable Obligation above immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

**"Sovereign Restructured Valuation Obligation"** means an Obligation of a Reference Entity which is a Sovereign (either directly or as provider of a Relevant Guarantee) (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice or DC Credit Event Announcement has occurred and (b) which fell within paragraph (a) of the definition of Valuation Obligation below immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

**"Sovereign Succession Event"** means, with respect to a Reference Entity that is a Sovereign, an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or, other similar event.

**"Specified Number"** means the number of Public Source(s) specified in the relevant Pricing Supplement, or if no such number is specified in the relevant Pricing Supplement, two.

**"SRO List"** means the list of Standard Reference Obligations as published by ISDA on its website at [www.isda.org](http://www.isda.org) from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time.

**"Standard Reference Obligation"** means the obligation of the Reference Entity with the relevant Seniority Level which is specified from time to time on the SRO List.

**"Standard Specified Currency"** means each of the lawful currencies of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

**"Steps Plan"** means a plan evidenced by Eligible Information contemplating that there will be a series of successions to some or all of the Relevant Obligations of the Reference Entity, by one or more entities.

**"Subordinated Obligation"** means any obligation which is Subordinated to any unsubordinated Borrowed Money obligation of the relevant Reference Entity or which would be so Subordinated if any unsubordinated Borrowed Money obligation of that Reference Entity existed.

**"Substitute Reference Obligation"** means, with respect to a Non-Standard Reference Obligation to which a Substitution Event has occurred, the obligation that will replace the Non-Standard Reference Obligation, determined by the Calculation Agent as follows:

- (a) The Calculation Agent shall identify the Substitute Reference Obligation in accordance with paragraphs (c), (d) and (e) below to replace the Non-Standard Reference Obligation; provided that the Calculation Agent will not identify an obligation as the Substitute Reference Obligation if, at the time of the determination, such obligation has already been rejected as the Substitute Reference Obligation by the relevant Credit Derivatives Determinations Committee and such obligation has not changed materially since the date of the relevant DC Resolution.
- (b) If any of the events set forth under paragraphs (a) or (b)(ii) of the definition of Substitution Event have occurred with respect to the Non-Standard Reference Obligation, the Non-Standard Reference Obligation will cease to be the Reference Obligation (other than for purposes of the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic and paragraph (c)(ii)). If the event set forth in paragraph (b)(i) of the definition of Substitution Event below has occurred with respect to the Non-Standard Reference Obligation and no Substitute Reference Obligation is available, the Non-Standard Reference Obligation will continue to be the Reference Obligation until the Substitute Reference Obligation is identified or, if earlier, until any of the events set forth under paragraphs (a) or (b)(ii) of the definition of Substitution Event below occur with respect to such Non-Standard Reference Obligation.
- (c) The Substitute Reference Obligation shall be an obligation that on the Substitution Date:
  - (i) is a Borrowed Money obligation of the Reference Entity (either directly or as provider of a guarantee);

- (ii) satisfies the Not Subordinated Deliverable Obligation Characteristic as of the date it was issued or incurred (without reflecting any change to the priority of payment after such date) and on the Substitution Date; and
- (iii) (A) if the Non-Standard Reference Obligation was a Conforming Reference Obligation when issued or incurred and immediately prior to the Substitution Event Date:
  - I. is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of Deliverable Obligation above; or if no such obligation is available,
  - II. is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation above;
- (B) if the Non-Standard Reference Obligation was a Bond (or any other Borrowed Money obligation other than a Loan) which was a Non-Conforming Reference Obligation when issued or incurred and/or immediately prior to the Substitution Event Date:
  - I. is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,
  - II. is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of Deliverable Obligation above; or if no such obligation is available,
  - III. is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,
  - IV. is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation above; or
- (C) if the Non-Standard Reference Obligation was a Loan which was a Non-Conforming Reference Obligation when incurred and/or immediately prior to the Substitution Event Date:
  - I. is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,
  - II. is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,
  - III. is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of

Deliverable Obligation above; or if no such obligation is available,

- IV. is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation above.
- (d) If more than one potential Substitute Reference Obligation is identified pursuant to the process described in paragraph (c) above, the Substitute Reference Obligation will be the potential Substitute Reference Obligation that most closely preserves the economic equivalent of the delivery and payment obligations of the Issuer under the Notes as determined by the Calculation Agent. The Calculation Agent will notify the Noteholders in accordance with Condition 14 (*Notices*) of the Substitute Reference Obligation as soon as reasonably practicable after it has been identified in accordance with paragraph (c) above and the Substitute Reference Obligation shall replace the Non-Standard Reference Obligation. For the avoidance of doubt any failure to provide such a notice to the Noteholders will not constitute an Event of Default under the Notes and will not affect the validity of any of the foregoing provisions.
- (e) If a Substitution Event has occurred with respect to the Non-Standard Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for the Non-Standard Reference Obligation then, subject to paragraph (a) above and notwithstanding the fact that the Non-Standard Reference Obligation may have ceased to be the Reference Obligation in accordance with paragraph (b) above, the Calculation Agent shall continue to attempt to identify the Substitute Reference Obligation.
- (f) For the avoidance of doubt, no Substitute Reference Obligation shall be determined in respect of any Credit Linked Notes that are Reference Obligation Only Notes.

"**Substitution Date**" means, with respect to a Substitute Reference Obligation, the date on which the Calculation Agent notifies the Issuer of the Substitute Reference Obligation that it has identified in accordance with the definition of Substitute Reference Obligation above.

"**Substitution Event**" means, with respect to the Non-Standard Reference Obligation:

- (a) the Non-Standard Reference Obligation is redeemed in whole; or
- (b) provided that the Credit Linked Notes to which the Non-Standard Reference Obligation relates are not Reference Obligation Only Notes:
- (i) the aggregate amounts due under the Non-Standard Reference Obligation have been reduced by redemption or otherwise below USD 10,000,000 (or its equivalent in the relevant Obligation Currency, as determined by the Calculation Agent); or
- (ii) for any reason, other than due to the existence or occurrence of a Credit Event, the Non-Standard Reference Obligation is no longer an obligation of the Reference Entity (either directly or as provider of a guarantee).

For purposes of identification of the Non-Standard Reference Obligation, any change in the Non-Standard Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, constitute a Substitution Event. If an event described in paragraphs (a) or (b)(i)

above has occurred on or prior to the Trade Date, then a Substitution Event shall be deemed to have occurred pursuant to paragraphs (a) or (b)(i) above as the case may be, on the Trade Date.

**"Substitution Event Date"** means, with respect to the Reference Obligation, the date of the occurrence of the relevant Substitution Event.

**"Succession Date"** means the legally effective date of an event in which one or more entities succeed to some or all of the Relevant Obligations of the Reference Entity; provided that if at such time, there is a Steps Plan, the Succession Date will be the legally effective date of the final succession in respect of such Steps Plan, or if earlier (i) the date on which a determination pursuant to paragraph (a) of the definition of Successor below would not be affected by any further related successions in respect of such Steps Plan, or (ii) the occurrence of a Credit Event Determination Date in respect of the Reference Entity or any entity which would constitute a Successor.

**"Successor"** means:

- (a) subject to paragraph (b) below, the entity or entities, if any, determined as follows:
  - (i) subject to paragraph (vii), if one entity succeeds, either directly or indirectly, as a provider of a Relevant Guarantee, to seventy-five per cent. or more of the Relevant Obligations of the Reference Entity, that entity will be the sole Successor;
  - (ii) if only one entity succeeds directly as a provider of a Relevant Guarantee, to more than twenty-five per cent. (but less than seventy-five per cent.) of the Relevant Obligations of the Reference Entity, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent. of the Relevant Obligations will be the sole Successor;
  - (iii) if more than one entity each succeeds directly as a provider of a Relevant Guarantee, to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than twenty-five per cent. of the Relevant Obligations will each be a Successor and the Base Conditions and/or the relevant Pricing Supplement will be adjusted as provided below;
  - (iv) if one or more entity each succeed directly as a provider of a Relevant Guarantee, to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity, and more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor and the Base Conditions and/or the relevant Pricing Supplement will be adjusted as provided below;
  - (v) if one or more entities succeed directly as a provider of a Relevant Guarantee, to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of such succession;



- (vi) if one or more entities succeed, either directly or indirectly, as a provider of a Relevant Guarantee, to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations will be the Successor (provided that if two or more entities succeed to an equal percentage of Relevant Obligations, each such entity will be a Successor and the Base Conditions and/or the relevant Pricing Supplement will be adjusted as provided below); and
  - (vii) in respect of a Reference Entity which is not a Sovereign, if one entity assumes all of the obligations (including at least one Relevant Obligation) of the Reference Entity, and at the time of the determination either (A) the Reference Entity has ceased to exist, or (B) the Reference Entity is in the process of being dissolved (howsoever described) and the Reference Entity has not issued or incurred any Borrowed Money obligation at any time since the legally effective date of the assumption, such entity (the "**Universal Successor**") will be the sole Successor; and
- (b) An entity may only be a Successor if:
- (i) either (A) the related Succession Date occurs on or after the Successor Backstop Date, or (B) such entity is a Universal Successor in respect of which the Succession Date occurred on or after 1 January 2014;
  - (ii) the Reference Entity had at least one Relevant Obligation outstanding immediately prior to the Succession Date and such entity succeeds to all or part of at least one Relevant Obligation of the Reference Entity; and
  - (iii) where the Reference Entity is a Sovereign, such entity succeeded to the Relevant Obligations by way of a Sovereign Succession Event.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after delivery of a Successor Notice and with effect from the Succession Date, any Successor or Successors under paragraph (a) above, Provided That the Calculation Agent will not make any such determination if, at the time of determination, the DC Secretary has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that there is no Successor based on the relevant succession to Relevant Obligations.

The Calculation Agent may, if it determines appropriate, select an alternative Transaction Type for any Successor to a Reference Entity and adjust such of the Base Conditions and/or the relevant Pricing Supplement as it determines appropriate to reflect such new Transaction Type and determine the effective date of any such change and adjustment. The Calculation Agent shall be deemed to be acting in a commercially reasonable manner if any such Transaction Type and adjustment reflects any adjustment to any credit derivative transaction(s) related to or underlying the Credit Linked Notes incorporating the provisions of the 2014 ISDA Credit Derivatives Definitions (the "**2014 Definitions**"). Upon the Calculation Agent making such adjustment, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 14 (*Notices*) stating the new Transaction Type and the adjustment to the Base Conditions and/or the relevant Pricing Supplement (if any). For the avoidance of doubt any failure to provide such a notice to Noteholders will not constitute an Event of Default under the Notes and will not affect the validity of any of the foregoing provisions.

The Calculation Agent will make all calculations and determinations required to be made under this definition of Successor on the basis of Eligible Information and will, as soon as practicable after such calculation or determination, make such calculation or determination available for inspection by Noteholders at the specified office of the Principal Paying Agent. In calculating the percentages used to determine whether an entity qualifies as a Successor under paragraph (a) above, if there is a Steps Plan, the Calculation Agent shall consider all related successions in respect of such Steps Plan in aggregate as if forming part of a single succession.

Where pursuant to paragraph (a)(iii), (a)(iv) or (a)(vi) or (b) above, more than one Successor has been identified, the Calculation Agent shall adjust such of the Base Conditions and/or the relevant Pricing Supplement as it shall determine to be appropriate (including, without limitation, the Reference Entity Notional Amount and (if applicable) the Transaction Type) to reflect that the Reference Entity has been succeeded by more than one Successor and shall determine the effective date of that adjustment. The Calculation Agent shall be deemed to be acting in a commercially reasonable manner if it adjusts such of the Base Conditions and/or the relevant Pricing Supplement in such a manner as to reflect the adjustment to and/or division of any credit derivative transaction(s) related to or underlying the Credit Linked Notes under the provisions of the 2014 Definitions.

Upon the Calculation Agent making such adjustment, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 14 (*Notices*) stating the adjustment to the Base Conditions and/or the relevant Pricing Supplement and giving brief details of the relevant Successor event. For the avoidance of doubt any failure to provide such a notice to Noteholders will not constitute an Event of Default under the Notes and will not affect the validity of any of the foregoing provisions.

If two or more entities (each, a "**Joint Potential Successor**") jointly succeed to a Relevant Obligation (the "**Joint Relevant Obligation**") either directly or as a provider of a Relevant Guarantee, then (i) if the Joint Relevant Obligation was a direct obligation of the Reference Entity, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as direct obligor or obligors, or (ii) if the Joint Relevant Obligation was a Relevant Guarantee, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as guarantor or guarantors, if any, or otherwise by each Joint Potential Successor in equal parts.

For the purposes of this definition of "Successor", "**succeed**" means, with respect to the Reference Entity and its Relevant Obligations, that an entity other than the Reference Entity (i) assumes or becomes liable for such Relevant Obligations whether by operation of law or pursuant to any agreement (including, with respect to a Reference Entity that is a Sovereign, any protocol, treaty, convention, accord, concord, entente, pact or other agreement), or (ii) issues Bonds or incurs Loans (the "**Exchange Bonds or Loans**") that are exchanged for Relevant Obligations, and in either case the Reference Entity is not thereafter a direct obligor or a provider of a Relevant Guarantee with respect to such Relevant Obligations or such Exchange Bonds or Loans, as applicable. For purposes of this definition of "Successor", "succeeded" and "succession" shall be construed accordingly. In the case of an exchange offer, the determinations required pursuant to paragraph (a) of this definition of "Successor" shall be made on the basis of the outstanding principal balance of Relevant Obligations exchanged and not on the basis of the outstanding principal balance of the Exchange Bonds or Loans.

Notwithstanding the provisions above and sub-paragraph (b) of the definition of Reference Entity, where a Reference Entity is determined as a Successor to another Reference Entity pursuant to the above provisions, then it will be deemed to be a Reference Entity only once hereunder, and from and including the date of such determination the Reference Entity Notional

Amount with respect to such Reference Entity will be the sum of the Reference Entity Notional Amounts that would otherwise be applicable to it.

**"Successor Backstop Date"** means for purposes of any Successor determination determined by DC Resolution, the date that is ninety calendar days prior to the Successor Resolution Request Date otherwise, the date that is ninety calendar days prior to the earlier of (i) the date on which the Successor Notice is effective and (ii) in circumstances where (A) a Successor Resolution Request Date has occurred, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to make a Successor determination and (C) the Successor Notice is delivered not more than fourteen calendar days after the day on which the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to make a Successor determination, the Successor Resolution Request Date. The Successor Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

**"Successor Notice"** means an irrevocable notice from the Calculation Agent to the Issuer that describes a succession (or, in relation to a Reference Entity that is a Sovereign, a Sovereign Succession Event) in respect of which a Succession Date has occurred and pursuant to which one or more Successors to the Reference Entity can be determined.

A Successor Notice must contain a description in reasonable detail of the facts relevant to the determination to be made pursuant to paragraph (a) of the definition of Successor above.

**"Successor Resolution Request Date"** means, with respect to a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve one or more Successors to the Reference Entity, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

**"Trade Date"** means the date specified as such in the relevant Pricing Supplement.

**"Transaction Auction Settlement Terms"** means the Credit Derivatives Auction Settlement Terms selected by the Calculation Agent in accordance with this provision. In relation to a Credit Event (and as set out in the definition of Credit Derivatives Auction Settlement Terms), ISDA may publish one or more form(s) of Credit Derivatives Auction Settlement Terms on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) and may amend such forms from time to time. Each such form of Credit Derivatives Auction Settlement Terms shall set out, *inter alia*, definitions of "Auction", "Auction Cancellation Date", "Auction Covered Transaction" and "Auction Final Price Determination Date" in relation to the relevant Credit Event. The Transaction Auction Settlement Terms for purposes of the Credit Linked Notes shall be the relevant form of Credit Derivatives Auction Settlement Terms for which the Reference Transaction would be an Auction Covered Transaction (as such term will be set out in the relevant Credit Derivatives Auction Settlement Terms). The Reference Transaction (as set out in the definition thereof) is a hypothetical credit derivative transaction included in these Credit Linked Conditions principally for the purpose of selecting the Credit Derivatives Auction Settlement Terms appropriate to the Credit Linked Notes.

**"Transaction Type"** is as specified in the relevant Pricing Supplement, subject to adjustment as provided in "Successor".

**"Trigger Event"** has the meaning given to that term in Credit Linked Condition ¶13.

**"Trigger Event Option"** has the meaning given to that term in Credit Linked Condition ¶13.

**"Trigger Event Option Notice"** has the meaning given to that term in Credit Linked Condition ¶13.

**"Trigger Event Redemption Date"** has the meaning given to that term in Credit Linked Condition ¶13.

**"Trigger Level"** has the meaning given to that term in Credit Linked Condition ¶13.

**"Undeliverable Obligation"** means a Deliverable Obligation included in the Entitlement which, on the Credit Settlement Date for such Deliverable Obligation, the Calculation Agent determines for any reason (including without limitation, failure of the relevant clearance system or due to any law, regulation, court order, contractual restrictions, statutory restrictions or market conditions or the non-receipt of any requisite consents with respect to the Delivery of Loans or non-delivery of an Asset Transfer Notice or any relevant information by a holder) it is impossible or illegal or impractical to Deliver on the Credit Settlement Date.

**"Underlying Obligation"** means, with respect to a guarantee, the obligation which is the subject of the guarantee.

**"Underlying Obligor"** means with respect to an Underlying Obligation, the issuer in the case of a Bond, the borrower in the case of a Loan, or the principal obligor in the case of any other Underlying Obligation.

**"Unwind Costs"** means the amount specified in the relevant Pricing Supplement or if "Standard Unwind Costs" are specified in the relevant Pricing Supplement, an amount determined by the Calculation Agent equal to the aggregate sum of (without duplication) all costs (including loss of funding), fees, charges, expenses, tax and duties incurred by the Issuer and/or any of its Affiliates in connection with the redemption or credit settlement of the Credit Linked Notes and the related termination, liquidation, transfer, settlement or re-establishment (whether in whole or in part) of any Hedging Arrangements.

**"Valuation Date"** means if "Single Valuation Date" is specified in the relevant Pricing Supplement and subject to Credit Linked Condition 12, the date that is the Number of Valuation Business Days following the Calculation Agent Fallback Settlement Determination Date, if any, the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable, and if "Multiple Valuation Dates" is specified in the relevant Pricing Supplement, each of the following dates:

- (a) subject to Credit Linked Condition ¶12, the date that is the Number of Valuation Business Days following the Calculation Agent Fallback Settlement Determination Date, if any, the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable; and
- (b) each successive date that is the Number of Valuation Business Days after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When **"Multiple Valuation Dates"** is specified in the relevant Pricing Supplement, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the relevant Pricing Supplement (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

If neither Single Valuation Date nor Multiple Valuation Dates is specified in the relevant Pricing Supplement, Single Valuation Date shall apply.

**"Valuation Method":**

- (a) The following Valuation Methods may be specified in the relevant Pricing Supplement with only one Valuation Date:
  - (i) **"Market"** means the Market Value determined by the Calculation Agent with respect to the Valuation Date; or
  - (ii) **"Highest"** means the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date.
- (b) If no such Valuation Method is specified in the relevant Pricing Supplement, the Valuation Method shall be Highest.
- (c) The following Valuation Methods may be specified in the relevant Pricing Supplement with more than one Valuation Date:
  - (i) **"Average Market"** means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or
  - (ii) **"Highest"** means the highest Quotation obtained by the Calculation Agent with respect to any Valuation Date; or
  - (iii) **"Average Highest"** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each Valuation Date.
- (d) If no such Valuation Method is specified in the relevant Pricing Supplement, the Valuation Method shall be Average Highest.

Notwithstanding paragraphs (a) to (d) above, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Calculation Agent may at its option determine that the Valuation Method shall be Market or Average Market, as the case may be.

Where applicable, the relevant Pricing Supplement may specify an alternative Valuation Method which shall be applicable in respect of the relevant Credit Linked Notes.

**"Valuation Obligation" means:**

- (a) any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) determined pursuant to the method described in "(A) Method for Determining Valuation Obligations" below;
- (b) the Reference Obligation;
- (c) solely in relation to a Restructuring Credit Event applicable to a Reference Entity which is a Sovereign, and unless Asset Package Delivery is applicable, any Sovereign Restructured Valuation Obligation; and
- (d) if Asset Package Delivery is applicable, (i) if Financial Reference Entity Terms is specified as applicable in the relevant Pricing Supplement, any Prior Deliverable Obligation, or (ii) if the Reference Entity is a Sovereign, any Package Observable Bond,

in each case, as selected by the Issuer in its sole and absolute discretion and notified to the Calculation Agent (a "**Valuation Obligation Notification**") on or prior to the Valuation Date and (i) unless it is an Excluded Valuation Obligation and (ii) provided that the obligation has an Outstanding Principal Balance or Due and Payable Amount that is greater than zero (determined for purposes of paragraph (d) above, immediately prior to the relevant Asset Package Credit Event). For the avoidance of doubt, the Issuer shall be entitled to select any such obligation to constitute a Valuation Obligation, irrespective of its market value.

- (i) *Method for Determining Valuation Obligations.* For the purposes of this definition of "Valuation Obligation", the term "Valuation Obligation" may be defined as each obligation of the Reference Entity described by the Valuation Obligation Category specified in the relevant Pricing Supplement, and, subject to paragraph (ii) (*Interpretation of Provisions*) below, having each of the Valuation Obligation Characteristics, if any, specified in the relevant Pricing Supplement, in each case, as of each such date the Issuer determines relevant for purposes of the Hedging Arrangements or, if none at the relevant time, the date of delivery of the Valuation Obligation Notification. The following terms shall have the following meanings:
- (A) "**Valuation Obligation Category**" means one of Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan (each as defined in the definition of "Obligation" above, except that, for the purpose of determining Valuation Obligations, the definition of "Reference Obligation Only" shall be amended to state that no Valuation Obligation Characteristics shall be applicable to Reference Obligation Only).
- (B) "**Valuation Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance (each as defined in the definition of "Obligation" above), Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer;
- (1) "**Assignable Loan**" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if the Reference Entity is guaranteeing such Loan) or any agent;
- (2) "**Consent Required Loan**" means a Loan that is capable of being assigned or novated with the consent of the Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if the Reference Entity is guaranteeing such loan) or any agent;
- (3) "**Direct Loan Participation**" means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of,

a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Issuer (to the extent that the Issuer is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);

- (4) "**Transferable**" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions:
- I contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation);
  - II restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds; or
  - III restrictions in respect of blocked periods on or around payment dates or voting periods;
- (5) "**Maximum Maturity**" means an obligation that has a remaining maturity of not greater than the period specified in the relevant Pricing Supplement (or if no such period is specified, thirty years);
- (6) "**Accelerated or Matured**" means an obligation under which the principal amount owed, whether by reason of maturity, acceleration, termination or otherwise, is due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and
- (7) "**Not Bearer**" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via Euroclear, Clearstream International or any other internationally recognised clearing system.

(ii) *Interpretation of Provisions*

- (A) If (i) any of the Valuation Obligation Characteristics "Listed", "Not Domestic Issuance" or "Not Bearer" is specified in the relevant Pricing Supplement, the relevant Pricing Supplement shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Bonds; (ii) the Valuation Obligation Characteristic "Transferable" is specified in the relevant Pricing Supplement, the relevant Pricing Supplement shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Valuation Obligations that are not Loans; or (iii) any of the Valuation Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified in the relevant Pricing Supplement, the relevant Pricing Supplement shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Loans.
- (B) If more than one of "Assignable Loan", "Consent Required Loan" and "Direct Loan Participation" are specified as Valuation Obligation Characteristics in the relevant Pricing Supplement, the Valuation Obligations may include any Loan that satisfies any one of such Valuation Obligation Characteristics specified and need not satisfy all such Valuation Obligation Characteristics.
- (C) If a Valuation Obligation is a Relevant Guarantee, the following will apply:
- (1) for purposes of the application of the Valuation Obligation Category, the Relevant Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation;
  - (2) for purposes of the application of the Valuation Obligation Characteristics, both the Relevant Guarantee and the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Valuation Obligation Characteristics, if any, specified in the relevant Pricing Supplement from the following list: "Not Subordinated", "Specified Currency", "Not Sovereign Lender", "Not Domestic Currency" and "Not Domestic Law";
  - (3) for purposes of the application of the Valuation Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Valuation Obligation Characteristics, if any, specified in the relevant Pricing Supplement from the following list: "Listed", "Not Domestic Issuance", "Assignable Loan", "Consent Required Loan", "Direct Loan Participation",



"Transferable", "Maximum Maturity", "Accelerated" or "Matured" and "Not Bearer"; and

- (4) for purposes of the application of the Valuation Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (5) For purposes of the application of the Valuation Obligation Characteristic "Maximum Maturity", remaining maturity shall be determined on the basis of the terms of the Valuation Obligation in effect at the time of making such determination and, in the case of a Valuation Obligation that is due and payable, the remaining maturity shall be zero.
- (6) If "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the relevant Pricing Supplement, if an obligation would otherwise satisfy a particular Valuation Obligation Characteristic, the existence of any terms in the relevant obligation in effect at the time of making the determination which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, shall not cause such obligation to fail to satisfy such Valuation Obligation Characteristic.
- (7) For purposes of determining the applicability of Valuation Obligation Characteristics to a Prior Deliverable Obligation or a Package Observable Bond, any such determination shall be made by reference to the terms of the relevant obligation in effect immediately prior to the Asset Package Credit Event.
- (8) If "Subordinated European Insurance Terms" is specified as applicable in the relevant Pricing Supplement, if an obligation would otherwise satisfy the "Maximum Maturity" Valuation Obligation Characteristic, the existence of any Solvency Capital Provisions in such obligation shall not cause it to fail to satisfy such Valuation Obligation Characteristic.

The Valuation Obligation Notification shall describe the selected Valuation Obligation(s) in reasonable detail and shall specify the relevant title(s) or designation(s), maturity date(s) and coupon rate(s) and, unless the Quotation Amount is specified in the relevant Pricing Supplement, the applicable Quotation Amount in respect of each such Valuation Obligation (Provided That the aggregate of the Quotation Amounts in respect of the Valuation Obligations shall not exceed the relevant Reference Entity Notional Amount). The Issuer may at any time after delivering a Valuation Obligation Notification but prior to the Valuation Time on the Valuation Date deliver a further Valuation Obligation Notification which shall replace all prior Valuation Obligation Notifications in relation to any additional or replacement Valuation Obligation(s) specified therein.

For the avoidance of doubt the Issuer shall be entitled to select any Valuation Obligations for the purposes of calculating the Final Price irrespective of their market value and, provided that (in the case of a Valuation Obligation selected pursuant to sub-paragraph (a) above) the selected obligation satisfies the applicable Valuation Obligation Category and Valuation Obligation Characteristics on the relevant date, such obligation(s) may constitute the Valuation Obligation(s) for the purposes hereof notwithstanding that this is not the case subsequent to such date.

If "Mod R" is specified as applicable in the relevant Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice, then unless the Valuation Obligation is a Prior Deliverable Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Valuation Obligation may be specified in a Valuation Obligation Notification only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the applicable Restructuring Maturity Limitation Date, in each case, as of each such date as the Calculation Agent determines relevant for purposes of the Hedging Arrangements or, if none at the relevant time, the date of delivery of the Valuation Obligation Notification.

If "Mod Mod R" is specified as applicable in the relevant Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice, then unless the Valuation Obligation is a Prior Deliverable Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Valuation Obligation may be specified in a Valuation Obligation Notification only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date, in each case, as of each such date as the Calculation Agent determines relevant for purposes of the Hedging Arrangements or, if none at the relevant time, the date of delivery of the Valuation Obligation Notification. For the purposes of this paragraph only and notwithstanding the foregoing, in the case of a Restructured Bond or Loan with a final maturity date on or prior to the 10-year Limitation Date, the final maturity date of such Bond or Loan shall be deemed to be the earlier of such final maturity date or the final maturity date of such Bond or Loan immediately prior to the relevant Restructuring.

**"Valuation Time"** means the time specified as such in the relevant Pricing Supplement or, if no time is so specified, 11.00 a.m. in the principal trading market for the Valuation Obligation.

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

**"Weighted Average Quotation"** means in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Valuation Obligation with an Outstanding Principal Balance or Due and Payable Amount, as applicable, of as large a size as available but less than the Quotation Amount (but, of a size at least equal to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

#### **15. Credit Event Notice after Restructuring Credit Event**

Notwithstanding anything to the contrary in these Credit Linked Conditions, upon the occurrence of an M(M)R Restructuring:

- (a) The Calculation Agent may deliver multiple Credit Event Notices in respect of such M(M)R Restructuring, each such Credit Event Notice setting forth an amount of the relevant Reference Entity Notional Amount to which such Restructuring Credit Event applies (the **"Partial Redemption Amount"**) that may be less than the aggregate principal amount of those Credit Linked Notes outstanding immediately prior to the

delivery of such Credit Event Notice. In such circumstances the Credit Linked Conditions and related provisions shall be deemed to apply to the Partial Redemption Amount only and each such Credit Linked Note shall be redeemed in part (such redeemed part being equal to the Partial Redemption Amount).

- (b) For the avoidance of doubt (A) the principal amount of each Credit Linked Note not so redeemed in part shall remain outstanding, the Reference Entity Notional Amount shall be reduced by the Partial Redemption Amount and interest shall accrue in respect of each Credit Linked Note as provided in Condition 3 or Condition 4, and Credit Linked Condition 5(b), as applicable, (adjusted in such manner as the Calculation Agent determines to be appropriate), (B) the Credit Linked Conditions and related provisions shall apply to such Credit Linked Note in the event that subsequent Credit Event Notices are delivered in respect of the Reference Entity that was the subject of the Restructuring Credit Event and (C) if, following a Restructuring Credit Event, different Credit Event Determination Dates have been determined with respect to different portions of amounts payable or deliverable to Noteholders under the relevant Series, the Calculation Agent will (x) determine such adjustment(s) to the Base Conditions as may be required to achieve as far as practicable the same economic effect as if each such portion was a separate series or otherwise reflect or account for the effect of the above provisions of this Credit Linked Condition 15 and (y) the effective date of such adjustment(s).
- (c) If the provisions of this Credit Linked Condition 15(c) apply in respect of the Credit Linked Notes, on redemption of part of each such Credit Linked Note the relevant Credit Linked Note or, if the Credit Linked Notes are represented by a Global Note, such Global Note, shall be endorsed to reflect such part redemption.

**16. Provisions relating to Multiple Holder Obligation**

Unless this Credit Linked Condition 16 is specified as not applicable in the relevant Pricing Supplement, then, notwithstanding anything to the contrary in the definition of Restructuring and related provisions, the occurrence of, agreement to, or announcement of, any of the events described in sub-paragraphs (a) to (e) of the definition of "**Restructuring**" shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

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

**17. Calculation Agent, Calculation Agent Notices and Timings**

- (a) Whenever any state of affairs, circumstance, event or other matter falls to be determined, considered or otherwise decided upon, or any discretion is required to be exercised, by the Calculation Agent or any other person (including where a matter is to be decided by reference to the Calculation Agent's or such other person's opinion), unless otherwise stated, that matter shall be determined, considered or otherwise decided upon, or that discretion shall be exercised, by the Calculation Agent or such other person, as the case may be, acting in its sole and absolute discretion and shall in the absence of manifest error) be final and binding on the Issuer, the Trustee and the

Noteholders. Whenever the Calculation Agent is required to make any determination it may, *inter alia*, decide issues of construction and legal interpretation. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Notes including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion. Neither the Calculation Agent nor the Issuer shall be liable for any loss, liability, cost, claim, action, demand or expense (including without limitation, all costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with the Calculation Agent's appointment or the exercise of its functions (including, without limitation, any such delay, deferral or forbearance), except in the case of the Calculation Agent such as may result from its own wilful default, negligence or bad faith or that of its officers or agents.

- (b) Any notice to be delivered by the Calculation Agent to the Issuer pursuant to these Credit Linked Conditions may be given in writing (including by facsimile and/or email) and/or by telephone. Any such notice will be effective when given, regardless of the form in which it is delivered. A notice given by telephone will be deemed to have been delivered at the time the telephone conversation takes place. If the notice is delivered by telephone, a written confirmation will be executed and delivered confirming the substance of that notice within one Calculation Agent City Business Day of that notice. Failure to provide that written confirmation will not affect the effectiveness of that telephonic notice.
- (c) Any notice to be delivered by the Issuer to the Calculation Agent pursuant to these Credit Linked Conditions may be given in writing (including by facsimile and/or email) and/or by telephone. Any such notice will be effective when given, regardless of the form in which it is delivered. A notice given by telephone will be deemed to have been delivered at the time the telephone conversation takes place. If the notice is delivered by telephone, a written confirmation will be executed and delivered confirming the substance of that notice within one Calculation Agent City Business Day of that notice. Failure to provide that written confirmation will not affect the effectiveness of that telephonic notice.
- (d) For the purposes of determining the day on which an event occurs for purposes of these Credit Linked Conditions, the Calculation Agent will determine the demarcation of days by reference to Greenwich Mean Time (or, if the Reference Entity has a material connection to Japan for these purposes, Tokyo time) irrespective of the time zone in which such event occurred. Any event occurring at midnight shall be deemed to have occurred immediately prior to midnight.
- (e) In addition, if a payment is not made by the Reference Entity on its due date or, as the case may be, on the final day of the relevant Grace Period, then such failure to make a payment shall be deemed to have occurred on such day prior to midnight Greenwich Mean Time (or, if the Reference Entity has a material connection to Japan for these purposes, Tokyo time), irrespective of the time zone of its place of payment.

## **18. Amendment of Credit Linked Conditions**

The Calculation Agent may from time to time amend any provision of these Credit Linked Conditions to incorporate and/or reflect further or alternative documents or protocols from time to time published by ISDA with respect to the settlement of credit derivative transactions and/or the operation or application of determinations by Credit Derivatives Determinations Committees which the Calculation Agent and the Issuer determine in a commercially reasonable manner is

necessary to reflect market practice for credit derivative transactions. The Trustee shall consent, without the consent of the Noteholders or the Couponholders, to any such amendments upon receipt from the Issuer of a certificate, signed by a Director of the Issuer, stating that such amendments are necessary to reflect market practice for credit derivative transactions, **provided that** the Trustee shall not be obliged to agree to any such amendments which, in the sole opinion of the Trustee, either (i) increase or modify the duties and/or the obligations of the Trustee or (ii) remove, modify or adversely affect any rights, powers or protections of the Trustee. Any amendment made in accordance with this Credit Linked Condition ¶18 shall be notified to the Noteholders in accordance with Condition 14 (*Notices*). Any failure to provide notice of any such amendment to Noteholders will not constitute an Event of Default under the Notes and will not affect the validity of any of the foregoing provisions.

**19. Early redemption of Reference Obligation Only Notes following a Substitution Event**

If the Notes are Reference Obligation Only Notes relating to a single Reference Entity and the event set out in paragraph ¶(a) of the definition of Substitution Event above occurs with respect to the Reference Obligation, then:

- (a) interest (if any) shall cease to accrue on the Credit Linked Notes from and including the Interest Payment Date immediately preceding the relevant Substitution Event Date or, if no Interest Payment Date has occurred, no interest will accrue on the Credit Linked Notes; and
- (b) each Credit Linked Note will be redeemed by the Issuer at its relevant Reference Obligation Only Termination Amount specified in, or determined in the manner specified in, the relevant Pricing Supplement on the Maturity Date, which for the purposes of this Credit Linked Condition ¶19 shall be the day falling five Business Days following the relevant Substitution Event Date.

**20. DC Resolution Adjustment Events**

If following the publication of a DC Resolution (the "**Prior DC Resolution**"), a further DC Resolution (the relevant "**Further DC Resolution**") is published the effect of which would be to reverse all or part of the Prior DC Resolution or if any DC Resolution would reverse any determination made by the Calculation Agent and/or the occurrence of a Credit Event Determination Date, notwithstanding any other provisions of these Credit Linked Conditions the Calculation Agent may, in its sole and absolute discretion, make any adjustment(s) that the Calculation Agent determines is necessary or desirable to the Conditions or these Credit Linked Conditions to reflect the publication of such Further DC Resolution or DC Resolution, including, without limitation, as a result of the impact or effect of such Further DC Resolution or DC Resolution on the Hedging Arrangements (if any at the relevant time).

**PRO FORMA PRICING SUPPLEMENT****PRICING SUPPLEMENT**

Pricing Supplement dated [ ]

Series No.: [ ]

Tranche No.: [ ]

**HSBC Bank Middle East Limited****U.S.\$ 7,000,000,000 Debt Issuance Programme****Issue of****[Aggregate Principal Amount of Tranche]****[Title of Notes]****PART A — CONTRACTUAL TERMS**

This document constitutes the Pricing Supplement relating to the issue of the Tranche of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Information Memorandum dated 14 July 2016 in relation to the above Programme (the "**Information Memorandum**") [and the supplement[s] thereto dated [•]<sup>1</sup>]. This document constitutes the Pricing Supplement in respect of the Notes described herein for the purpose of the Information Memorandum and must be read in conjunction with such Information Memorandum. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Information Memorandum.

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the [prospectus / information memorandum] dated [•] [and the supplemental prospectus dated [•]] and incorporated by reference into the Information Memorandum dated 14 July 2016 in relation to the above Programme (the "**Information Memorandum**") and which are applicable to the Notes. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Information Memorandum.

*[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Pricing Supplement.]*

- |    |      |                |                               |
|----|------|----------------|-------------------------------|
| 1. | (i)  | Issuer:        | HSBC Bank Middle East Limited |
|    | (ii) | Arranger(s):   | HSBC Bank plc                 |
| 2. | (i)  | Series number: | [•]                           |

<sup>1</sup> Only include details of supplemental prospectus in which the Conditions and/or the form of Pricing Supplement have been amended for the purposes of all issues under the Programme.

- (ii) Tranche number: [•]
- [(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]*
3. Specified Currency or Currencies:
- (i) of denomination: [•]
- (ii) of payment [•]
4. Aggregate Principal Amount of Notes admitted to trading: [•]
- [(i)] Series: [•]
- [Option: for Leveraged Credit Linked Notes add: plus, if an Additional Note Issuance has occurred, the Principal Increase Amount. end of Option for such Credit-Linked Notes]***
- [(ii)] Tranche [•]
5. (i) Issue Price: [•] per cent. of the Aggregate Principal Amount [plus accrued interest from *[interest payment date]* (*In the case of fungible issues only, if applicable*)]
- (i) Commission payable: [[•] per cent./None]
- (ii) Selling concession: [[•] per cent./None]
6. (i) Denomination(s): [[USD][EUR][•]] [[specify currency] [specify amount]] [and integral multiples of [USD] [EUR] [specify amount] thereafter] [(Note: Minimum denomination to be at least EUR 100,000 or equivalent)]
- (Condition 1(f))*
- (ii) Calculation Amount<sup>2</sup>: [•]
7. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [*specify/Issue Date/Not Applicable*]
8. Maturity Date: [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to*]

<sup>2</sup> The applicable Calculation Amount (which is used for the calculation of redemption and interest amounts (if any)) will be (i) if there is only one Denomination, the Denomination; or (ii) if there are several Denominations, the highest common factor of those Denominations. Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for Paying Agents and/or ICSDs who should be consulted if such an amount is proposed.

(Condition 6(a))

*the relevant month and year.*]

*[If Index-Linked provisions apply please add: or, if later, the [fifth/specify] Business Day following the [Valuation Date/specify] [adjusted in accordance with [specify] [Business Day Convention and any applicable Business Centre(s)] for the definition of "Business Day"]]*

**[Option: to use for 2014 Credit-Linked Notes:**

*[[insert date] (the "Scheduled Maturity Date"), subject as provided in the Credit Linked Conditions [and to adjustment in accordance with the [insert] Business Day Convention].]*

*[For Basket Credit Linked Notes:*

The later of:

- (a) the day falling [five] [specify] Business Days following (i) the calculation of the Final Price or (ii) the Auction Final Price Determination Date (or, if later, the related Auction Settlement Date) in respect of each Reference Entity for which a Credit Event Determination Date has occurred; and
- (b) [insert date] (the "Scheduled Maturity Date"), subject as provided in the Credit Linked Conditions [and to adjustment in accordance with the [insert] Business Day Convention].] **end of Option for such Credit-Linked Notes]**

9. Interest basis:  
(Conditions 3 to 5)

[[•] per cent Fixed Rate]

**[Option: For Currency-Linked Notes, also add**

[The Notes are Currency-Linked Notes:

- (i) Specified Currency: [•]
- (ii) Specified Currency Jurisdiction: [•]
- (iii) [First] Reference Currency: [•]



- (iv) [First] Reference Jurisdiction: [•]
- (v) [Second] Reference Currency: [•]
- (vi) [Second] Reference Currency  
Jurisdiction [•]

***- end of Option for Currency-Linked Notes]***

[[Specify reference rate] +/- [•] per cent.  
Floating Rate]

[Variable Coupon Amount Notes]

[Zero Coupon Notes]

[Index-Linked Notes]

[other (specify)]

*(further particulars specified below)*

- 10. Redemption basis: [Redemption at par]

*(Condition 6)*

***[Option: For Currency-Linked Notes, also add***

[The Notes are Currency-Linked Notes:

- (i) Specified Currency: [•]
- (ii) Specified Currency Jurisdiction: [•]
- (iii) [First] Reference Currency: [•]
- (iv) [First] Reference Jurisdiction: [•]
- (v) [Second] Reference Currency: [•]
- (vi) [Second] Reference Currency:  
Jurisdiction [•]

***end of Option for Currency-Linked Notes***

[Equity/Index-Linked Redemption]

[Currency-Linked Redemption]

[Credit-Linked Redemption]

[Dual Currency]

[Partly Paid]

- [Instalment]
- [other (*specify*)]
11. Change of interest or redemption basis: [*specify details of any provision for convertibility of Notes to another interest or redemption payment basis*] [Not Applicable]
12. Put/Call options: [Condition 6[(c)][(d)] will apply as specified below] [Not Applicable]
13. (i) Status of the Notes: (Condition 2) [Not Subordinated Notes/Subordinated Notes]
- (ii) Date [Board] approval for issuance of Notes obtained: [•] [and [•]; respectively]] (*N.B. only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*) [Not Applicable]
14. Additional U.S. federal income tax considerations: [Not applicable/give details] [The Notes are [not] Section 871(m) Notes for the purpose of Section 871(m).] [*The Notes will not be Section 871(m) Notes, if they (i) are issued prior to 1 January 2017 or (ii) do not reference any U.S. equity or any index that contains any U.S. equity. Notes issued on or after 1 January 2017 that reference a U.S. equity or index that contains any U.S. equity are subject to additional testing on a trade-by-trade basis to determine whether they are Section 871(m) Notes.*]
15. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. **Fixed Rate Note provisions:** [Applicable/Not Applicable]
- (*Condition 3*) [*(If not applicable, delete the remaining subparagraphs of this paragraph)*]
- (i) Rate(s) of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]
- (ii) Interest Payment Date(s): [dd/mm, dd/mm, dd/mm and dd/mm] in each year from (and including) the first Interest Payment Date to (and including) [the Scheduled Maturity Date]/[the Interest Payment Date falling on [•] [adjusted in accordance with [*specify*] [Business Day Convention and any applicable Business

Centre(s)] for the definition of "Business Day"] / [not adjusted]

**[Option: for 2014 Credit-Linked Notes add:**

[dd/mm, dd/mm, dd/mm and dd/mm] in each year from (and including) the first Interest Payment Date to (and including) the Scheduled Maturity Date, in each case subject as provided in the Credit Linked Conditions [and adjusted in accordance with [specify] [Business Day Convention and any applicable Business Centre(s)] for the definition of "Business Day"] / [not adjusted]. **end of Option for such Credit-Linked Notes]**

(iii) First Interest Payment Date: **[•] [Option: for 2014 Credit-Linked Notes add:** subject as provided in the Credit Linked Conditions. **end of Option for such Credit-Linked Notes]**

(iv) Fixed Coupon Amount(s): **[[•] per Calculation Amount] [An amount per Calculation Amount equal to the product of:**

- (i) the Calculation Amount
- (ii) the Rate of Interest; and
- (iii) the Day Count Fraction]

(v) Day Count Fraction: **[•] [30/360/Actual/Actual (ICMA/ISDA)/Actual/365 (Fixed) /other (specify)]**

(vi) [Determination Date: **[•] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon, N.B. only relevant where Day Count Fraction is Actual/Actual(ICMA).]**

(vii) [Other terms relating to the method of calculating interest for Fixed Rate Notes:] **[Not Applicable / give details] (Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual basis)**

17. **Floating Rate Note Provisions:** **[Applicable /Not Applicable]**  
 (Condition 4) **(If not applicable, delete the remaining subparagraphs of this paragraph)**

(i) [Specified Period(s): **[Not Applicable / [•] months]<sup>3</sup>**

<sup>3</sup> Specified Period only applicable if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and should specify a number of months.

**[Option: for Leveraged Credit Linked Notes add:**

- Specified Period/Interest Period: As set out in the Conditions, provided that for the purposes of calculating the Additional Libor Amount in respect of the Interest Period (the "**First Additional Libor Period**") in which any Additional Note Issuance falls, such Interest Period will be deemed to commence on and include the day on which the Additional Note Issuance is effected. **end of Option for such Credit-Linked Notes]**
- (ii) Interest Payment Dates<sup>4</sup>: [dd/mm, dd/mm, dd/mm and dd/mm] in each year from (and including) the first Interest Payment Date to (and including) [the Scheduled Maturity Date]/[the Interest Payment Date falling on [•][adjusted in accordance with [specify] [Business Day Convention and any applicable Business Centre(s)] for the definition of "Business Day"] / [not adjusted]

**[Option: for 2014 Credit-Linked Notes add:**

- [20 March, June, September and December] in each year, from (and including) [•] to (and including) the Scheduled Maturity Date, in each case subject as provided in the Credit Linked Conditions and to adjustment in accordance with the [specify Business Day Convention]. **end of Option for such Credit-Linked Notes]**
- (iii) First Interest Payment Date: [•] **[Option: for 2014 Credit-Linked Notes add:** subject as provided in the Credit Linked Conditions. **end of Option for such Credit-Linked Notes]**
- (iv) Business Day Convention: [FRN Convention/Floating Rate Convention/Eurodollar Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (v) Business Centre(s): [Not Applicable/give details] **[Option: to use for 2014 Credit-Linked Notes:** See also the

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<sup>4</sup> Note: Only applicable if the Business Day Convention is NOT the FRN Convention, Floating Rate Note Convention or Eurodollar Convention.

Schedule hereto. *end of the Option for such Credit-Linked Notes*

- |        |                                     |  |
|--------|-------------------------------------|--|
| (vi)   | Screen Rate Determination:          | [Applicable / Not Applicable]  |
|        | (1) Reference Rate:                 | [•]  |
|        | (2) Interest Determination Date(s): | [•]  |
|        | (3) Relevant Screen Page:           | [•]  |
|        | (4) Relevant Financial Centre:      | [•]  |
|        | (5) Designated Maturity:            | [•]  |
| (vii)  | ISDA Determination                  | [Applicable / Not Applicable]  |
|        | (1) Floating Rate Option            | [•]  |
|        | (2) Designated Maturity             | [•]  |
|        | (3) Reset Date                      | [•]  |
| (viii) | Linear Interpolation:               | [Not Applicable]/[Applicable – the Rate of Interest for the Interest Period ending on the Interest Payment Date falling in [ ] shall be calculated using Linear Interpolation]   |
|        |                                     | <i>[Option: for 2014 Credit-Linked Notes add:</i>  |
|        |                                     | [Not Applicable]/[Applicable – the Rate of Interest for the Interest Period ending on the Interest Payment Date falling in [ ] [and] [the First Additional Libor Period] shall be calculated using Linear Interpolation. <i>end of Option for such Credit-Linked Notes]</i>                        |
| (ix)   | Interest Determination Date:        | [•]  |
| (x)    | Margin(s):                          | [[+/-] [•] per cent. per annum]  |
|        |                                     | <i>[Option: for Leveraged Credit Linked Notes add:</i>   |
|        |                                     | [•] per cent. per annum or, in respect of the Additional Libor Amount only, a spread per annum to be determined in good faith and in a commercially reasonable manner by the Calculation Agent by reference to the then current funding levels. <i>end of Option for such Credit-Linked Notes]</i> |
| (xi)   | Day Count Fraction:                 | [•]  |

- (xii) Relevant Time: [•]
- (xiii) Minimum Rate of Interest: [•] per cent. per annum
- (xiv) Maximum Rate of Interest: [•] per cent. per annum
- (xv) Rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]

***[Option: for Leveraged Credit Linked Notes add:***

The amount of interest (the "**Interest Amount**") payable in respect of each principal amount of Notes equal to the Calculation Amount and an Interest Period shall be such Note's *pro rata* share of an amount equal to the sum of:

- (a) the Initial Libor Amount;
- (b) where such Interest Period ends on or after the date of any Additional Note Issuance, the Additional Libor Amount (if any); and
- (c) the Premium Amount,

in each case in respect of such Interest Period.

"**Additional Libor Amount**" means, in respect of an Interest Period, the product of:

- (a) the Additional Libor Calculation Amount;
- (b) the relevant Rate of Interest in respect of such Interest Period; and
- (c) the Day Count Fraction in respect of such Interest Period.

"**Additional Libor Calculation Amount**" means the Principal Increase Amount.

"**Initial Libor Amount**" means, in respect of an Interest Period, the product of:

- (a) the Initial Libor Calculation Amount;
- (b) the relevant Rate of Interest in respect of such Interest Period; and

- (c) the Day Count Fraction in respect of such Interest Period.

**"Initial Libor Calculation Amount"** means the Aggregate Principal Amount (ignoring for such purposes any Principal Increase Amount).

**"Premium Amount"** means, in respect of an Interest Period, the product of:

- (a) the Premium Calculation Amount;
- (b) the Premium Rate; and
- (c) the Day Count Fraction in respect of the relevant Interest Period.

**"Premium Calculation Amount"** means [*specify*].

**"Premium Rate"** means [*specify*].

Each Interest Amount will be [rounded to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards)/other (*give details*)] **end of Option for such Credit-Linked Notes**

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|-----|--|--|
| 18. | <p><b>Zero Coupon Note provisions:</b></p> <p>(<i>Condition 5</i>)</p> <ul style="list-style-type: none"> <li>(i) Amortisation Yield:</li> <li>(ii) Rate of interest on overdue amounts:</li> <li>(iii) Redemption formula:</li> </ul>                                     | <p>[Applicable/Not Applicable]</p> <p>(<i>If not applicable, delete the remaining sub-paragraphs of this paragraph.</i>)</p> <ul style="list-style-type: none"> <li>[•] per cent. per annum</li> <li>[•]</li> <li>[•]</li> </ul>   |
| 19. | <p><b>Dual Currency Note provisions:</b></p> <ul style="list-style-type: none"> <li>(i) Specified Currencies:</li> <li>(ii) Exchange rate(s):</li> <li>(iii) Provisions applicable where calculation by reference to Exchange Rate impossible or impracticable:</li> </ul> | <p>[Applicable/Not Applicable]</p> <p>(<i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i>)</p> <ul style="list-style-type: none"> <li>[•]</li> <li>[<i>give details</i>]</li> <li>[<i>Need to include a description of market disruption or settlement disruption events and adjustment provisions.</i>]</li> </ul> |
| 20. | <p><b>Variable Coupon Amount Note /Index-Linked Note/Equity-Linked Note/Cash</b></p>   | <p>[Applicable/Not Applicable]</p> <p>(<i>If not applicable, delete the remaining sub-</i></p>   |

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|--|--|
| <b>Equity Notes/other variable-linked interest Note provisions:</b>  | <i>paragraphs of this paragraph)</i>   |
| (i) Index/formula/other variable:  | <i>[give or annex details – if appropriate, cross-refer to the definition of Valuation Date in paragraph 33 below]</i>   |
| (ii) Calculation Agent responsible for calculating the interest due:   | [•]  |
| (iii) Provisions for determining interest where calculated by reference to index and/or formula and/or other variable:   | [•]  |
| (iv) Provisions for determining interest where calculation by reference to index and/or formula and/or other variable is impossible or impracticable or otherwise disrupted: | [•][See Condition 20 and paragraph 33 below] <i>[If Condition 20 and paragraph 33 do not apply, need to include a description of market disruption or settlement disruption events and adjustment provisions and the definition of Valuation Date]</i> |
| (v) Interest or calculation period(s):   | [•]  |
| (vi) Interest Payment Dates:   | [•]  |
| (vii) Business Day Convention:   | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other ( <i>give details</i> )]   |
| (viii) Business Centre(s)  | [•]  |
| (ix) Minimum Rate/Amount of Interest:  | [•] per cent. per annum  |
| (x) Maximum Rate/Amount of Interest:   | [•] per cent. per annum  |
| (xi) Day Count Fraction:   | [•]  |
| (xii) Valuation Date:  | [Not Applicable / <i>specify</i> ]   |

**[Option 1 – for Notes generally — PROVISIONS RELATING TO REDEMPTION**

|   |  |
|---|--|
| 21. <b>Issuer's optional redemption (Call):</b> | [Applicable/Not Applicable]  |
| <i>(Condition 6(c))</i>                         | <i>(If not applicable, delete the remaining subparagraphs of this paragraph.)</i>                      |
| (i) Redemption amount (Call):                   | <i>[specify – if not par, also specify details of any formula]</i> per Calculation Amount              |
| (ii) Series redeemable in part:                 | <i>[specify – otherwise redemption will only be permitted of entire Series]</i> per Calculation Amount |
| (iii) Call option date(s):                      | <i>[specify]</i>   |



- (iv) Call option period: [As per Condition 6(c) / *specify*]
22. **Noteholder's optional redemption (Put):** [Applicable/Not Applicable]  
 (*Condition 6(d)*) (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Redemption amount (Put): [*specify – if not par, also specify details of any formula*] per Calculation Amount
- (ii) Put option date(s): [*specify*]
- (iii) Put option period: [As per Condition 6(d)/ *specify*]
23. **Final redemption amount of each Note:** [*specify – if not par, also specify details of any formula*] per Calculation Amount  
 (*Condition 6(a)*)
24. **Final redemption amount of each Note in cases where the Final redemption amount is linked to an index, a formula or other variable:** [Not Applicable/[•] per Calculation Amount]  
 (*Condition 6(h)*)
- (i) Index/formula/other variable: [*give or annex details*]
- (ii) Calculation Agent responsible for calculating the final redemption amount: [•]
- (iii) Provisions for determining final redemption amount where calculated by reference to an index and/or formula and/or other variable: [*For Currency-Linked or Equity-Linked Notes: See Condition 20 and paragraph 33 below*][*If Condition 20 and paragraph 33 do not apply, need to include a description of market disruption or settlement disruption events and adjustment provisions*]
- (iv) Determination Date(s): [•]
- (v) Provisions for determining final redemption amount where calculation by reference to index and/or formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
- (vi) Payment Date: [•]
- (vii) Minimum final redemption amount: [•]
- (viii) Maximum final redemption amount: [•]
25. **Instalment Notes:** [*specify*]

|  |  |
|--|--|
| <p>(Condition 6(a))</p> <p>(i) Instalment Amounts:</p> <p>(ii) Dates for payment of Instalments:</p> <p>26. <b>Early redemption amount:</b></p> <p>(i) Early redemption amount (upon redemption for taxation reasons, force majeure, illegality or following an Event of Default)</p> <p style="padding-left: 40px;">(Conditions 6(b), 6(i) and 10)</p> <p>(ii) Other redemption provisions:</p> <p style="padding-left: 40px;">(Condition 6(h))</p> | <p>(If not applicable, delete the remaining subparagraphs of this paragraph)</p> <p>[•]</p> <p>[•]</p> <p>Yes</p> <p>[At par]/[•] per Calculation Amount/[In the event of early redemption for taxation reasons, a force majeure event, illegality or following an event of default, the aggregate amount payable by the Issuer in respect of principal and interest on the Notes upon such early redemption shall be the amount which the Calculation Agent in its absolute discretion and in good faith determines to be the fair market value of the Notes immediately prior to the date on which such early redemption occurs, reduced as so determined by the Calculation Agent to account fully for any reasonable expenses and costs to the Issuer of unwinding any underlying and/or related hedging and funding arrangements.] / [specify other]</p> <p>[specify]</p> |
|--|--|

**end of Option 1 – for Notes generally]**

**[Option 2 for Currency-Linked Notes: PROVISIONS RELATING TO REDEMPTION**

|  |  |
|--|--|
| <p>20. <b>Issuer's optional redemption (Call):</b></p> <p>(Condition 6(c))</p> <p>(i) Redemption amount (Call):</p> <p>(ii) Series redeemable in part:</p> <p>(iii) Call option date(s):</p> <p>(iv) Call option period:</p> <p>21. <b>Noteholder's optional redemption (Put):</b></p> <p>(Condition 6(d))</p> | <p>[Applicable/Not Applicable]</p> <p>(If not applicable, delete the remaining subparagraphs of this paragraph.)</p> <p>[specify – if not par, also specify details of any formula] per Calculation Amount</p> <p>[specify – otherwise redemption will only be permitted of entire Series] per Calculation Amount</p> <p>[specify]</p> <p>[As per Condition (c) / specify]</p> <p>[Applicable/Not Applicable]</p> <p>(If not applicable, delete the remaining sub-</p> |
|--|--|

*paragraphs of this paragraph)*

- (i) Redemption amount (Put): *[specify – if not par, also specify details of any formula]* per Calculation Amount
  - (ii) Put option date(s): *[specify]*
  - (iii) Put option period: *[As per Condition (d) / specify]*
22. **Final redemption amount of each Note:** *[specify – if not par, also specify details of any formula]* per Calculation Amount
- (Condition 6(a))*
23. **Final redemption amount of each Note in cases where the Final redemption amount is linked to an index, a formula or other variable:** *[Not Applicable/Applicable]*
- (Condition 6(h))*
- (i) Index/Formula/other variable: The *[Specified Currency/First Reference Currency]* Exchange Rate and the *[Specified Currency/Second Reference Currency]* Exchange Rate
  - (ii) Calculation Agent responsible for calculating the final redemption amount: *[HSBC Bank plc, 8 Canada Square, London E14 5HQ]*
  - (iii) Provisions for determining final redemption amount where calculated by reference to index and/or formula and/or other variable:

***[Option 2(A): where Currency-Linked Notes are linked to one exchange rate***

*[If, in the determination of the Calculation Agent, the final [Specified Currency/Reference Currency] Exchange Rate is less than or equal to [specify rate], then each Note will redeem on the Maturity Date at [par] [•]*

*If, in the determination of the Calculation Agent, the Final [Specified Currency/Reference Currency] Exchange Rate is greater than [specify rate], then each Note will redeem on the Maturity Date at an amount determined on the Fixing Date by the Calculation Agent in accordance with the following formula:*

*[Denomination x [specify number] — ([specify number] x (Final [Specified*

*Currency/Reference Currency*] Exchange Rate / [*specify number*]]),]

**provided, however, that** the final redemption amount shall never be less than zero.

For the purposes hereof:

**"Fixing Date"** means [*specify date*], or, if the [Maturity Date] is not a Currency Business Day in each Reference Currency Jurisdiction, the next following day which is a Currency Business Day in each Reference Currency Jurisdiction, as determined by the Calculation Agent.

**"Final [*Specified Currency/Reference Currency*] Exchange Rate"** means the [*Specified Currency/Reference Currency*] exchange rate (expressed as a number of [*Reference Currency*] per [*Specified Currency*] 1.00) as observed by HSBC Bank plc as Calculation Agent on [*specify Page*] at [*specify time*] ([London] time) on the Fixing Date, as determined by the Calculation Agent;

**"[*Specified Currency/Reference Currency*] Exchange Rate"** means the [*Specified Currency/Reference Currency*] exchange rate (expressed as a number of [*Reference Currency*] per [*Specified Currency*] 1.00) as observed by HSBC Bank plc as Calculation Agent on [*specify page*] at [*specify time*] ([London] time) on the Fixing Date as determined by the Calculation Agent acting in good faith.] ***end of Option 1(A)***

**[Option 2(B) where Currency-Linked Notes are linked to two exchange rates**

Unless previously redeemed, or purchased and cancelled in accordance with the Conditions, the final redemption amount payable by the Issuer in respect of each Note on the Maturity Date shall be an amount in [*Specified Currency*] determined on the Fixing Date by the Calculation Agent in accordance with the following formula:

[Denomination + [*specify percentage*] per cent. x Max (0, [*Second Reference Currency Performance as defined below*], [*First Reference Currency Performance as defined*

below))]]

where:

**"Fixing Date"** means [*specify date*], or, if the [Maturity Date] is not a Currency Business Day in each Reference Currency Jurisdiction, the next following day which is a Currency Business Day in each Reference Currency Jurisdiction, as determined by the Calculation Agent.

**"Final EUR/[Second Reference Currency] Exchange Rate"** means the EUR/[*Second Reference Currency*] exchange rate (expressed as a number of [*Second Reference Currency*] per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on [*specify page*] at [*specify time*] ([London] time) on the Fixing Date;

**"Final EUR/[First Reference Currency] Exchange Rate"** means the EUR/[*First Reference Currency*] exchange rate (expressed as a number of [*First Reference Currency*] per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on [*specify page*] at [*specify time*] ([London] time) on the Fixing Date;

**"Final EUR/USD Exchange Rate"** means the EUR/USD exchange rate (expressed as a number of USD per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on [*specify page*] at [*specify time*] ([London] time) on the Fixing Date;

**"Final USD/[Second Reference Currency] Exchange Rate"** means the USD/[*Second Reference Currency*] exchange rate (expressed as an amount of [*Second Reference Currency*] per USD 1.00) as determined by HSBC Bank plc as Calculation Agent by dividing the Final USD/[*Second Reference Currency*] Exchange Rate by the Final EUR/USD Exchange Rate;

**"Final USD/[First Reference Currency] Exchange Rate"** means the USD/[*First Reference Currency*] exchange rate (expressed as an amount of [*First Reference Currency*] per USD 1.00) as determined by HSBC Bank plc as Calculation Agent by dividing the Final EUR/[*First Reference*

*Currency*] Exchange Rate by the Final EUR/USD Exchange Rate;

**"Initial USD/[Second Reference Currency] Exchange Rate"** means [*Second Reference Currency*] [*specify amount*] per USD 1.00;

**"Initial USD/[First Reference Currency] Exchange Rate"** means [*First Reference Currency*] [*specify amount*] per USD 1.00;

"[*Second Reference Currency*]" means the lawful currency of [*specify jurisdiction*];

"[*Second Reference Currency Performance*]" means an amount determined by the Calculation Agent in accordance with the following formula:

[(Initial USD/[*Second Reference Currency*] Exchange Rate — Final USD/[*Second Reference Currency*] Exchange Rate)/Final USD/[*Second Reference Currency*] Exchange Rate.]

"[*First Reference Currency*]" means the lawful currency of [*specify jurisdiction*]; and

"[*First Reference Currency Performance*]" means an amount determined by the Calculation Agent in accordance with the following formula:

[(Initial USD/[*First Reference Currency Performance*] Exchange Rate — Final USD/[*First Reference Currency Performance*] Exchange Rate)/Final USD/[*First Reference Currency Performance*] Exchange Rate.] **end of Option 1(A)**

- |       |   |  |
|-------|---|--|
| (iv)  | Determination Date(s):  | The Fixing Date  |
| (v)   | Provisions for determining final redemption amount where calculation by reference to formula and/or other variable is impossible or impracticable or otherwise disrupted: | If any relevant exchange rate is not displayed on any of the specified Reuters Screen at the specified time on the Fixing Date, the Calculation Agent will determine the relevant exchange rate in its sole and absolute discretion, acting in good faith. |
| (vi)  | Payment Date  | The Maturity Date  |
| (vii) | Minimum final redemption amount   | Redemption at par  |

(viii) Maximum final redemption amount: Not Applicable

24. **Instalment Note Provisions**

Instalment Notes: [Applicable / Not Applicable]

(Condition 6(a)) [(If not applicable, delete the remaining subparagraphs of this paragraph.)]

(i) Instalment Amounts: The Notes shall be redeemed in [specify number] instalments, each payable on an Instalment Payment Date as defined in (ii) below. The Instalment Amount payable on an Instalment Payment Date in respect of each Note shall be the sum of:

(a) an amount in [Reference Currency] determined by the Calculation Agent in accordance with the following formula:

(Denomination/[specify number equal to number of Observation Periods] x Conversion Strike x (n/N); and

(b) an amount in USD determined by the Calculation Agent in accordance with the following formula:

Denomination/[specify number] x (1 — (n/N)).

For these purposes:

"**Conversion Strike**" means [specify rate, as a number of Units of Reference Currency per 1 Unit of Specified Currency];

"**Knock-Out Barrier**" means [specify rate, as a number of Units of Reference Currency per 1 Unit of Specified Currency];

"**n**" means, in respect of an Observation Period, the total number of Relevant Observation Windows during such Observation Period;

"**N**" means, in respect of an Observation Period, the total number of Observation Windows during such Observation Period;

"**Observation Period**" means (a) in respect

of Instalment Payment Date 1 the period from and including [*specify time*] on [*specify date*] to but excluding [*specify time*] on [*specify date*] ("**Observation Period 1**"), (b) in respect of Instalment Payment Date 2 the period from and including [*specify time*] on [*specify date*] to but excluding [*specify time*] on [*specify date*] ("**Observation Period 2**"), (c) in respect of Instalment Payment Date 3 the period from and including [*specify time*] on [*specify date*] to but excluding [*specify time*] on [*specify date*] ("**Observation Period 3**"), and (d) in respect of Instalment Payment Date 4 the period from and including [*specify time*] on [*specify date*] to but excluding [*specify time*] on [*specify date*] ("**Observation Period 4**");

"**Observation Window**" means the following periods: [*specify*];

"**Relevant Observation Window**" means an Observation Window during which the [*Specified Currency/Reference Currency*] Exchange Rate is greater than the Knock-Out Barrier at all times during such Observation Window, as determined by the Calculation Agent;

"**Spot Market**" means the global spot foreign exchange market which, for these purposes, shall be treated as being open continuously from [5.00 a.m. Sydney time] on a Monday in any week to [5.00 p.m. New York time] on the Friday of such week; and

"[*Specified Currency/Reference Currency*] **Exchange Rate**" means the spot exchange rate for [*Specified Currency/Reference Currency*] (expressed as a number of [*Reference Currency*] per [*Specified Currency*] 1.00) prevailing in the Spot Market as determined by the Calculation Agent.

(ii) Dates for payment of Instalments:

[*Specify date*] ("**Instalment Payment Date 1**"), [*specify date*] ("**Instalment Payment Date 2**"), [*specify date*] ("**Instalment Payment Date 3**") and [*specify date*] ("**Instalment Payment Date 4**"), together with Instalment Payment Date 1, Instalment Payment Date 2 and Instalment Payment Date 3, the "**Instalment Payment Dates**" and each an "**Instalment Payment Date**").



|     |  |  |
|-----|--|--|
| 25. | <b>Early redemption amount:</b>  | Yes  |
|     | <p>Early redemption amount (upon redemption for taxation reasons, force majeure, illegality or following an Event of Default):</p> <p><i>(Conditions 6(b), 6(i) or 10)</i></p> | <p>[In the event of early redemption for taxation reasons, a force majeure event, illegality or following an event of default, the aggregate amount payable by the Issuer in respect of principal and interest on the Notes upon such early redemption shall be the amount which the Calculation Agent in its absolute discretion and in good faith determines to be the fair market value of the Notes immediately prior to the date on which such early redemption occurs, reduced as so determined by the Calculation Agent to account fully for any reasonable expenses and costs to the Issuer of unwinding any underlying and/or related hedging and funding arrangements.] / <i>[specify other]</i></p> <p><b><i>end of Option 2 for Currency-Linked Notes]</i></b></p> |

***[Option 3 for Credit-Linked Notes: PROVISIONS RELATING TO REDEMPTION***

|     |  |   |
|-----|--|---|
| 20. | <b>Issuer's optional redemption (Call):</b>  | Not Applicable.   |
|     | <i>(Condition 6(c))</i>  |   |
| 21. | <b>Noteholder's optional redemption (Put):</b>   | Not Applicable  |
|     | <i>(Condition 6(d))</i>  |   |
| 22. | <b>Final redemption amount of each Note:</b>   | <b><i>[Option: for 2014 Credit-Linked Notes add:</i></b>  |
|     | <i>(Condition 6(a))</i>  | <p><i>[[•] per Calculation Amount] [Each Note's pro rata share of the Aggregate Principal Amount] [As per Credit Linked Condition 5 (Include for Basket Credit Linked Notes)] [specify – if not par, also specify details of any formula] end of Option for such Credit-Linked Notes]</i></p> |
| 23. | <b>Final redemption amount of each Note in cases where the final redemption amount is other variable linked:</b> | Not Applicable  |
| 24. | <b>Instalment Notes:</b>   | [Not Applicable]  |
|     | <i>(Condition 6(a))</i>  | <b><i>[Option: for Basket Credit Linked Notes to which Credit Payment As You Go applies:</i></b>  |

See Credit Linked Condition 5. *end of Option for such Credit-Linked Notes*

25. **Early redemption amount:**

Yes

- (i) Early redemption amount (upon redemption for taxation reasons, force majeure, illegality or following an Event of Default)

[In the event of early redemption for taxation reasons, a force majeure event, illegality or following an event of default, the aggregate amount payable by the Issuer in respect of principal and interest on the Notes upon such early redemption shall be the amount which the Calculation Agent in its absolute discretion and in good faith determines to be the fair market value of the Notes immediately prior to the date on which such early redemption occurs, reduced as so determined by the Calculation Agent to account fully for any reasonable expenses and costs to the Issuer of unwinding any underlying and/or related hedging and funding arrangements.] / *[specify other]*

*(Condition 6(b), 6(i) and Condition 10):*

**[Option: for 2014 Credit-Linked Notes add:**

26. **Credit Linked Redemption:**

- (i) Additional Terms and Conditions relating to Credit-Linked Notes (2014 ISDA Credit Derivatives Definitions Version):

Applicable

- (ii) Type of Credit Linked Notes:

[Single Reference Entity Credit Linked Notes][Basket Linked Credit Linked Notes where Credit Payment [on Maturity] [As You Go] applies][Leveraged Credit Linked Notes] *(Leveraged Credit Linked Notes may only be selected if Single Reference Entity Credit Linked Notes is also selected)*

- (iii) Unwind Costs:

[Applicable: [Standard Unwind Costs][specify]][Not Applicable]

- (iv) Settlement Method:

[Auction Settlement][Physical Delivery]

- (v) Basket Credit Linked Terms:

[Applicable][Not Applicable]

*[If applicable, insert:*

Credit Event Amount: *[specify]*[As set out in the Credit Linked Conditions]

*[If Credit Payment As You Go applies, insert:*

Credit Event Payment Date: *[specify]*  Business Days  As set out in the Credit Linked Conditions]]

Shortfall Amount: [Applicable][Not Applicable]]

- (vi) Trade Date: *[specify]*
- (vii) Calculation Agent City: *[specify]*
- (viii) Reference Entity(ies): *[specify]*[[See the Schedule hereto]
- (ix) Transaction Type: [Not Applicable]*[specify]*[[See the Schedule hereto]

*[If a Transaction Type and Standard Terms applies, insert:*

The "**Standard Terms**" in respect of a Reference Entity will be the standard terms set out in the Credit Derivatives Physical Settlement Matrix dated *[insert date]* as published by ISDA on its website at [www.isda.org](http://www.isda.org), in relation to the Transaction Type for such Reference Entity]

- (x) Reference Entity Notional Amount: *[specify in respect of each Reference Entity]*[[See the Schedule hereto]
- (xi) Reference Obligation(s): Standard Reference Obligation: [Applicable][Not Applicable]  
[Senior Level/Subordinated Level]

*[If Standard Reference Obligation does not apply, insert:*

Non-Standard Reference Obligation:

Primary Obligor: *[specify]*

Guarantor: *[specify]*

Maturity: *[specify]*

Coupon: *[specify]*

CUSIP/ISIN: *[specify]*

- (xii) All Guarantees: [Applicable][Not Applicable][As per the Standard Terms]
- (xiii) Credit Events: [As per the Standard Terms]

|        |   |
|--------|---|
|        | [Bankruptcy]  |
|        | [Failure to Pay]  |
|        | [Grace Period Extension] [Applicable][Not Applicable]   |
|        | [If applicable: Grace Period: <i>specify</i> ][As set out in the Credit Linked Conditions]              |
|        | [Obligation Default]  |
|        | [Obligation Acceleration]   |
|        | [Repudiation/Moratorium]  |
|        | [Restructuring]   |
|        | [Provisions relating to Restructuring Credit Event: [Mod R/Mod Mod R] applicable]]                      |
|        | [Provisions relating to Multiple Holder Obligation: Credit Linked Condition 16: [Not Applicable]]       |
|        | [Governmental Intervention]   |
|        | Default Requirement: <i>specify</i> [As per Credit Linked Condition 14]                                 |
|        | Payment Requirement: <i>specify</i> [As per Credit Linked Condition 14]                                 |
| (xiv)  | Financial Reference Entity Terms: [Applicable][Not Applicable][As per the Standard Terms]               |
| (xv)   | Subordinated European Insurance Terms: [Applicable][Not Applicable][As per the Standard Terms]          |
| (xvi)  | Credit Event Determination Date: Notice of Publicly Available Information: [Applicable][Not Applicable] |
|        | <i>If Applicable:</i>   |
|        | Public Source(s): <i>specify</i>  |
|        | Specified Number: <i>specify</i> ]]   |
| (xvii) | Obligation(s):  |
|        | Obligation Category: [As per the Standard Terms]  |
|        | [Payment] [Borrowed Money] [Reference Obligation Only] [Bond] [Loan] [Bond or Loan]                     |

*(select one only)*

Obligation Characteristics: [As per the Standard Terms]  
 [Not Subordinated] [Specified Currency: *[specify currency]*/Standard Specified Currency] [Not Sovereign Lender] [Not Domestic Currency: Domestic Currency means *[specify currency]*] [Not Domestic Law] [Listed] [Not Domestic Issuance]

*(select all of which apply)*

- (xviii) Excluded Obligation(s): *[specify]*
- (xix) Accrual of Interest upon Credit Event: [Applicable][Not Applicable] *(Not applicable for Basket Credit Linked Notes)*
- (xx) Reference Obligation Only Termination Amount: *[specify]*[Not Applicable] *(Only applicable for Reference Obligation Only Notes)*

***Terms relating to Cash Settlement***

- (xxi) Credit Event Redemption Amount: *[specify]*[As set out in the Credit Linked Conditions][Not Applicable]
- (xxii) Credit Event Redemption Date: [Credit Linked Condition 14 applies]*[specify]**[specify]* Business Days][Not Applicable]
- (xxiii) Valuation Date: [Applicable][Not Applicable]  
 [Single Valuation Date:  
 Fixed Valuation Date: [Applicable] [Not Applicable]  
*[If applicable: [specify] Business Days]]]*  
 [Multiple Valuation Dates:  
 Fixed Valuation Date: [Applicable] [Not Applicable]  
*[If applicable: [specify] Business Days; and each [specify] Business Days thereafter; Number of Valuation Dates: [specify]]]]]*
- (xxiv) Valuation Time: *[specify]*[As per Credit Linked Condition 14]
- (xxv) Indicative Quotations: [Applicable][Not Applicable]
- (xxvi) Quotation Method: [Bid][Offer][Mid-market][As per Credit Linked Condition 14]

- (xxvii) Quotation Amount: [specify][Representative Amount][Credit Linked Conditions apply]
- (xxviii) Minimum Quotation Amount: [specify] [As per Credit Linked Condition 14]
- (xxix) Quotation Dealers: [ABN Amro Bank NV  
Bank of America/Merrill Lynch  
Barclays Bank PLC  
BNP Paribas  
Citibank, N.A.  
Commerzbank AG  
Credit Suisse Group  
Deutsche Bank AG  
The Goldman Sachs Group, Inc.  
HSBC Bank plc  
J.P. Morgan Chase & Co.  
Morgan Stanley  
Société Générale  
The Royal Bank of Scotland plc  
UBS AG]  
[specify other] [As per Credit Linked Condition 14]
- (xxx) Quotations: [Include Accrued Interest][Exclude Accrued Interest] [As per Credit Linked Condition 14]
- (xxxi) Valuation Method: [Market][Highest]  
[Average Market][Highest][Average Highest]
- (xxxii) Valuation Obligations:  
Valuation Obligation Category: [The Deliverable Obligation Category under the Standard Terms]  
[Payment] [Borrowed Money] [Reference Obligation Only] [Bond] [Loan] [Bond or Loan][Not Applicable]

*(select one only)*

Valuation Obligation Characteristics: [The Deliverable Obligation Characteristics under the Standard Terms]

[Not Subordinated][Specified Currency: *[specify currency]*/Standard Specified Currency] [Not Sovereign Lender] [Not Domestic Currency: Domestic Currency means *[specify currency]*] [Not Domestic Law] [Not Domestic Issuance] [Assignable Loan] [Consent Required Loan] [Direct Loan Participation] [Transferable] [Listed] *[specify]*] [Maximum Maturity: [ ] years] [Accelerated or Matured] [Not Bearer][Not Applicable]

*(select all of which apply)*

(xxxiii) Excluded Valuation Obligation(s): *[specify]*[Not Applicable]

***Terms relating to Physical Delivery***

***(complete if Physical Delivery is the Settlement Method and as required for Substitute/Auction/Reference Transaction/Valuation Obligation purposes and elections)***

(xxxiv) Physical Settlement Period: [*[specify]*] Business Days][Not Applicable]

(xxxv) Accrued Interest on Entitlement: [Include Accrued Interest][As per Credit Linked Condition 14] [Not Applicable]

(xxxvi) Credit Settlement Currency: *[specify]*[As per Credit Linked Condition 14] [Not Applicable]

(xxxvii) Deliverable Obligations:

Deliverable Obligation Category: [As per the Standard Terms]

[Payment] [Borrowed Money] [Reference Obligation Only] [Bond] [Loan] [Bond or Loan][Not Applicable]

*(select one only)*

Deliverable Obligation Characteristics: [As per the Standard Terms]

[Not Subordinated][Specified Currency: *[specify currency]*/Standard Specified Currency] [Not Sovereign Lender] [Not Domestic Currency: Domestic Currency

means *[specify currency]* [Not Domestic Law] [Not Domestic Issuance] [Assignable Loan] [Consent Required Loan] [Direct Loan Participation] [Transferable] [Listed] *[specify]* [Maximum Maturity: [ ] years] [Accelerated or Matured] [Not Bearer][Not Applicable]

*(select all of which apply)*

- (xxxviii) Excluded Deliverable Obligation(s): *[specify]* [Not Applicable]
- (xxxix) Indicative Quotations: [Applicable][Not Applicable]
- (xl) Valuation Time: *[specify]*[As per Credit Linked Condition 14] [Not Applicable]
- (xli) Delivery provisions for Entitlement if different from Credit Linked Conditions: *[specify]* [Not Applicable]
- (xlii) Qualifying Participation Seller: *[insert]* [Not Applicable]
- (xliii) Sovereign No Asset Package Delivery: [Applicable][Not Applicable]

27. **Trigger Event Provisions:** [Applicable][Not Applicable]

*(Applicable for Leveraged Credit Linked Notes and otherwise not applicable. If not applicable, delete the following subparagraphs)*

- (xliv) Principal Increase Amount: *[specify]*
- (xlv) Trigger Level: *[specify %]*

***end of Option for such Credit-Linked Notes]***

***end of Option 3 for Credit-Linked Notes]***

**[Option 4 for Equity/Index-Linked Notes: PROVISIONS RELATING TO REDEMPTION**

20. **Issuer's optional redemption (Call):** [Applicable/Not Applicable]

*(Condition 6(c))*

- (i) Redemption amount (Call): [•] per Calculation Amount *[specify — if not par, also specify details of any formula]*
- (ii) Series redeemable in part: [•] per Calculation Amount *[specify — otherwise redemption will only be permitted of entire Series]*
- (iii) Call option date(s)/Call option period: *[specify]*



21. **Noteholder's optional redemption (Put):** [Yes/No]  
*(Condition 6(d))*
- (i) Redemption amount (Put): [•] per Calculation Amount [*specify — if not par, also specify details of any formula*]
- (ii) Put option date(s)/Put option Period: [*specify*]
22. **Final redemption amount of each Note:** [•] per Calculation Amount [*specify — if not par, also specify details of any formula*]  
*(Condition 6(b))*
23. **Final redemption amount of each Note in cases where the Final redemption amount is Equity-Linked/ Index-Linked or other variable-linked:** [•] per Calculation Amount  
*(Condition 6(h))*
- (i) Index/Formula/other variable: [*give or annex details*]
- (ii) Calculation Agent responsible for calculating the final redemption amount: [•]
- (iii) Provisions for determining Final redemption amount where calculated by reference to equity/index and/or formula and/or other variable; [•]
- (iv) Determination Date(s): [•]
- (v) Provisions for determining final redemption amount where calculation by reference to Equity/Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
- (vi) Payment Date [•]
- (vii) Minimum final redemption amount [•]
- (viii) Maximum final redemption amount: [•]
24. **Instalment Notes:** [*specify*]  
*(Condition 6(a))*
- (i) Instalment Amounts: [•]
- (ii) Dates for payment of Instalments: [•]

|     |  |   |
|-----|--|---|
| 25. | <b>Early redemption amount:</b>  | Yes   |
|     | (i) Early redemption amount (upon redemption for taxation reasons, force majeure, illegality or following an Event of Default:<br><br>( <i>Conditions 6(b), 6(i) or 10</i> ) | [In the event of early redemption for taxation reasons, a force majeure event, illegality or following an event of default, the aggregate amount payable by the Issuer in respect of principal and interest on the Notes upon such early redemption shall be the amount which the Calculation Agent in its absolute discretion and in good faith determines to be the fair market value of the Notes immediately prior to the date on which such early redemption occurs, reduced as so determined by the Calculation Agent to account fully for any reasonable expenses and costs to the Issuer of unwinding any underlying and/or related hedging and funding arrangements.] / [ <i>specify other</i> ] |
|     | (ii) Other redemption provisions<br><br>( <i>Condition 6(h)</i> ):   | <i>[specify; if not par, also specify any formula]</i>  |
|     |  | <b><i>end of Option 4 for Equity/Index-Linked Notes</i></b>   |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

[26.][28.] Form of Notes:

*(Condition 1(a))*

|         |   |  |
|---------|---|--|
| (xlv)   | Form of Notes:                                  | [Bearer/Registered]                                    |
| (xlvii) | Bearer Notes exchangeable for Registered Notes: | [Yes/No] [Answer will be no where no Registered Notes] |

[27.][29.] If issued in bearer form:

|          |  |   |
|----------|--|---|
| (xlviii) | Initially represented by a Temporary Global Note or Permanent Global Note:   | <i>[specify] [Notes may only be represented initially by a Permanent Global Note if this Pricing Supplement specify that TEFRA C rules apply]</i> |
| (xlix)   | Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes:<br><br>( <i>Condition 1(a)</i> ) | Yes [ <i>specify</i> ]  |
| (l)      | Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered  | [Yes/No]  |

Notes:

- (li) Coupons to be attached to Definitive Notes<sup>5</sup>: [Yes/No/Not Applicable] [N.B. *this will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems – see provisions contained in Permanent Global Note*]
- (lii) Talons for future Coupons to be attached to Definitive Notes<sup>6</sup>: [Yes/No/Not Applicable] [N.B. *the above comment also applies here*]
- (liii)
- (a) Definitive Notes to be security printed: [Yes/No] [N.B. *the above comment also applies here*]
- (b) If the answer to (a) is yes, whether steel engraved plates will be used<sup>7</sup>: [Yes/No/Not Applicable]
- (liv) Definitive Notes to be in ICMA or successor's format: [Yes/No] [N.B. *the above comment also applies here*]
- (lv) Issuer or Noteholder to pay costs of security printing: [Issuer/Noteholder/Not Applicable]
- [28.][30.] Exchange Date for exchange of Temporary Global Note: [specify]
- [29.][31.] Payments:
- (Condition 8)
- (lvi) Method of payment: [specify if other than by cheque or transfer to a designated account]
- (lvii) Relevant Financial Centre Day: [specify any additional places]
- [30.][32.] Partly Paid Notes: [Yes/No]
- (Condition 1)
- If yes, specify number, amounts and dates for, and method of, payment of instalments of subscription monies and any further additional provisions (including forfeiture dates in respect of late payments of partly paid instalments) [specify]

<sup>5</sup> Definitive notes will typically have coupons attached to them if interest bearing.

<sup>6</sup> Talons will be needed if there are 27 or more coupons.

<sup>7</sup> Answer to (a) and (b) should generally be 'yes' in all cases where Definitive Notes are to be printed.

[31.][33.] Redenomination:

(Condition 9)

(lviii) Redenomination: [Applicable/Not Applicable]

(lix) Exchange: [Applicable/Not Applicable]

[32.][34.] Other terms: [Not Applicable/specify/ See Annex]

*[(When adding any other terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive).]*

*[The Notes are [Currency-Linked Notes/Credit-Linked Notes/Interest-Rate Linked Notes/Equity-Linked Notes/Index-Linked Notes/Cash Equity Notes].]*

***[Option 1: for Currency-Linked Notes, add:***

The following provisions apply to Currency-Linked Notes in addition to the *General Provisions* (as defined in the Information Memorandum): "*Additional Terms and Conditions relating to Currency-Linked Notes*" and "*Product Description relating to Currency-Linked Notes*" ***end of Option 1 for Currency-Linked Notes***

***[Option 2: for Credit-Linked Notes, add:***

***[Option: for 2014 Credit-Linked Notes add:***

The following provisions apply to Credit-Linked Notes in addition to the *General Provisions* (as defined in the Information Memorandum): "*Additional Terms and Conditions relating to Credit-Linked Notes (2014 ISDA Credit Derivatives Definitions Version)*", the applicable section of the "*Product Description relating to Credit-Linked Notes*" [and the Schedule to the Pricing Supplement] ***end of Option for such Credit-Linked Notes***

***[Option 3: for Interest Rate-Linked Notes, add:***

The following provisions apply to Interest Rate-Linked Notes in addition to the *General*

*Provisions* (as defined in the Information Memorandum): "*Additional Terms and Conditions relating to Interest Rate-Linked Notes*" and "*Product Description relating to Interest Rate-Linked Notes*" **end of Option 3 for Interest Rate-Linked Notes]**

**[Option 4: for Equity/Index-Linked Notes, add:**

The following provisions apply to Equity/Index-Linked Notes in addition to the *General Provisions* (as defined in the Information Memorandum): "*Additional Terms and Conditions relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes*" and "*Product Description relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes*" **end of Option 4 for Equity/Index-Linked Notes]**

[33.][35.] Valuation Date: [•]

**DISTRIBUTION**

[34.][36.] (i) If syndicated, names [, addresses and underwriting commitments] of Relevant Dealer/Lead Manager: [Not Applicable/HSBC Bank plc/other — give names]

[Give addresses and underwriting commitments]

**[Option: for Credit-Linked Notes, use:** Not Applicable]

(ii) If syndicated, names [, addresses and underwriting commitments] of other Dealers/Managers (if any): [Not Applicable/other — give name]

[Give addresses and underwriting commitments]

**[Option: for Credit-Linked Notes, use:** Not Applicable]

*[(Include names and address of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)]*

(iii) Date of Subscription Agreement: [•] [Details of time period during which the offer will be open and description of the application process]

**[Option: for Credit-Linked Notes, use:** Not Applicable]

(iv) Stabilisation Manager (if any): [Not Applicable/give name]

|            |   |  |
|------------|---|--|
|            | <i>[Option: for Credit-Linked Notes, use:</i>             | Not Applicable]  |
| [35.][37.] | If non-syndicated, name [and address] of Relevant Dealer: | [Not Applicable/give name [and address]]   |
| [36.][38.] | Selling restrictions:                                     | [TEFRA not applicable]   |
| [37.][39.] | Total commission and concession:                          | [•] per cent. of the Aggregate Principal Amount  |
| [38.][40.] | Other:  | <i>[specify any modifications of, or additions to, selling restrictions contained in Dealer Agreement]</i>   |
| [39.][41.] | Stabilisation:  | [Not Applicable / In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the relevant Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.] |

***[Option: For Currency-Linked Notes add: PROVISIONS RELATING TO CURRENCY-LINKED NOTES]***

|     |                          |   |
|-----|--------------------------|---|
| 40. | Currency Business Day:   | means, in relation to any Reference Currency, a day on which commercial banks effect delivery of the relevant currency in the foreign exchange market in the related Reference Currency Jurisdiction. |
| 41. | Settlement Business Day: | Means a day on which commercial banks effect delivery of the Settlement Currency in   |

the foreign exchange market.

42. FX Disruption: [Applicable/Not Applicable]  
*(Condition 20A)*
43. Non-deliverability of Specified Currency: [Applicable/Not Applicable]  
*(Condition 20B)*
- (i) Alternative Payment Currency: [•]
- (ii) Relevant Screen Page: [•]
44. Screen Rate Unavailability: [Applicable/Not Applicable]  
*(Condition 20C)*
- (i) Screen Rate Fall-Back specified: [Yes/No]
- (ii) Screen Rate [Specify screen and page and cross-refer to relevant paragraphs(s) of the Pricing Supplement where these are referred to]
- (iii) Details of Screen Rate Fall-Back: [Not Applicable / *Specify details*]

*end of Option for Currency-Linked Notes]*

***[Option: For Equity/Index-Linked Notes add: PROVISIONS RELATING TO EQUITY-LINKED NOTES, CASH EQUITY NOTES AND INDEX-LINKED NOTES]***

45. Security Delivery *(for Equity-Linked Notes only)*: Condition 20(b) [applies/does not apply]
46. Provisions for Cash Equity Notes and Equity-Linked Notes:
- (i) Securities: [•]
- [The Securities are Depositary Receipts]
- [Units in a Fund, where "**Fund**" means a share or notional unit of the Fund (as defined in the Fund Documents), the price of which is denominated in [•]. [The Units represent undivided ownership interests in the portfolio of investments held by the Fund][*delete if not applicable*], "**Unit**" means [•] and "**Underlying Index**" means [•]. Condition 20 shall apply to the Notes as if references therein to "Underlying Company" were references to the "Fund" and as if references therein to "Security" were references to "Unit".

- (ii) Underlying Company(ies): [•] [and with respect to the Underlying Securities [ ]] [The Fund]
- (iii) Exchange(s): [•] [*where the underlying Fund is unlisted, disclosure to be added as to whether the underlying Fund is a UCITS or an AIF*]
- (iv) Related Exchange(s): [•] [All Exchanges]
- (v) Initial Price: [•] [The definition in Condition 20(a) applies]
- (vi) Strike Date: [•]
- (vii) Final Price: [•][The definition in Condition 20(a) applies]
- (viii) Reference Price: [•][The definition in Condition 20(a) applies]
- (ix) Securities Transfer Amount: [•]  
(for Equity-Linked Notes only)
- (x) Settlement Date: [•]  
(for Equity-Linked Notes only)
- (xi) Settlement Disruption Event: Condition 20(b)(iii) [applies/does not apply]  
(for Equity-Linked Notes only)  
  
Disruption Period (if other than as specified in Condition 20(b)(iii)): [•]
- (xii) Delivery Disruption Event: Condition 20(b)(iv) [applies/does not apply]  
(for Equity-Linked Notes only)
- (xiii) Potential Adjustment Event: Condition 20(g)(i) [applies/does not apply]  
  
Extraordinary Dividend (if other than as specified in the definition in Condition 20(a)) [•]  
  
additional Potential Adjustment Event (for purposes of paragraph (viii) of the definition thereof) [•]
- (xiv) Extraordinary Event: Condition 20(g)(ii) [applies/does not apply]
- (xv) Conversion: Condition 20(g)(iii) [applies/does not apply]  
  
(for Notes relating to Government Bonds and debt securities only)



- (xvi) Correction of prices: Condition 20(g)(iv) [applies/does not apply]
- (xvii) Additional Disruption Event [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] [*other — give details*]] [Not Applicable]
47. Additional provisions for Equity-Linked Notes: [•]
48. Provisions for Index-Linked Notes:
- (i) Index(ices): [•] [The Index/Each of [*specify relevant indices in a basket*]][•] is a Multiple Exchange Index]
- (ii) Index Sponsor: [•] [The definition in Condition 20(a) applies]
- (iii) Exchange(s): [•]
- (iv) Related Exchange(s): [•] [All Exchanges]
- (v) Initial Index Level: [•] [The definition in Condition 20(a) applies]
- (vi) Strike Date: [•]
- (vii) Final Price: [•][The definition in Condition 20(a) applies]
- (viii) Reference Price: [•][The definition in Condition 20(a) applies]
- (ix) Adjustments to Indices: Condition 20(f) [applies/does not apply]
- (x) Additional Disruption Event: [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] [*Other — give details*]] [Not Applicable]
49. For Equity-Linked and Credit-Linked Notes: US Federal Income Tax Considerations
50. Valuation Date(s): [•]. [If, pursuant to Condition 20(e) such date is postponed to [*the Limit Valuation Date/ other (specify)*], and either, such date is not a Scheduled Trading Day or is a Disrupted Day, such date shall nevertheless be deemed to be the Valuation Date and the [Final Price/Final Index Level] shall be the [price/level] determined by the Calculation Agent in its sole discretion.]
51. Valuation Time: [•] [The definition in Condition 20(a) applies]
52. Averaging Dates: [Yes/No. *If yes, specify dates*]

- (i) Details relating to how final redemption amount will be calculated where the Notes relate to a basket of Indices or Securities: [•]
- (ii) Averaging Date Market Disruption: [Omission/Postponement/Modified Postponement/Not Applicable/other (specify)]
53. Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes: [specify]
- (i) Knock-in Event: [Applicable to [specify relevant payment or delivery]]
- Knock-in Event: [•] is [greater than/greater than or equal to/less than/less than or equal to] the Knock-in Price/ Knock-in Level
- Knock-in Period Beginning Date (if other than as specified in the definition thereof in Condition 20(d)): [•]
- Knock-in Period Ending Date (if other than as specified in the definition thereof in Condition 20(d)): [•]
- Knock-in Price/ Knock-in Level: [•]
- Knock-in Valuation Time (if other than as specified in the definition thereof in Condition 20(d)): [•]
- (ii) Knock-out Event: [Applicable to [specify relevant payment or delivery]]
- Knock-out Event: [•] is [greater than/greater than or equal to/less than/less than or equal to] the Knock-out Price/Knock-out Level
- Knock-out Period Beginning Date (if other than as specified in the definition thereof in Condition 20(d)): [•]
- Knock-out Period Ending Date (if other than as specified in the definition thereof in Condition 20(d)): [•]

Knock-out Price/ Knock-out Level: [•]

Knock-out Valuation Time (if other than as specified in the definition thereof in Condition 20(d)); [•]

(iii) Automatic Early Redemption: Condition 20(c) [applies/does not apply]

Automatic Early Redemption Event: [•] is [greater than/greater than or equal to/less than/less than or equal to] the Automatic Early Redemption [Price/Level/Rate] as of [the/any] Automatic Early Redemption Valuation Date]

Automatic Early Redemption Valuation Date(s): [•]

Automatic Early Redemption [Level/Price/Rate]: [•]

Automatic Early Redemption Date(s): [•] [Subject to adjustment in accordance with [specify relevant Business Day Convention]]

Automatic Early Redemption Amount: [•]

**[LISTING AND ADMISSION TO TRADING APPLICATION**

This Pricing Supplement, together with the Information Memorandum, comprise the listing particulars required to list and have admitted to trading the issue of Notes described herein on the Official List of the Irish Stock Exchange and the Irish Stock Exchange's Global Exchange Market pursuant to the Debt Issuance Programme of HSBC Bank Middle East Limited.]

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

**CONFIRMED**

**HSBC BANK MIDDLE EAST LIMITED**

By: .....  
*Authorised Signatory*

Date: .....

By: .....  
*Authorised Signatory*

Date: .....



**PART B — OTHER TERMS****1. LISTING**

- (i) Listing: Application [will be/has been] made to admit the Notes to listing on the Official List of the Irish Stock Exchange [on or around the Issue Date/[*insert date*]]. No assurance can be given as to whether or not, or when, such application will be granted] [Not applicable]
- (ii) Admission to trading: [Application [will be/has been] made for the Notes to be admitted to trading on the Global Exchange Market with effect from the Issue Date/[*insert date*]]. No assurance can be given as to whether or not, or when, such application will be granted]
- (iii) Estimated total cost of admission to trading: [•]

**2. RATINGS**

- Ratings: The long term senior debt rating of HSBC Bank Middle East Limited has been rated:
- Fitch: [AA-]
- Moody's: [A2]
- [The Notes have not specifically been rated.]/[The Notes have been assigned a rating of [•] by [•].]
- Each of Fitch and Moody's is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").
- [For these purposes, ["**Moody's**"] means Moody's Investor Services Limited] [and] ["**Fitch**"] means Fitch Ratings Limited].]

**3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."<sup>8</sup>

<sup>8</sup> The inclusion of paragraph 3 is optional.

4. **[REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer [•]

*(See ["Use of Proceeds"] wording in the Information Memorandum — If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*

[(ii) Estimated net proceeds; [•]*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

[(iii) Estimated total expenses: *[Include breakdown of expenses]]*<sup>9</sup>

5. **[Fixed rate Notes only — YIELD**

(iv) Indication of yield: [Calculated as *[include details of method of calculation in summary form]* on the Issue Date]

*[As set out above, the] [The] yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]*<sup>10</sup>

6. **[PERFORMANCE OF THE UNDERLYING**

*Consider including details of where past and future performance and volatility of the underlying [exchange rate/currency/index/formula/other variable] can be obtained.*

*Where the underlying is a security, consider including (i) the name of the issuer of the security, and (ii) the ISIN number or other such security identification code.*

*Where the underlying is an index, consider including the name of the index and if the index is not composed by the Issuer consider including details of where the information about the index can be obtained. Also consider including appropriate index disclaimers. Where the underlying is not an index, consider including equivalent information.*

*Where the underlying is an interest rate, consider including a description of the interest rate.*

*Where the underlying does not fall within the categories specified above, consider whether to include equivalent information.*

<sup>9</sup> The inclusion of paragraph 4 is optional.

<sup>10</sup> The inclusion of paragraph 5 is optional.

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information]]<sup>11</sup>

7. **[Dual Currency Notes only – PERFORMANCE OF EXCHANGE RATE(S)]**

*Need to include details of where past and future performance and volatility of the relevant rate(s) can be obtained.*<sup>12</sup>

**OPERATIONAL INFORMATION**

- |     |  |   |
|-----|--|---|
| 8.  | ISIN Code:   | [•]   |
| 9.  | Common Code:   | [•]   |
| 10. | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [None/specify]  |
| 11. | Delivery:  | Delivery [against/free of] payment  |
| 12. | Settlement procedures:   | [Eurobond/Medium Term Note/other – specify]                               |
| 13. | CMU Lodging and Paying Agent:  | [Not Applicable] / [specify]  |
| 14. | CMU Registrar:   | [None/specify]  |
| 15. | Additional Paying Agent(s) (if any):   | [None/specify]  |
| 16. | Agent Bank/Calculation Agent:  | [HSBC Bank plc] [ <i>Other (specify)</i> ]                                |
|     | is Agent Bank / Calculation Agent to make calculations?  | [Yes/No]  |
|     | if not, identify calculation agent:  | [ <i>N.B. Calculation agent appointment letter required</i> ]             |
| 17. | Renminbi Calculation Agent:  | [Not Applicable] / [specify]  |
| 18. | Notices:<br>( <i>Condition 14</i> )  | [Condition 14 applies/specify any other means of effecting communication] |
| 19. | City in which specified office of Registrar to be maintained:<br>( <i>Condition 12</i> )                           | [As per Condition 12] / [specify]   |
| 20. | Other relevant Terms and Conditions:   | [•]   |

**[Option: for Credit-Linked Notes add:]**

<sup>11</sup> The inclusion of paragraph 6 is optional.

<sup>12</sup> The inclusion of paragraph 7 is optional.

21. Other Terms: [•]



## [OPTION: TO USE FOR 2014 CREDIT-LINKED NOTES:

## SCHEDULE

| Reference Entity | Reference Obligation                                       | [Seniority]                            | [Transaction Type] | Reference Entity Notional Amount | [Business Centre(s)] |
|------------------|--|--|--------------------|----------------------------------|----------------------|
| [ ]              | Standard Reference Obligation:[Applicable][Not Applicable] | [Senior Level]<br>[Subordinated Level] | [ ]                | [Aggregate Principal Amount]     | [ ]                  |

*[If Standard Reference Obligation does not apply, or if Standard Reference Obligation applies but has not yet been published and an initial Non-Standard Reference Obligation is required until publication, insert:*

Primary Obligor:            *[specify]*

Guarantor:                    *[specify]*

Maturity:                      *[specify]*

Coupon:                       *[specify]*

CUSIP/ISIN:                  *[specify]*

*end of Option for Credit-Linked Notes]*

## FORMS OF NOTES; SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Notes may, subject to all applicable legal and regulatory requirements, be issued in Tranches or Series comprising either Notes in bearer form ("**Bearer Notes**") or Notes in registered form ("**Registered Notes**"), as specified in the relevant Pricing Supplement.

### **Registered Notes**

In the case of Registered Notes, the relevant Pricing Supplement may specify that the Notes will be issued in global form (Global Registered Notes as defined below) held in specified clearing systems, as described below, or in definitive form (Definitive Registered Notes as defined below).

### **Global Registered Notes**

If Notes are to be issued in the form of Global Registered Notes, the Issuer will deliver a Global Registered Note (as such term is defined below), subject to the Agency Agreement (as defined herein) in accordance with their respective terms and as specified in the relevant Pricing Supplement.

### *Global Registered Notes*

In the case of a Tranche of Registered Notes offered and sold solely outside the United States (as defined in Regulation S) in reliance on Regulation S, such Tranche of Registered Notes may be represented by a Global Registered Note without interest coupons (a "**Global Registered Note**"), which will be deposited on or about the closing date (the "**Closing Date**") for the relevant Tranche with a common depository for Euroclear and/or Clearstream, Luxembourg and registered in the name of a nominee for such common depository or, as the case may be, with a sub-custodian for the CMU. Interests in any Global Registered Note will be exchangeable (in circumstances described below under "*Exchange and Transfer of Global Registered Notes for Definitive Registered Notes*") for Definitive Registered Notes ("**Definitive Registered Notes**") in the relevant form scheduled to the Trust Deed.

### *Owner of Global Registered Notes and Payments*

Subject to certain provisions of the Trust Deed relating to directions, sanctions and consents of Holders of Registered Notes and to meetings of Holders of Notes, so long as one or more of the Clearing Systems or the nominee of their common depository or sub-custodian (as the case may be) is the registered owner or holder of a Global Registered Note, that Clearing System or such nominee or sub-custodian, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Registered Note for all purposes under the Agency Agreement, the Trust Deed and the Notes. Payments of principal, interest and additional amounts, if any, pursuant to Condition 7, on Global Registered Notes will be made to one or more of the Clearing Systems, such nominee or sub-custodian, as the case may be, as the registered holder thereof. None of the Issuer, the Trustee, the relevant Registrar, or any Paying Agent or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Registered Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Each such payment in respect of a Global Registered Note will be made to the person shown as the registered owner or holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**General Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.

### *CMU*

If a Global Registered Note is lodged with the CMU, the person(s) for whose account(s) interests in such Global Registered Note are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled (in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Registered Note and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global

Registered Note are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Registered Note must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Registered Note.

#### **Exchange and Transfer of Global Registered Notes for Definitive Registered Notes**

Beneficial interests in a Global Registered Note will be exchangeable, in whole but not in part, for Definitive Registered Notes: (i) if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (ii) if an Enforcement Event occurs as set out in Condition 10 (*Enforcement*); or (iii) if so specified in the relevant Pricing Supplement, if the holder of the relevant Global Registered Note requests that such interest be exchanged for Definitive Registered Notes; or (iv) at the option of the Issuer, if the Issuer, any Paying Agent or the relevant Registrar, by reason of any change in, or amendment to, the laws of the DIFC or the United Arab Emirates, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form.

In such circumstances, (a) the relevant Registrar will be required to notify all Holders of interests in the relevant Global Registered Notes registered in the name of Euroclear, Clearstream, Luxembourg or the nominee of their common depository or the sub-custodian of the CMU, as the case may be, of the availability of Definitive Registered Notes and (b) the Issuer will, at the cost of the Issuer, cause sufficient Definitive Registered Notes, as the case may be, to be executed and delivered to the relevant Registrar for completion, authentication and dispatch to the relevant Holders. A person having an interest in the relevant Global Registered Note must provide the relevant Registrar with a written order containing instructions and such other information as the Issuer and the relevant Registrar may require to complete, execute and deliver the relevant Definitive Registered Note.

The option for Global Registered Notes to be exchangeable for Definitive Registered Notes by giving notice should not be applicable in respect of Notes not having the minimum denomination(s) and integral multiples set out in the relevant Pricing Supplement.

#### **Bearer Notes**

Bearer Notes will be issued in accordance with the provisions of United States Treasury Regulations 1.163-5(c)(1)(ii) and 1.163-5(c)(2)(i)(D) ("**TEFRA D**"), unless the relevant Pricing Supplement provides that such Notes will be issued in accordance with the provisions of United States Treasury Regulations 1.163-5(c)(1)(ii) and 1.163-5(c)(2)(i)(C) ("**TEFRA C**"). Bearer Notes issued in accordance with TEFRA D will be represented upon issue by a temporary global note in bearer form without interest coupons (a "**Temporary Global Note**"). Bearer Notes issued in accordance with TEFRA C will be represented upon issue by a permanent global note in bearer form without interest coupons (a "**Permanent Global Note**") or by a Temporary Global Note. Each Temporary Global Note and Permanent Global Note will be deposited on or about the issue date for the relevant Tranche with a common depository, depositories or sub-custodians (as the case may be) for the relevant Clearing System(s). Beneficial interests in a Temporary Global Note issued in accordance with TEFRA C will be exchangeable at any time and without any requirement for certification for Bearer Notes in definitive form ("**Definitive Bearer Notes**"), in accordance with the terms of such Temporary Global Note and as specified in the relevant Pricing Supplement. Interests in a Temporary Global Note issued in accordance with TEFRA D will be exchangeable either for Definitive Bearer Notes or for interests in a Permanent Global Note, on or after the date which is 40 days after the date on which such Temporary Global Note is issued and upon certification as to non-U.S. beneficial ownership thereof or otherwise as required by U.S. Treasury Regulations, in accordance with the terms of such Temporary Global Note and as specified in the relevant Pricing Supplement.

Interests in any Permanent Global Note will be exchangeable, in whole but not in part, for Definitive Bearer Notes, against presentation and (in the case of final exchange) surrender of such Permanent Global Note at the specified office from time to time of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent (i) if the relevant Clearing System(s) or any other clearing system by which the Notes have been accepted for clearing is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to cease business permanently, (ii) if an Enforcement Event occurs as set out in Condition 10, (iii) if so specified in the relevant Pricing

Supplement, upon the bearer's request or (iv) if the Issuer or any Paying Agent, by reason of any change in, or amendment to, the laws of the DIFC or the United Arab Emirates, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form.

Definitive Bearer Notes will, if interest-bearing and if so specified in the relevant Pricing Supplement, have interest coupons ("**Coupons**") and, if applicable, a talon for further Coupons attached. All Definitive Bearer Notes will, if the principal thereof is repayable by instalments, have endorsed thereon a grid for recording the payment of principal.

#### **Payments in respect of Bearer Notes**

All payments, if any, in respect of Bearer Notes when represented by a Temporary Global Note or a Permanent Global Note will be made against presentation and surrender or, as the case may be, presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents. A record of each payment so made in respect of Notes when represented by a Permanent Global Note will be endorsed on the relevant schedule to such Permanent Global Note by or on behalf of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent, which endorsement will be *prima facie* evidence that such payment has been made.

The records of the relevant clearing systems which reflect the amount of Noteholders' interests in the Notes shall be conclusive evidence of the nominal amount of Notes represented by the Global Notes.

If any date on which a payment of interest is due on the Notes of a Series issued in accordance with TEFRA D occurs while any of the Notes of that Series are represented by a Temporary Global Note, the relevant interest payment will be made on such Temporary Global Note only to the extent that certification has been received by the relevant Clearing System(s) as to the beneficial ownership thereof, as required by U.S. Treasury Regulations, in accordance with the terms of such Temporary Global Note.

#### **Notices**

##### ***Euroclear and Clearstream, Luxembourg***

(i) So long as any Bearer Notes are represented by a Temporary Global Note or a Permanent Global Note and cleared through Euroclear, Clearstream, Luxembourg, notices to holders of such Bearer Notes may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") for communication by them to entitled accountholders in substitution for publication as required by the Conditions, and (ii) so long as any Global Registered Note is held on behalf of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System, notices to holders of Notes represented by a beneficial interest in such Global Registered Note may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or, as the case may be, such Alternative Clearing System, except that in the case of (i) and (ii) above, so long as any Notes are listed on any stock exchange, notices will also be published as required by the rules and regulations of such stock exchange.

##### ***CMU***

(i) So long as any Bearer Notes are represented by a Temporary Global Note or a Permanent Global Note and lodged with CMU, notices to holders of such Bearer Notes may be given by delivery of the relevant notice to CMU for communication to entitled accountholders in substitution for publication as required by the Conditions, and (ii) so long as any Global Registered Note is lodged with a sub-custodian for the CMU, notices to the holders of Notes represented by a beneficial interest in such Global Registered Note may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Registered Note, except that in the case of (i) and (ii) above, so long as any Notes are listed on any stock exchange, notices will also be published as required by the rules and regulations of such stock exchange.

#### **Meetings**

The provisions for meetings of Holders of Notes scheduled to the Trust Deed provide that, where all the Notes of the relevant Series are held by one person, the quorum in respect of the relevant meeting will be

one person present (being, in the case of an individual, present in person or, being, in the case of a corporation, present by a representative) holding all the outstanding Notes of the relevant Series or holding voting certificates or being a proxy in respect of such Notes.

#### **Purchase and Cancellation**

Cancellation of any Note surrendered for cancellation following its purchase will be effected by reduction in the principal amount of the relevant Temporary Global Note, Permanent Global Note or, as the case may be, Global Registered Note and, in the case of a Global Registered Note, will be recorded in the Register by the relevant Registrar.

#### **Issuer's Option to Redeem in Part**

No drawing of Bearer Notes or redemption *pro rata* of Registered Notes will be required under Condition 6(c) in the event that the Issuer exercises any option to redeem such Notes in part while all such Notes which are outstanding are represented by a Temporary Global Note, Permanent Global Note or, as the case may be, Global Registered Note. In such event, the standard procedures of the relevant Clearing System(s) or, as the case may be, the Alternative Clearing System shall operate to determine which interests in such Global Notes are to be subject to such option. In relation to Bearer Notes, such partial redemption is to be reflected in the records of the relevant Clearing System(s) as either a pool factor or a reduction in nominal amount, at their discretion.

#### **Early Redemption at the option of the Holder – Provisions relating to Registered Notes held in Clearing Systems**

Condition 6(d) allows for early redemption of Notes at the option of the Holder of such Notes if so specified in the relevant Pricing Supplement. Such option is exercisable by the Holder of the relevant Notes by depositing such Notes, together with a notice of exercise of such option (an "**Option Notice**"), duly completed and signed in accordance with Condition 6(d), at the specified office of any Paying Agent (in the case of Bearer Notes, outside the United States). In respect of any Registered Notes of the relevant Series of which a nominee for a common depository for Euroclear and Clearstream, Luxembourg is the registered Holder, or, as the case may be, a sub-custodian for the CMU is the registered Holder, such Option Notice will be deemed to have been duly completed and signed by the Holder of the relevant Notes if it has been completed and signed by or on behalf of a person in respect of whom notification has been given by the relevant Clearing System(s) to the relevant Registrar that such person is a person who is shown in the records of such Clearing System(s) as having relevant Registered Notes of a specified principal amount standing to the credit of its account with that the Clearing System(s) or delivered from its account with such Clearing System(s) for the purpose of exercising such option.

## CLEARING AND SETTLEMENT

Custodial and depository links have been established with the Clearing Systems to facilitate the initial issuance of Notes and cross-market transfers of Notes between investors associated with secondary market trading. Transfers within a Clearing System will be in accordance with the usual rules and operating procedures of the relevant system.

### **Euroclear and Clearstream, Luxembourg**

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear and Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

### **CMU**

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available for CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, CMU Instruments. Instead, the HKMA advises the CMU Lodging Agent (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the CMU Lodging Agent (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members.

Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU Service will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

### **Secondary Market Trading in relation to Global Registered Notes**

**Trading between Euroclear and/or Clearstream, Luxembourg participants:** Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in

accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

## PRODUCT DESCRIPTIONS

### PRODUCT DESCRIPTION RELATING TO CURRENCY-LINKED NOTES

Notes issued pursuant to the Programme may include Currency-Linked Notes, being Notes in relation to which the interest rate and/or the final redemption amount payable at maturity is dependent on the performance of a particular underlying currency or group of currencies specified in the Pricing Supplement (each a "**Currency Related Variable**"). Generally, if the underlying currency in question appreciates in relation to the currency to which it is being compared, the interest rate and/or redemption amount will increase accordingly.

Details of the underlying currency or group of currencies and the page(s) of Bloomberg, the Reuters Service and/or other source where information about such underlying currency or group of currencies can be obtained will be specified in the relevant Pricing Supplement.

There follows a description of certain types of Currency-Linked Notes that may be issued under the Programme. In addition to these Notes, the Bank may issue Currency-Linked Notes under the Programme which combine elements of any of the Notes described below or are linked to a currency in a manner other than described below, details of which will be provided in the relevant Pricing Supplement.

#### Capital protected Notes

**Auto-callable Notes:** Notes which are to be mandatorily redeemed prior to their maturity date if a specified trigger event relating to a Currency-Related Variable occurs after or during a specified period or on a specified date, as specified in the Pricing Supplement.

**Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and any increase in the level or value of the Currency-Related Variable (such amount not being subject to a maximum amount payable to the Noteholder ("**No Fixed Cap**")).

**Capped Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and any increase in the level or value of the Currency-Related Variable (such amount being subject to a maximum amount payable to the Noteholder set on the issue date and expressed as a predefined percentage of the aggregate face amount of the Notes (a "**Fixed Cap**")).

**Average Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated by reference to the average level of the Currency-Related Variable on a number of specified dates occurring on or after the issue date to but excluding the maturity date, as specified in the Pricing Supplement.

**Basket Growth Notes:** Notes under which the redemption amount payable to the Noteholder on maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and the difference in the level or value of the Currency-Related Variable(s) relating to a basket of currencies.

**Basket Digital Notes:** Notes in relation to which, if there is an increase in the level or value of the Currency-Related Variable(s) relating to a basket of currencies, the interest payable is a fixed amount.

**Basket Digital Plus Notes:** Notes in relation to which, if there is an increase in the level or value of the Currency-Related Variable(s) relating to a basket of currencies, the interest payable is a fixed amount *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and the increase in the level or value of the Currency-Related Variable(s) relating to a basket of currencies.

**Best of Growth Notes:** Notes in relation to which, if there is an increase in the level or value of the Currency-Related Variable(s) relating to a basket of currencies, the interest payable to the Noteholder is a variable amount equal to the *product* of the aggregate face amount of the Notes and the increase in the



level or value of the best performing Currency-Related Variable(s) relating to a basket of currencies specified in the Pricing Supplement.

**Multi Digital Notes:** Notes in relation to which, if each Currency-Related Variable relating to each of the currencies in the basket reaches a predefined level or value, the interest payable is a fixed amount.

**Barrier Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and any increase in the level or value of the Currency-Related Variable **provided, however, that** the level or value of the Currency-Related Variable is less than a predefined level or value at all times ("**Performance Cap**") at any time during the term of the Notes. If the level or value of the Currency-Related Variable is equal to or higher than a predefined level or value at any time, the redemption amount payable to the Noteholder at maturity will be an amount equal to the aggregate face amount of the Notes and, in such circumstances, if so specified in the relevant Pricing Supplement, a fixed amount of interest will be payable to the Noteholder. If the Pricing Supplement so specify, the predefined level or value may be varied on a specified date or dates or during specified periods throughout the term of the Notes.

**Digital Notes:** Notes in relation to which, if the Currency-Related Variable at maturity reaches a predefined level or value, the interest payable is a fixed amount.

**Range Accrual Notes:** Notes in relation to which the interest payable (calculated by reference to a formula in the Pricing Supplement) only accrues for each day during a period that a specified Currency-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Pricing Supplement.

**Range Binary Notes:** Notes in relation to which, if the Currency-Related Variable remains within a specified range, the interest payable is a specified variable amount (calculated by reference to a formula in the Pricing Supplement).

**Wedding Cake Range Binary Notes:** Notes in relation to which, if the Currency-Related Variable remains within one of a number of specified ranges specified in the Pricing Supplement, the interest payable is a specified variable amount (calculated by reference to a formula in the Pricing Supplement) relating to the relevant range.

**Cliquet Range Binary Notes:** Notes in relation to which, if the Currency-Related Variable remains within a specified range that resets on specified dates based on the level of the Currency-Related Variable on such dates, the interest payable is a specified variable amount (calculated by reference to a formula in the Pricing Supplement).

**Touch Rebate Notes:** Notes in relation to which, if the Currency-Related Variable reaches one or a number of predefined levels or values at any time, or is above one or a number of predefined levels or values on any specified date, the redemption amount payable at maturity is a specified variable amount (calculated by reference to a formula in the Pricing Supplement).

**Second Chance Notes:** Notes in relation to which, if the level or value of the Currency-Related Variable remains, at all times, within a predefined initial range, or if the level or value of the Currency-Related Variable does not remain within such predefined initial range but remains, at all times, within a broader predefined range, the redemption amount payable at maturity is a specified variable amount (calculated by reference to a formula in the Pricing Supplement).

**Target Redemption Notes:** Notes in relation to which, the interest payable is determined by reference to the level or value of the Currency-Related Variable **provided, however, that** the maximum cumulative amount of interest payable over the term of the Notes is specified on the issue date (the "**Lifetime Cap**") and the Issuer may redeem the Notes at par on the first payment date on which the cumulative interest up to and including such payment date would exceed the Lifetime Cap (taking into account the interest relating to such payment date), which interest will then be reduced so that Noteholders receive, over the life of the Notes, an aggregate of interest equal to the Lifetime Cap.

**Recovery Best Coupon Notes:** Notes in relation to which, if the level or value of the Currency-Related Variable is higher than predefined levels or values on specified dates, the interest payable in relation to

such specified dates is a fixed amount. If the level or value of the Currency-Related Variable is not higher than the relevant predefined levels or values on any of the specified dates the interest which would otherwise have been payable in respect of such payment date shall not be paid on such payment date but shall be deferred to the next payment date in respect of which the level or value of the Currency-Related Variable is higher than the relevant predefined level or value.

**Knock-out Straddle Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and any increase or decrease in the level or value of the Currency-Related Variable during the term of the Note, **provided, however, that** if such level or value is less than a specified level or value ("**Performance Floor**") or greater than a specified level or value ("**Performance Cap**") at any time during the term of the Note, the Note shall be redeemed at par.

#### **Non-capital protected Notes**

**Airbag:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) the *product* of the aggregate face amount of the Notes and any increase or decrease in the level or value of the Currency-Related Variable during the term of the Note expressed as a percentage of the initial level or value of the Currency-Related Variable **provided that** the amount payable at maturity is no less than a specified amount, or (ii) the *product* of the aggregate face amount of the Notes and (A) if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Pricing Supplement and such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, or (B) if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable. No interest is payable in respect of such Notes.

**Leverage Airbag Plus Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *product* of the aggregate face amount of the Notes and (A) if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Pricing Supplement and such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, (B) if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes but the level or value of the FX Related Vehicle at maturity is greater than a specified level or value (the "**Performance Floor**"), 100 per cent., or (C) if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes, the level or value of the Currency-Related Variable has fallen below the Performance Floor at any time during the term of the Notes and the level or value of the Currency-Related Variable at maturity is less than the initial level or value of the Currency-Related Variable, such level or value at maturity expressed as a percentage of the initial level or value of the Currency-Related Variable. No interest is paid in respect of such Notes.

**Booster Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the *product* of a multiplier or participation rate specified in the Pricing Supplement and (4) such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, (such percentage being subject to a predefined maximum percentage (a "**Performance Cap**")), (ii) if the final level or value of the Currency-Related Variable at maturity is less than the initial level or value of the Currency-Related Variable but higher than a predefined level or value specified in the Pricing Supplement, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the predefined level or value specified in the Pricing Supplement, or (iii) if the final level or value of the Currency-Related Variable at maturity is less than the initial level or value of the Currency-Related Variable and such level or value is also less than a predefined level or value specified in the Pricing Supplement, the *product* of (1) the aggregate face amount of the Notes and (3) the final level or value of the Currency-Related Variable.

**Dual Currency Notes:** Notes in relation to which the interest payable is a fixed amount and, if the Currency-Related Variable is higher than a predefined level or value at maturity, the redemption amount payable to the Noteholder at maturity is calculated by reference to a formula specified in the Pricing

Supplement applied to the aggregate principal amount of the Notes. Investors normally receive the final redemption amount at Maturity in one currency (either the original currency in which the Notes are denominated, or the alternative currency of the Currency-Related Variable). Payment of Interest shall be subject to further specifications in the formula specified in the Pricing Supplement

**Triple Currency Notes:** Notes in relation to which the interest payable is a fixed amount and if at least one of the two Currency-Related Variables is higher than a predefined level or value at maturity, the redemption amount payable to the Noteholder at maturity is calculated by reference to a formula specified in the Pricing Supplement applied to the aggregate principal amount of the Notes. Investors normally receive payment at maturity in one of the three currencies (either the original currency in which the Notes are denominated or one of the two alternative currencies of the Currency-Related Variable). Payment of interest may be subject to further specifications in the formula specified in the Pricing Supplement

**Early Redemption Accrual Notes:** Notes which are to be mandatorily redeemed prior to their maturity date if a specified trigger event relating to a Currency-Related Variable occurs after or during a specified period or on a specified date, as specified in the Pricing Supplement. The face amount of the Notes will be converted into an alternative currency every day and accrues until the trigger event date, so that the redemption amount payable to the Noteholder will be in the alternative currency for the accrued face amount and/or in the original denomination currency for the residual face amount.

**Reverse Convertible Notes:** Notes in relation to which the interest payable is a fixed amount. If the final level or value of Currency-Related Variable at maturity is higher than the initial level or value of the Currency-Related Variable, the redemption amount payable to the Noteholder at maturity is the aggregate principal amount of the Notes, whereas, if the final level or value of Currency-Related Variable is equal to or lower than the initial level or value of the Currency-Related Variable, the redemption amount payable to the Noteholder at maturity is calculated by reference to a formula specified in the Pricing Supplement applied to the aggregate principal amount of the Notes (such amount being less than the aggregate principal amount of the Notes).

**Tracker Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) the *product* of the aggregate face amount of the Notes and, if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, or (ii) the *product* of the aggregate face amount of the Notes and, if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable. No interest is payable in respect of such Notes.

**Leverage Tracker Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) the *product* of the aggregate face amount of the Notes and, if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Pricing Supplement and such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, or (ii) the *product* of the aggregate face amount of the Notes and, if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable. No interest is payable in respect of such Notes.

## PRODUCT DESCRIPTION RELATING TO INTEREST RATE-LINKED NOTES

Notes issued pursuant to the Programme may include Interest Rate-Linked Notes, being Notes in relation to which the interest payable thereon (if any) and/or the redemption amount thereof is determined by reference to levels of, or movements in, specified interest rates or other interest rate dependent variables, as applicable (each, an "**Interest-Related Variable**"). Such Notes may be Fixed Rate Notes, Floating Rate Notes, Variable Coupon Amount Notes or Zero Coupon Notes, as specified in the relevant Pricing Supplement. In the case of Variable Coupon Amount Notes, details of the dates on which interest shall be payable and the method of calculation of the interest payable on each such date will be set out in the relevant Pricing Supplement.

Interest-Related Variables may consist of interest rates for specified periods, such as London inter-bank offered rates "**LIBOR**" for deposits in specified currencies or "**EURIBOR**" for deposits in euro, or constant maturity swap ("**CMS**") or remaining maturity swap ("**RMS**") rates, or other interest-based factors, as specified in the relevant Pricing Supplement. Details of the Interest-Related Variable(s) applicable to any particular Series or Tranche of Notes and an indication of where information about the past and the future performance of the Interest-Related Variable and other information relating thereto will be specified in the relevant Pricing Supplement.

There follows a description of certain types of Interest Rate-Linked Notes that may be issued under the Programme. In addition to these types of Notes, the Issuer may issue Interest Rate-Linked Notes under the Programme which combine elements of any of the Interest Rate-Linked Notes described below or are linked to Interest-Related Variables in a manner other than described below, details of which will be provided in the relevant Pricing Supplement.

### **Early Redemption features for Interest Rate-Linked Notes:**

**Callable Notes:** Notes which may be redeemed prior to their specified maturity date at the option of the Issuer, which option may be exercised periodically or on dates specified in the Pricing Supplement.

**Puttable Notes:** Notes which may be redeemed at the option of the Noteholder prior to the maturity date if a specified trigger event relating to an Interest-Related Variable occurs during a specified period or on a specified date, as specified in the Pricing Supplement.

**Target Redemption Notes:** Notes, the terms of which provide as follows: (i) the minimum and maximum interest payable to a Noteholder over the term of the Notes are set on the issue date and expressed as pre-determined percentages of the notional amount of the Notes ("**Lifetime Floor**" and "**Lifetime Cap**", respectively), (ii) the final interest payment is increased so that, if the cumulative total interest payments (taking into account the amount of such final interest payment) would not otherwise reach the Lifetime Floor, Noteholders receive over the life of the Notes cumulative interest payments equal to the Lifetime Floor and (iii) the Notes will be mandatorily redeemed at par on the first interest payment date on which the cumulative total interest payments up to and including such payment date would exceed the Lifetime Cap taking into account the interest payments scheduled to be made on such date, which interest payments will then be reduced so that Noteholders receive over the life of the Notes aggregate interest payments equal to the Lifetime Cap.

**Trigger Redemption Notes:** Notes which are not Callable Notes and which are to be mandatorily redeemed prior to their maturity date if a specified trigger event in relation to a Interest-Related Variable occurs during a specified period or on a specified date, as specified in the Pricing Supplement.

### **Payment features for Interest Rate-Linked Notes:**

**Coupon Notes:** Notes in relation to which the interest payable to the Noteholder is subject to the performance of the Interest-Related Variable.

**Zero Coupon Notes:** Notes in relation to which no interest is payable to the Noteholder until the earlier of the scheduled maturity or early redemption.

**Deferred Coupon Notes:** Notes in relation to which the interest in relation to a given payment date may be deferred until the earlier of the scheduled maturity or early redemption on conditions specified in the Pricing Supplement.

**Interest-Related Variable discontinuity features for Interest Rate-Linked Notes:**

**Digital Notes:** Notes in relation to which, if the Interest-Related Variable at maturity reaches a predefined level or value, the interest payable is a fixed amount.

**Barrier Notes:** Notes under which the interest and/or the redemption amount payable to the Noteholder at maturity are determined by reference to the performance of the Interest-Related Variable depending on the level or value of the Interest-Related Variable attaining or falling below predefined levels or values. If the Pricing Supplement so specify, the predefined level or value may be varied on a specified date or dates or during specified periods throughout the term of the Notes. The predefined levels or values may consist of any of the following:

**Up and Out:** If the level or value of the Interest-Related Variable is higher than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder ceases to be linked to the performance of the Interest-Related Variable as specified in the relevant Pricing Supplement.

**Up and In:** If the level or value of the Interest-Related Variable is higher than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder become linked to the performance of the Interest-Related Variable as specified in the relevant Pricing Supplement.

**Down and Out:** If the level or value of the Interest-Related Variable is lower than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder cease to be linked to the performance of the Interest-Related Variable as specified in the relevant Pricing Supplement.

**Down and In:** If the level or value of the Interest-Related Variable is lower than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder become linked to the performance of the Interest-Related Variable as specified in the relevant Pricing Supplement.

The specified date or dates, or specified periods, for the observation of the level or value of the Interest-Related Variable against the relevant predefined level or value may include any of the following or maybe as otherwise specified in the Pricing Supplement:

**American:** the level or value of the Interest-Related Variable is observed continuously during a specified period.

**Bermudan:** the level or value of the Interest-Related Variable is observed during a period which consists of a number of specified dates.

**Discrete:** the level or value of the Interest-Related Variable is observed daily at a specified time on specified dates.

**European:** the level or value of the Interest-Related Variable is observed at maturity.

**Parisian:** the level or value of the Interest-Related Variable is observed on the occurrence of a specified event.

**Switchable Notes:** Notes paying a fixed coupon. After a predetermined period, the Issuer may, at its sole option, switch irrevocably from a fixed coupon to a floating coupon on each predefined switch date.

**Window:** the level or value of the Interest-Related Variable is only observed during a fixed period.

**Interest-Related Variable path dependent features for Interest Rate-Linked Notes:**

**Range Accrual Notes:** Notes in relation to which the interest only accrues for each day during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Pricing Supplement.

**Average Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated by reference to the average level or value of the Interest-Related Variable on a number of specified dates occurring on or after the issue date to but excluding the maturity date, as specified in the Pricing Supplement.

**Snow Notes:** Notes in relation to which a fixed interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given period is determined by reference to (i) the rate used to calculate the interest for the preceding period and applying to it a pre-specified rate and (ii) a Interest-Related Variable, as set out in the Pricing Supplement (subject to minimum interest rate of 0 per cent.).

**Ratchet Notes:** Notes in relation to which a fixed rate is used to calculate the interest for the initial period (the "**initial rate**") and leveraged thereafter whereby the subsequent rate for any given period used to calculate the interest is determined by reference to (A) the rate applicable for the preceding period and applying to it a pre-specified rate and (B) an Interest-Related Variable (subject to a minimum interest rate of 0 per cent.), until a specified date on which the rate used to calculate the interest is reset to the initial rate and the rate leverage process recommences.

**Serial Notes:** Notes in relation to which rate used to calculate the interest is determined by reference to (i) any one of the minimum, the maximum or the average level or value of the specified Interest-Related Variable over a certain period of time and (ii) a rate specified in the Pricing Supplement.

**Snowball:** Callable Notes in relation to which the fixed rate used to calculate the interest is set for the initial period and then leveraged thereafter whereby the rate for any given period is calculated using the rate for the preceding period and applying to it a pre-specified rate which increases each year and subtracting the level or value of the specified Interest-Related Variable (subject to minimum interest rate of 0 per cent.).

**Bearish Snowball:** Callable Notes in relation to which the rate used to calculate the fixed interest is set for the initial period and then leveraged thereafter whereby the rate for any given period is calculated using the rate for the preceding period and adding to it the product of a multiple of the Interest-Related Variable minus a pre-specified rate (which increases each year) (subject to a minimum interest rate of 0 per cent. and a pre-specified maximum interest rate).

**Resettable Snowball:** Callable Notes in relation to which (i) the rate used to calculate the fixed interest payment is set for the initial period (the "**initial interest rate**") and leveraged thereafter whereby the subsequent interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a pre-specified rate which increases each year and subtracting the specified Interest-Related Variable (subject to a minimum rate of 0 per cent.) until a specified date on which the interest is reset to the initial rate and the rate leverage process recommences, and (ii) the Issuer has a right to redeem the Notes earlier than the maturity date if a trigger event relating to a specified Interest-Related Variable occurs and is existing on a specified early redemption date during the term of the Notes.

**Recovery Note:** Callable Notes in relation to which the fixed rate used to calculate the interest is set for the initial period and then leveraged thereafter whereby the rate for any given period is calculated using the rate for the preceding period and adding to it the product of a multiple of the specified Interest-Related Variable minus a pre-specified rate (which increases each year) (subject to a minimum interest rate of 0 per cent. and a pre-specified rate maximum).

**Seesaw Note:** Callable Notes in relation to which the method of calculating interest changes during the life of the Notes as follows. The fixed rate used to calculate the interest is set for the initial period and is then leveraged thereafter whereby the rate for any given period is calculated using the rate for the preceding period and applying to it a multiple of a pre-specified rate or rates less the specified Interest-Related Variable. The rate used to calculate the interest will then revert to the original rate or another fixed rate for a specified number of periods. Thereafter, the rate used to calculate the interest for any given period is calculated using the rate for the preceding period and applying to it a multiple of the specified Interest-Related Variable less a pre-specified rate or rates. The rate applicable to any period may be subject to minimum and maximum rate limits.

**SnowBlade Note:** Target Accrual Redemption Notes which are not Callable Notes in relation to which a fixed rate is set for the initial period and then leveraged thereafter whereby the rate for any given

subsequent period is calculated using the rate for the preceding period and applying to it a pre-specified rate which increases each year and subtracting the specified Interest-Related Variable (subject to a minimum interest rate of 0 per cent.).

#### **Coupon features for Interest Rate-Linked Notes:**

***Capped Fixed Coupon:*** Notes in relation to which the rate used to calculate the interest is less than or equal to a specified fixed rate.

***Floored Fixed Coupon:*** Notes in relation to which the rate used to calculate the interest is greater than or equal to a specified fixed rate.

***Capped Spread Coupon:*** Notes in relation to which the rate used to calculate the interest is (i) determined by reference to a Interest-Related Variable being the difference between two specified interest rates and (ii) is less than or equal to a specified rate.

***Floored Spread Coupon:*** Notes in relation to which the rate used to calculate the interest is (i) determined by reference to the difference between two interest rates and (ii) is greater than or equal to a specified rate.

***Capped Global Coupon:*** Notes in relation to which (i) the interest payable is determined by reference to an Interest-Related Variable, and (ii) the cumulative interest paid up to a given payment date (including the interest payable in respect of such payment date) is less than or equal to an amount specified in the Pricing Supplement for such payment date. If such cumulative amount is greater than the amount specified in the Pricing Supplement the interest payable on the relevant payment date shall be reduced to ensure such cumulative amount is equal to the amount specified in the Pricing Supplement for such payment date.

***Floored Global Coupon:*** Notes in relation to which (i) the interest payable is determined by reference to an Interest-Related Variable, and (ii) the cumulative interest paid up to a given payment dates (including the interest payable in respect of such payment date) is greater than or equal to an amount specified in the Pricing Supplement for such payment date. If such cumulative amount is less than the amount specified in the Pricing Supplement the interest payable on the relevant payment date shall be increased to ensure such cumulative amount is equal to the amount specified in the Pricing Supplement for such payment date.

#### **Interest Rate Reset features relating to Interest Rate-Linked Notes**

***Interest-in-arrears:*** Notes in relation to which the interest is determined by reference to an Interest-Related Variable which is determined at the end of a given period.

***Interest-in-advance:*** Notes in relation to which the interest is determined by reference to an Interest-Related Variable which is determined prior to the commencement of a given period.

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

***Callable step-down Floaters:*** Callable Notes which are Floating Rate Notes and in relation to which (i) the rate used to calculate the interest is set at a fixed margin above the specified Interest-Related Variable but the total of which is capped at a specified fixed rate and (ii) the interest is only payable if the specified Interest-Related Variable remains below a certain pre-specified level.

***Callable Inverse Floaters:*** Callable Notes in relation to which a fixed rate used to calculate the interest is set for an initial period, after which the rate for any given period is calculated by subtracting from a pre-specified fixed rate a multiple of the specified Interest-Related Variable (subject to a minimum interest rate of 0 per cent.).

***Constant Maturity Swap ("CMS") Fixed Spread Callable Range Accrual Notes:*** Notes in relation to which the interest is greater than or equal to a specified fixed rate Callable Notes in relation to which a fixed rate is set for the initial period and then for subsequent periods the fixed rate only accrues for each day during that period if specified constant maturity swap spread (a "CMS Spread") remains above a pre-specified trigger level or lower barrier

**VariCap Note:** Notes which are not Callable Notes, in relation to which the interest rate calculated in relation to any period is a CMS rate plus a spread, but subject to a minimum rate and a variable maximum interest rate (the "**Cap**"). The Cap is calculated by reference to a multiple of the specified CMS Spread, which multiple may or may not increase over time, as specified in the relevant Pricing Supplement.

**Callable Range Accrual Notes:** Range Accrual Notes which are Callable Notes.

**Trigger Redemption Range Accrual Notes:** Range Accrual Notes which are Trigger Redemption Notes.

**Auto-puttable Callable Range Accrual Notes:** Range Accrual Notes which are Callable Notes and Auto-puttable Notes.

**Fixed Callable Range Accrual Notes:** Range Accrual Notes which are Callable Notes and which bear interest at a fixed rate.

**Floating Callable Range Accrual Notes:** Range Accrual Notes which are Callable Notes and which accrue interest at a floating interest rate.

#### **Forms of Target Accrual Redemption Notes**

**Target Accrual Redemption Notes (TARNs) (Bullish):** Target Accrual Redemption Notes under which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the interest rate is calculated using a fixed rate and subtracting therefrom a multiplier of the level of a specified Interest-Related Variable (subject to a minimum interest rate of 0 per cent.).

**Bearish TARN:** Target Accrual Redemption Notes in relation to which the interest rate is calculated by applying a fixed multiplier to the level of a specified Interest-Related Variable and subtracting a specified fixed rate which increases each year (subject to a minimum interest rate of 0 per cent.).

**BONUS TARN:** Target Accrual Redemption Notes in relation to which the interest rate is calculated using an initial fixed rate during the first interest period, then a higher fixed rate minus a multiplier time a specified Interest-Related Variable during subsequent periods and an additional bonus payment (expressed as a percentage of the notional amount of the Notes and increasing annually throughout the term of the Notes) is made to Noteholders on the redemption date.

**SnowRange Notes:** Notes which are Callable Notes and in relation to which (i) interest only accrues for each day (a "**Qualifying Day**") during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Pricing Supplement, (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period). (The SnowRange Note is a variation of the CRAN.)

**Accumulator Leverage Inverse Floater Note:** Floating Rate Notes in relation to which (i) the amount of interest payable to the Noteholder over the term of the Notes is known from the issue date and expressed as a percentage of the notional amount (the "**Lifetime Cap**") but the timing of interest payments and the maturity date is not known, (ii) the final interest payment is adjusted at maturity so that the sum of all interest payments (including such adjusted payment) equals the Lifetime Cap (iii) the Notes are automatically redeemed at par on an interest payment date if the sum of the interest payments (prior to the adjustment of such interest payment) would otherwise exceed the Lifetime Cap.

**BladeRanger Notes:** Target Accrual Redemption Notes under which interest only accrues for each day (a "**Qualifying Day**") during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Pricing Supplement, (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period).

**Resettable SnowRange:** SnowRange Notes which are Callable Notes and in relation to which, on a specified date, the interest payable is reset to the initial interest rate applicable to the first interest period and the interest rate leverage process recommences.



**Bearish SnowRange:** Callable Notes in relation to which (i) the interest only accrues for each day (a "Qualifying Day") over a period that a specified Interest-Related Variable remains above a pre-specified level which may be increased annually, as specified in the Pricing Supplement and (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period).

**Front-End SnowRange:** SnowRange Notes which are Callable Notes in relation to which the Issuer is entitled to exercise its right to redeem early if the specified Interest-Related Variable remains within the pre-specified range during the first year of the term of the Notes.

**Range Accrual Notes:** Notes in relation to which the interest is a variable amount (calculated by reference to a formula in the Pricing Supplement) and only accrues for each day during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Pricing Supplement.

**Dual Range Accrual Notes:** A dual range accrual note is a range accrual note that accrues interest for each day where the two observed reference indices are within their respective range while a lower coupon or no interest is accrued for each day where the indices fall outside of the range. The range for the observed reference indices (mostly observed daily) might vary over the life of the security. The most common structure is linked to the spread of two Constant Maturity Swaps and an interbank rate.

#### **Constant Maturity Swap ("CMS") linked Notes and Remaining Maturity Swap ("RMS") linked Notes**

**Deferred digital:** Notes which are not Callable Notes and in relation to which (i) the timing of the interest rate payment is conditional on the specified Interest-Related Variable and (ii) if the specified Interest-Related Variable remains below a certain trigger level or barrier, the interest rate payable is a fixed amount and if the specified Interest-Related Variable reaches the trigger level or barrier, the interest rate payable is compounded over the term of the Notes and payment is deferred until maturity.

**Remaining-Maturity-Swap CRAN:** Callable Notes in relation to which interest only accrues for each day over a certain period of time that the specified underlying Remaining-Maturity-Swap (RMS) rate remains below a certain pre-specified trigger level or upper barrier.

**RMS Wings Note:** Callable Notes in relation to which there is a certain fixed minimum interest rate which only accrues for each day over a certain period of time that the specified Interest-Related Variable is either (i) below a certain pre-specified trigger level or (ii) above a certain higher pre-specified trigger level.

**CMS SnowRange:** Callable Notes in relation to which (i) interest only accrues for each day (a "Qualifying Day") over a certain period of time that a specified CMS rate remains within a pre-specified range which may increase annually and (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period).

**Bearish CMS:** Target Accrual Redemption Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods it is calculated by subtracting a fixed multiplier which increases each year from a specified CMS rate (subject to a minimum interest rate of 0 per cent.).

**CMS Recovery Note:** Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and adding to it the product of a multiple of a specified CMS rate minus a pre-specified interest rate (which increases each year) (subject to minimum interest rate of 0 per cent. and a pre-specified maximum interest rate).

**CMS TARN Note:** Target Accrual Redemption Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the interest rate is calculated using a

fixed rate and subtracting the level of a specified CMS rate (subject to a minimum interest rate of 0 per cent.).

### **CMS Spread-linked Notes**

**(CMS) Fixed SCRAN:** Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the fixed interest rate only accrues for each day over a certain period of time that a specified constant maturity swap spread (a "**CMS Spread**") remains above a pre-specified trigger level or lower barrier.

**(CMS) Floating SCRAN:** Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods a floating rate of interest only accrues for each day over a certain period of time that a specified CMS-Spread remains above a pre-specified trigger level or lower barrier.

**Wedding Cake Note:** Notes which are not Callable Notes, in relation to which the floating interest rate is comprised of three different tiers of calculation and only accrues for each day that a specified CMS Spread remains (a) above a pre-specified trigger level, (b) remains within a pre-specified range and (c) remains below a pre-specified trigger level, over a certain period of time.

**Floating SCRAN:** Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the interest only accrues for each day over a certain period of time that the specified Interest-Related Variable remains above a pre-specified trigger level or lower barrier.

**VariCap Note:** Notes which are not Callable Notes, in relation to which the interest calculated in relation to any period is a CMS rate plus a spread, but subject to a minimum interest rate and a variable maximum interest rate (the "**Cap**"). The Cap is calculated by reference to a multiple of the specified CMS Spread, which multiple may or may not increase over time, as specified in the relevant Pricing Supplement.

**CMS Steepener (Bearish):** Callable Notes in relation to which the interest rate is set at a fixed margin above a specified CMS rate and is payable if such CMS rate remains above a pre-specified trigger level (which increases throughout the term of the Notes) but if the CMS rate falls below the trigger level, then the interest rate payable is capped at a specified fixed amount.

### **Volatility-linked Notes**

**Serial Notes:** Notes which are not Callable Notes and in relation to which the interest rate is determined by any one of the minimum, the maximum or the average level of the Specified Interest- Related Variable over a certain period of time plus a pre-specified rate.

**Sliding Volatility Note:** Notes which are not Callable Notes and in relation to which the rate used to calculate the interest is set at a multiple of the value of the change in a specified Interest-Related Variable over a specified period.

**Terminal Volatility Note:** Notes which are Callable Notes and in relation to which the rate used to calculate the interest rate for any interest period is calculated by multiplying a specified fixed rate by the absolute value of the difference between the specified Interest-Related Variable at the start of one period and such Interest-Related Variable at the end of the period.

**PRODUCT DESCRIPTION RELATING TO CREDIT-LINKED NOTES**

**Credit-Linked Notes to which the "Additional Terms and Conditions relating to Credit-Linked Notes (2014 ISDA Credit Derivatives Definitions Version)" apply**

Linked Notes, being Notes in relation to which the interest rate and/or the amount payable and/or the value of the assets deliverable on redemption reflect the performance of a reference entity or reference obligation, or a portfolio of reference entities or reference obligations and the credit-linked terms of which include terms based on the 2014 ISDA Credit Derivatives Definitions. These Credit-Linked Notes may be auction settled, with cash settlement as the fallback settlement method, or physically settled, as specified in more detail in the relevant Pricing Supplement. The terms of such Credit-Linked Notes may also include leverage if and as specified in more detail in the relevant Pricing Supplement.

Credit-Linked Notes usually offer a higher yield than most basic eurobonds with a similar credit rating.

Details of the reference entity or reference entities to which Credit-Linked Notes relate and of the page(s) of Bloomberg, the Reuters Service and/or other source(s) where information about such reference entity or reference entities can be obtained will be specified in the relevant Pricing Supplement.

**PRODUCT DESCRIPTION RELATING TO EQUITY-LINKED NOTES, CASH EQUITY LOANS AND INDEX-LINKED NOTES**

Equity/Index-Linked Notes issued under the Programme may include Notes of the following product categories:

- (a) Equity-Linked Notes and Cash Equity Notes; and
- (b) Index-Linked Notes.

The Bank may issue Equity/Index-Linked Notes under the Programme which combine elements of any of the Notes described below, details of which will be provided in the relevant Pricing Supplement.

References herein to an "**Equity/Index-Related Variable**" in relation to any Note are to the underlying security, basket of securities, index or indices to which such Note is linked.

Where Notes are linked to an underlying basket of securities or indices, references herein to a "**Component**" are references to each individual index or security within such basket of indices or securities, as applicable.

**(A) Equity-Linked Notes and Cash Equity Notes**

Notes issued pursuant to the Programme may include Equity-Linked Notes and Cash Equity Notes, being Notes in relation to which the interest rate and/or the redemption amount payable at maturity is linked to, or to the performance over a defined period of, a security or basket of securities and may include details of the security or basket of securities to which Equity-Linked Notes or Cash Equity Notes are linked, the ISIN (international security identification number) or other security identification code thereof and the page(s) of Bloomberg, the Reuters Service and/or other source where information about the past and the future performance of such security or securities can be obtained will be specified in the Pricing Supplement. Equity-Linked Notes and Cash Equity Notes may include:

- (a) Notes in relation to which the interest amount and/or the redemption amount payable at maturity is linked to the performance or percentage change in the share price of a single share in a selected corporate entity (or other security), or the value of the basket of shares in selected corporate entities (other such securities) over a defined period by way of a formula specified in the Pricing Supplement;
- (b) Notes in relation to which the Noteholder has a right (exercisable within a certain period or on a certain date) to exchange the principal amount of the Notes for a specified quantity of securities in one or more selected corporate entities (or other securities); and/or
- (c) Notes in relation to which the Issuer has a right (exercisable within a certain period or on a certain date) to exchange the principal amount of the Notes for an equivalent value of securities in one or more selected corporate entities (or other securities).

**(B) Index-Linked Notes**

Notes issued pursuant to the Programme may include Index-Linked Notes, being Notes in relation to which the interest rate and/or the redemption amount payable at maturity is linked to the performance of one or more indices, by way of a specified formula or in such other manner as shall be specified in the Pricing Supplement. Such indices may include, without limitation, the Euro STOXX® 50 Index (Bloomberg Code: SX5E), the Standard & Poor's 500® Index (Bloomberg Code: SPX), the Nasdaq 100 Index (Bloomberg Code: NDX), the Nikkei 225® Index (Bloomberg Code: NKY), the FTSE™ 100 Index (Bloomberg Code: UKX), the CAC40® Index (Bloomberg Code: CAC), the SMI® Index (Bloomberg Code: SMI) or the US CPI Urban Consumers NSA (Bloomberg Code: CPURNSA) or a combination of these or any other published indices.

HSBC has developed indices that are algorithmic/managed strategies, such indices include without limitation the following, and the interest rate and/or the redemption amount payable at maturity may be linked to any of them or a combination of them or any other published indices:

| <b>Index Name</b>                              | <b>Bloomberg Ticker</b>              |
|--|--------------------------------------|
| HSBC EUR DTP                                   | HSTPEU01                             |
| HSBC USD Volatility Budgeted DTP 1             | HSTPVB01                             |
| HSBC USD Volatility Budgeted DTP 2             | HSTPVB02                             |
| HSBC USD Volatility Budgeted DTP 3             | HSTPVB03                             |
| HSBC USD Volatility Budgeted DTP 4             | HSTPVB04                             |
| HSBC EUR Uniform Volatility Budgeted           | HSUNEU01                             |
| HSBC GBP Uniform Volatility Budgeted           | HSUNBP01                             |
| HSBC USD Uniform Volatility Budgeted           | HSUNUS01                             |
| HSBC USD Uniform Basket                        | HSUNBKU1                             |
| HSBC METYS – VB Index                          | HSMETYS1                             |
| HSBC Global FX Carry Benchmark – Excess Return | HSFAEC0U                             |
| HSBC Global FX Carry Index – Total Return      | HSFATC1U                             |
| HSBC Global FX Carry Index – Excess Return     | HSFAEC1U                             |
| HSBC Global FX Carry Index – Volatility Target | HSFAVC1U                             |
| HSBC SGD NEER Long and Short Indices           | HSFYESLU (Long) and HSFYESSU (Short) |

The Dynamic Term Premium (DTP) indices are rules-based strategies that aims to generate returns by exploiting the 'term premium' and aim to benefit from instances when term premium is either positive or negative.

The HSBC Uniform Index Series is a rules-based strategy that was developed with the aim of benefitting from moves in money market futures in USD, GBP and EUR. Its underlying aims to anticipates moves in money market futures and takes long or short positions in these futures.

The HSBC METYS Index is a rules-based strategy that was developed to benefit from moves in the difference between the 2 year and the 10 year US treasury yields. Its underlying strategy aims to anticipate moves in the difference between the yields implied by the 2 year US Treasury Future and the 10 year US Treasury Future (this spread is referred to as '2s10s') and takes long and short positions in these futures.

The HSBC Global FX Carry Benchmark is a rules-based strategy that aims to generate returns by taking advantage of the interest rate differential where this strategy involves investing in high-yielding currencies while borrowing in low yielding currencies.

The HSBC Global FX Carry Index is a rules-based strategy that aims to generate returns by taking advantage of the interest rate differential where this strategy involves investing in high-yielding currencies while borrowing in low yielding currencies. Currencies exhibiting high volatility are excluded from the selection process.

The Volatility Target HSBC Global FX Carry Index is a rules-based strategy that aims to generate returns by taking advantage of the interest rate differential where this strategy involves investing in high-yielding currencies while borrowing in low-yielding currencies. Currencies exhibiting high volatility are excluded from the selection process and exposure to the strategy is adjusted on a regular basis such that the realised volatility of the strategy performance reaches a target level.

The HSBC SGD NEER Long and Short Indices are HSBC research-based strategies that aim to generate returns from the SGD NEER (SGD National Effective Exchange Rate) by taking a view on the economy of Singapore. The SGD NEER is a monetary tool used by the Monetary Authority of Singapore (MAS) to approximate SGD value against currencies of Singapore's major trading partners. The SGD NEER policy Basket is confidential and market participants interested in SGD try to guess its composition The HSBC SGD NEER Strategies involve going long (or short) a basket of currencies (containing 42 currencies) where weights are determined by HSBC Research to try to replicate the SGD NEER Index. Weightings of the Basket are changed independently by HSBC Research on a regular basis depending on their view.

The name of the relevant (or each) relevant index and the website of the relevant index sponsor page(s) of the Reuters Service and/or other source where information about such index can be obtained will be specified in the relevant Pricing Supplement.

### Principal Protected Notes

**Callable Notes:** Notes which may be redeemed prior to their specified maturity date at the option of the Issuer, which option may be exercised periodically or on specified dates, as described in the Pricing Supplement.

**Coupon Notes:** Notes in relation to which (i) the interest payable to the Noteholder is subject to the performance of the Equity/Index-Related Variable, and (ii) the redemption amount payable to the Noteholder is greater than or equal to the aggregate face amount of the Notes.

**Callable Coupon Notes:** Notes in relation to which (i) the interest payable to the Noteholder is subject to the performance of the Equity/Index-Related Variable (which may be independent of any condition relating to the redemption amount payable at maturity to such Noteholders), and (ii) the Issuer may redeem the Notes prior to their specified maturity date on dates specified in the Pricing Supplement.

**Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes and (ii) an amount equal to the *product* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Pricing Supplement and (C) any increase in the level or value of the Equity/Index-Related Variable expressed as a percentage of the initial level or value of the Equity Related Variable (such amount not being subject to a maximum amount payable to the Noteholder ("**No Fixed Cap**")).

**Capped Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes *plus* (ii) an amount equal to the *products* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Pricing Supplement and (C) any increase in the level or value of the Equity/Index-Related Variable (such amount being subject to a maximum amount payable to the Noteholder set on the issue date and expressed as a predefined percentage of the aggregate face amount of the Notes (a "**Fixed Cap**")).

**Average Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated by reference to the average level or value of the Equity/Index-Related Variable on a number of specified dates occurring on or after the issue date to but excluding the maturity date, as specified in the Pricing Supplement.

**Smart Growth Notes:** Notes under which the redemption amount payable to the Noteholder on maturity is linked to the best performance of the Components in a basket of equities or indices. On certain dates specified in the Pricing Supplement the Component that has the highest value or level expressed as a percentage of the value or level of that Component on a date specified in the Pricing Supplement, shall be removed from the basket. The redemption amount payable on maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes *plus* (ii) an amount equal to the *product* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Pricing Supplement and (C) an amount equal to the level or value of the basket at maturity expressed as a percentage of the initial level of such basket plus each of the returns on those Components removed from the basket.

**Accrual Notes:** Notes in relation to which the accrual of interest amount and the rate of such accrual is dependent upon the performance of the Equity/Index-Related Variable, as specified in the Pricing Supplement.

**Range Accrual Notes:** Notes in relation to which the interest is a variable amount (calculated by reference to a formula in the Pricing Supplement) and only accrues for each day during a period that a specified Equity/Index-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Pricing Supplement.

**Range Binary Notes:** Notes in relation to which, if the Equity/Index-Related Variable remains within a specified range, the interest payable is a specified variable amount (calculated by reference to a formula in the Pricing Supplement).

**Wedding Cake Range Binary Notes:** Notes in relation to which, if the Equity/Index-Related Variable remains within one of a number of ranges specified in the Pricing Supplement, the interest payable is a specified variable amount (calculated by reference to a formula in the Pricing Supplement) relating to the relevant range.

**Callable Floored Accrual Protected Notes:** Notes in relation to which (i) interest accrues as set out in the relevant Pricing Supplement and is payable to the Noteholders for each day on which if the level or value of each Component of the Equity/Index-Related Variable is greater than levels or values specified for such Components in the Pricing Supplement (ii) the redemption amount payable to the Noteholder is equal to or greater than the aggregate face amount of the Note and (i) the Issuer may redeem the Notes prior to their scheduled maturity date on dates specified in the Pricing Supplement.

**Max Lookback Strike Growth Notes:** Notes under which the principal amount payable to the Noteholder at maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes and (ii) an amount equal to the *product* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Pricing Supplement and (C) the highest increase in the level or value attained by the Equity/Index-Related Variable during a period specified in the Pricing Supplement, expressed as a percentage of the initial level or value of such Equity/Index-Related Variable (such amount not being subject to a maximum amount payable to the Noteholder ("**No Fixed Cap**")).

**Captain Notes:** Notes under which the principal amount payable to the Noteholder at maturity and/or the interest payable to the Noteholder are determined by reference to the average level or value of an Equity/Index-Related Variable in respect of which each Component has a maximum level or value (a "**Cap**") specified in the Pricing Supplement.

Captain Notes may include additional provisions, including the following:

- provisions under which, if the performance of the relevant Equity/Index-Related Variable or Component thereof is positive and/or exceeds a certain level or value, then for all future observations the Cap is either replaced with a Cap at a new level or the level or value of such Component for all future observations is fixed at a new specified level or value;
- provisions under which the negative performance of the Equity/Index-Related Variable or Component thereof has a minimum level or value (a "**Floor**") so that any negative performance beyond the Floor is disregarded;
- provisions under which, if the performance of the Equity/Index-Related Variable is negative, then its level will be deemed to be one of several pre-determined levels or values, each a "digital floor", depending on where the performance falls within certain specified ranges; and
- provisions under which the final level or value of the relevant Equity/Index-Related Variable or Component thereof is replaced by its highest level or value observed on the previous valuation dates under the Notes.

**Binary Captain Notes:** Notes under which the principal amount payable to the Noteholder at maturity and/or the interest payable to the Noteholder are determined by reference to the average level or value of an Equity/Index-Related Variable in respect of which each Component that has, on the relevant valuation date, a level or value higher than its initial level or value shall have a pre-determined level or value assigned to it for the purposes of calculating such average level or value of the Equity/Index-Related Variable.

**Smart Average Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is linked to the performance of an Equity/Index-Related Variable having participations in Components which may be adjusted by reference to the average performance, such Components as specified in the Pricing Supplement.

**Rainbow Average Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is linked to the performance of an Equity/Index-Related Variable which has participations in the performance of its Components which may be varied as specified in the Pricing Supplement. On certain dates specified in the Pricing Supplement the average performance of each Component since the issue date will be determined and the participations for each Component will be adjusted, so that the best performing Components will have an increased participation and the worst performing Components will have a decreased participation.

**Growing Average Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated by reference to the average level or value of the Equity/Index-Related Variable in

respect of certain periods specified in the Pricing Supplement **provided, however, that** the average level or value for a given period shall not be less than the highest average level or value determined in respect of each preceding period.

**Performance Spread Notes:** Notes under which the interest payable to the Noteholder is linked to the performance of an Equity/Index-Related Variable, the level or value of which is dependent on the difference in the performance of the best performing Component and the worst performing Component during a given period, **provided, however, that** the interest shall be no greater than an amount specified in the Pricing Supplement. If specified in the Pricing Supplement, the interest may be greater than or equal to a minimum amount.

**Target Redemption Notes:** Notes in relation to which the interest payable to the Noteholder is determined by reference to the level or value of the Equity/Index-Related Variable **provided, however, that** the maximum cumulative amount of interest payable over the term of the Notes is specified on the issue date (the "**Lifetime Cap**") and the Issuer may redeem the Notes at par on the first interest payment date on which the cumulative interest up to and including such interest payment date would exceed the Lifetime Cap (taking into account the interest scheduled to be made on such date), which interest amount will then be reduced so that Certificate holders receive, over the life of the Notes, interest in an aggregate amount equal to the Lifetime Cap.

**Recovery Best Coupon Notes:** Notes in relation to which, if the level or value of the Equity/Index-Related Variable is higher than predefined levels or values on specified dates, the interest payable in relation to such specified dates is a fixed amount. If the level or value of the Equity/Index-Related Variable is not higher than the relevant predefined levels or values on any of the specified dates the interest which would otherwise have been payable in respect of such interest payment date shall not be paid on such interest payment date but shall be deferred to the next interest payment date in respect of which the level or value of the Equity/Index-Related Variable is higher than the relevant predefined level or value.

#### **Non-Principal Protected Notes**

**Absolute Performance Auto Callable Notes:** Notes in relation to which the interest (if any) and/or the redemption amount payable is linked to the performance of an Underlying, as determined by the Calculation Agent. The performance of the Underlying on particular dates may result in the redemption of the Absolute Performance Auto Callable Notes prior to their scheduled maturity at an amount which reflects the absolute performance of the Underlying. The performance of the Underlying will also determine the redemption amount of Absolute Performance Auto Callable Notes at their scheduled maturity. Absolute Performance Auto Callable Notes will be redeemed on their scheduled maturity at an amount which reflects the absolute performance of the Final Index Level (as defined in the relevant Pricing Supplement) in relation to the Initial Index Level (as defined in the relevant Pricing Supplement), as determined by the Calculation Agent. Accordingly, so long as no Trigger Event has occurred investors may receive on redemption of the Notes an amount in excess of their nominal amount even if the performance of the Underlying has been negative. If a Trigger Event has occurred, Absolute Performance Auto Callable Notes will be redeemed in whole (but not in part) at an amount (which may be less than their nominal amount) equal to the product of the nominal amount multiplied by the percentage decrease in value of the Underlying during the Observation Period (as defined in the relevant Pricing Supplement) as determined by the Calculation Agent. Absolute Performance Auto Callable Notes may or may not bear interest.

**Barrier Notes:** Notes under which the interest and/or the redemption amount payable to the Noteholder at maturity are determined by reference to the performance of the Equity/Index-Related Variable depending on the level or value of the Equity/Index-Related Variable attaining or falling below predefined levels or values. If the Pricing Supplement so specify, the predefined level or value may be varied on a specified date or dates or during specified periods throughout the term of the Notes. The predefined levels or values may consist of any of the following:

- **Up and Out:** if the level or value of the Equity/Index-Related Variable is higher than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder ceases to be linked to the performance of the Equity/Index-Related Variable as specified in the relevant Pricing Supplement.



- *Up and In*: if the level or value of the Equity/Index-Related Variable is higher than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder becomes linked to the performance of the Equity/Index-Related Variable as specified in the relevant Pricing Supplement.
- *Down and Out*: if the level or value of the Equity/Index-Related Variable is lower than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder cease to be linked to the performance of the Equity/Index-Related Variable as specified in the relevant Pricing Supplement.
- *Down and In*: if the level or value of the Equity/Index-Related Variable is lower than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder become linked to the performance of the Equity/Index-Related Variable as specified in the relevant Pricing Supplement.

The specified date or dates or specified periods for the observation of the level or value of the Equity/Index-Related Variable against the relevant predefined level or value may include any of the following or may be as otherwise specified in the Pricing Supplement:

- *American*: the level or value of the Equity/Index-Related Variable is observed continuously during a specified period.
- *Bermudan*: the level or value of the Equity/Index-Related Variable is observed during a period which consists of a number of specified dates.
- *Discrete*: the level or value of the Equity/Index-Related Variable is observed daily at the closing of the Equity/Index-Related Variable.
- *European*: the level or value of the Equity/Index-Related Variable is observed at maturity.
- *Parisian*: the level or value of the Equity/Index-Related Variable is observed on the occurrence of a specified event.
- *Window*: the level or value of the Equity/Index-Related Variable is only observed during a fixed period.

**Cliquet Notes**: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated by reference to the performance of the Equity/Index-Related Variable in each of a number of periods specified in the Pricing Supplement (each a "**Cliquet Period**"). The redemption amount payable at maturity is equal to the *sum* of the upside and/or downside in the level or value of the Equity/Index-Related Variable during each Cliquet Period. Variants of Cliquet Notes include:

- *Cliquet with local cap*: the performance of the Equity/Index-Related Variable in each Cliquet Period is limited on the upside.
- *Cliquet with collar*: the performance of the Equity/Index-Related Variable in each Cliquet Period is limited on both the upside and downside.
- *Digital Cliquet*: the performance of the Equity/Index-Related Variable in each Cliquet Period corresponds to a different pre-determined amount according to whether the underlying rises or falls in each Cliquet Period.
- *Cliquet with local individual cap*: the performance of each Component of the Equity/Index-Related Variable in each Cliquet Period is limited on the upside.
- *Cliquet with local cap on best performances*: only a specified number of best performances are limited on the upside.

**Double No Touch Notes**: Notes in relation to which, provided the level or value of the Equity/Index-Related Variable or the levels of values of some or all of the Components of an Equity/Index-Related Variable do not fall below predefined levels or values or increase above predefined

levels or values at any time, an "**enhanced return**" (calculated by reference to a formula in the Pricing Supplement) is payable to the Noteholders at maturity.

**Knock-out Straddle Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes and (ii) an amount equal to the *product* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Pricing Supplement and (C) any increase or decrease in the level or value of the Equity/Index-Related Variable during the term of the Note expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, **provided, however, that** if such level or value is less than a specified level or value ("**Performance Floor**") or greater than a specified level or value ("**Performance Cap**") at any time during the term of the Note, the Note shall be redeemed at par.

**Airbag Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) the *product* of the aggregate face amount of the Notes and any increase or decrease in the level or value of the Equity/Index-Related Variable during the term of the Note expressed as a percentage of the initial level or value of the Equity/Index-Related Variable **provided that** the amount payable at maturity is no less than a specified amount, or (ii) the *product* of the aggregate face amount of the Notes and (A) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Pricing Supplement and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, or (B) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest payments are payable in respect of such Notes.

**Leverage Airbag Plus Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *product* of the aggregate face amount of the Notes and (A) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Pricing Supplement and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, (B) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes but the level or value of the Equity/Index-Related Variable at maturity is greater than a specified level or value (the "**Performance Floor**"), 100 per cent., or (C) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, the level or value of the Equity/Index-Related Variable has fallen below the Performance Floor at any time during the term of the Notes and the level or value of the Equity/Index-Related Variable at maturity is less than the initial level or value of the Equity/Index-Related Variable, such level or value at maturity expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest is paid in respect of such Notes.

**Reverse Airbag Plus Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *product* of the aggregate face amount of the Notes and (A) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Pricing Supplement and the absolute value of such decrease in the level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, (B) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes but the level or value of the Equity/Index-Related Variable at maturity is less than a specified level or value (the "**Performance Cap**"), 100 per cent., or (C) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the level or value of the Equity/Index-Related Variable has risen above the Performance Cap at any time during the term of the Notes and the level or value of the Equity/Index-Related Variable at maturity is higher than the initial level or value of the Equity/Index-Related Variable, 100 per cent. *minus* such increase in the level or value at maturity expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest is paid in respect of such Notes.

**Booster Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the *product* of a multiplier or participation rate specified in the Pricing Supplement and (4) such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, (such percentage being subject to a predefined maximum percentage (a "**Performance Cap**")), (ii) if the final level or value of the Equity/Index-Related Variable

at maturity is less than the initial level or value of the Equity/Index-Related Variable but higher than a predefined level or value specified in the Pricing Supplement, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the predefined level or value specified in the Pricing Supplement, or (iii) if the final level or value of the Equity/Index-Related Variable at maturity is less than the initial level or value of the Equity/Index-Related Variable and such level or value is also less than a predefined level or value specified in the Pricing Supplement, the *product* of (1) the aggregate face amount of the Notes and (3) the final level or value of the Equity/Index-Related Variable.

**Reverse Convertible Notes:** Notes may include terms providing that in certain circumstances linked to the price or performance of a Reference Asset determined as specified in the applicable Pricing Supplement, and, at the election of the Issuer, the Notes will be redeemed by the Issuer delivering, or procuring delivery, to the Noteholders of the relevant Securities or, as the case may be, Securities comprising the relevant Basket. Such terms may also provide that in such circumstances the Issuer may elect to redeem the Notes on an alternative cash payment basis, in an amount (which may be calculated on a formula basis) linked to such price or performance. Reverse Convertible Notes may also include Notes, the Pricing Supplement of which specify Additional Disruption Events in respect of the unavailability of relevant Exchange Rates.

**Callable Short DI Put Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if the level or value of the Equity/Index-Related Variable has remained higher than a predetermined level or value of the Equity/Index-Related Variable during the term of the Notes, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the *product* of a multiplier or participation rate specified in the Pricing Supplement and (4) such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, (such percentage being subject to a predefined maximum percentage (a "**Performance Cap**")), (ii) if the final level or value of the Equity/Index-Related Variable at maturity is less than the initial level or value of the Equity/Index-Related Variable but higher than a predefined level or value specified in the Pricing Supplement, the aggregate face amount of the Notes, or (iii) if the final level or value of the Equity/Index-Related Variable at maturity is less than the initial level or value of the Equity/Index-Related Variable and the level or value of the Equity/Index-Related Variable has at any time been less than a predefined level or value specified in the Pricing Supplement, the *product* of (1) the aggregate face amount of the Notes and (2) the final level or value of the Equity/Index-Related Variable expressed as a percentage of the initial level or value of the Equity/Index-Related Variable; **provided, however, that** on dates specified in the Pricing Supplement, if the level or value of the Equity/Index-Related Variable is higher than a predetermined level or value specified in the Pricing Supplement, the Issuer may redeem the Notes prior to the scheduled maturity at an amount equal to the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount and either (a) a predetermined percentage or (b) the increase in the level or value of the Equity/Index-Related Variable expressed as a percentage of the initial level or value of the Equity/Index-Related Variable.

**Growth Notes:** Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of a predetermined percentage of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Pricing Supplement and any increase in the level or value of the Equity/Index-Related Variable (such amount not being subject to a maximum amount payable to the Noteholder ("**No Fixed Cap**")).

**Tracker (Market Access) Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of the aggregate face amount of the Notes and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, or (ii) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of the aggregate face amount of the Notes and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest is payable in respect of such Notes.

**Leverage Tracker Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of the aggregate face amount of the Notes and the *product* of a multiplier or participation rate specified in the Pricing Supplement and such level or value

expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, or (ii) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of the aggregate face amount of the Notes and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest is payable in respect of such Notes.

### Callable Floored Accrual

**Callable Floored Accrual Note:** Notes in relation to which (i) interest accrues on a daily basis and is payable to the Noteholders for each day on which if the level or value of each Component of the Equity/Index-Related Variable is greater than levels or values specified for such Components in the Pricing Supplement and (ii) may provide that the Issuer has the option to redeem the Notes prior to their scheduled maturity date on specified dates, subject to a minimum early redemption amount payable to the Noteholders as specified in the Pricing Supplement.

### Hybrid Notes

**Inflation and Equity Notes:** Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated by reference to the performance of one or more non-Equity/Index-Related Variables together with an Equity/Index-Related Variable and which may be subject to a minimum redemption amount payable at maturity.

### Underlying Variations

In relation to any of the Equity/Index Linked Notes described above or any other Equity/Index Linked Notes incorporating, some or none of the features described above, the following variations may be applicable:

- **Worst of:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of the worst performing Component(s) of an Equity/Index-Related Variable.
- **Best of:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of the best performing Component(s) of an Equity/Index-Related Variable.
- **Rainbow:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of Components of an Equity/Index-Related Variable which has participations in the performance of its Components which may be varied as specified in the Pricing Supplement.
- **Basket:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of an Equity/Index-Related Variable consisting of a basket of equities or indices.
- **Mono:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of an Equity/Index-Related Variable consisting of a single equity or index.
- **Spread:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the difference between the performance of two or more Components of an Equity/Index-Related Variable.
- **Himalaya:** Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the arithmetic mean of the best performing Component or the several best performing Components of the Equity/Index-Related Variable. Such best performing Component(s) of the Equity/Index-Related Variable are then removed from the Equity/Index-Related Variable.

**USE OF PROCEEDS**

Unless otherwise specified in the relevant Pricing Supplement, the net proceeds of the issue of each Series of Notes issued by the Bank will be used in the conduct of the business of the Bank.

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the DIFC and the United Arab Emirates of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the laws as in effect on the date of this Information Memorandum and is subject to any change in law that may take effect after such date.*

### **The proposed financial transactions tax ("FTT")**

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

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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

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

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

### **United Arab Emirates Taxation**

The following summary of the anticipated tax treatment in the United Arab Emirates (the "**UAE**") in relation to the payments on the Notes is based on the taxation law and practice in force at the date of this Information Memorandum and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of any payments with respect to such Notes under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the oil industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments of interest and principal to any holder of the Notes. In the event of such imposition of any such withholding, the Issuer has undertaken to gross-up any payments subject to certain limited exceptions.

The Constitution of the UAE specifically reserves to the UAE government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

### **Dubai International Financial Centre**

Pursuant to Article 14 of Law No. (9) of 2004 in respect of the Dubai International Financial Centre (the "**DIFC Law**"), entities licensed, registered or otherwise authorised to carry on financial services in the Dubai International Financial Centre and their employees shall be subject to a zero rate of tax for a period of 50 years from 13 September 2004. This zero rate of tax applies to income, corporation and capital gains tax. In addition, this zero rate of tax will also extend to repatriation of capital and to transfers of assets or profits or salaries to any party outside the Dubai International Financial Centre. Article 14 of the DIFC Law also provides that it is possible to renew the 50 year period to a similar period upon issuance of a resolution by the Ruler of Dubai. As a result no payments by the Issuer under the Notes are subject to any tax in the Dubai International Financial Centre, whether by withholding or otherwise.

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

The United States has enacted rules, commonly referred to as "FATCA", that generally impose a new reporting and withholding regime with respect to certain U.S. source payments (including dividends and interest), and, after 31 December 2018, gross proceeds from the disposition of property that can produce U.S. source interest and dividends and certain payments made by, and financial accounts held with, entities that are classified as financial institutions under FATCA.

The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with the UAE (the "**IGA**"). Under the IGA, as currently drafted, the Issuer does not expect non-U.S. source payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to Notes in the future.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent or the common depositary, given that each of the entities in the payment chain beginning with the Issuer and ending with the ICSDs is a major financial institution whose business is dependent on compliance and participation with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the securities may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive Notes will only be printed in remote circumstances. An investor should be aware that if any payments in relation to a Note were subject to withholding or deduction under FATCA, the Issuer would have no obligation to pay any additional amounts in relation to such withholding or deduction in accordance with Condition 7 (*Taxation*) of the Notes.

#### **Withholding on Dividend Equivalent Payments**

Section 871(m) of the U.S. Internal Revenue Code of 1986 treats a "dividend equivalent" payment as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30% U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the IRS. A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) and (ii). Recently published final U.S. Treasury regulations issued under Section 871(m) (the "**Section 871(m) Regulations**") will, when effective, require withholding on certain non-U.S. holders of the Notes with respect to amounts treated as attributable to dividends from certain U.S. securities. Under the Section 871(m) Regulations, only a Note that has an expected economic return sufficiently similar to that of the underlying U.S. security, as determined on the Note's issue date based on tests set forth in the Section 871(m) Regulations, will be subject to the Section 871(m) withholding regime (making such Note a ("**Section 871(m) Note**"). The Section 871(m) Regulations provide certain exceptions to this withholding requirement, in particular for instruments linked to certain broad-based indices.

Withholding in respect of dividend equivalents will generally be required when cash payments are made on a Section 871(m) Note or upon the date of maturity, lapse or other disposition by the non-U.S. holder of the Section 871(m) Note. If the underlying U.S. security or securities are expected to pay dividends during the term of the Section 871(m) Note, withholding generally will still be required even if the Section 871(m) Note does not provide for payments explicitly linked to dividends. If the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld.

The Section 871(m) Regulations generally apply to Section 871(m) Note issued beginning 1 January 2017. If the terms of a Note are subject to a "significant modification" such that the Note is treated as retired and reissued, it could lose its "grandfathered" status and might become a Section 871(m) Note based on economic conditions in effect at that time.

The Section 871(m) Regulations require complex calculations to be made with respect to Notes linked to U.S. securities and their application to a specific issue of Notes may be uncertain. Prospective investors should consult their tax advisers on the potential application of Section 871 (m) to the Notes.



## SUBSCRIPTION AND SALE

HSBC Bank plc has in a modified and restated dealer agreement dated 14 July 2016 (the "**Dealer Agreement**") agreed with the Issuer a basis upon which it may from time to time agree either as principal or agent of the Issuer to subscribe for or purchase, to underwrite or, as the case may be, to procure subscribers or purchasers for Notes. When entering into any such agreement to subscribe for or purchase, to underwrite, or, as the case may be, to procure subscribers for or purchasers for any particular Series of Notes, the Issuer and the relevant Dealer(s) will agree details relating to the form of such Notes and the Conditions relating to such Notes. The Dealer Agreement contains provisions for the Issuer to appoint other dealers (together with the Dealer, the "**Dealers**") from time to time either generally in respect of the Programme or in relation to a particular Tranche of Notes.

The Arranger and its affiliates have engaged and may in the future engage in investment banking and/or commercial banking transactions with and perform services for the Issuer (and its affiliates) in the ordinary course of business.

### General

No action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Information Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they subscribe for, purchase, offer, sell or deliver Notes or have in their possession or distribute this Information Memorandum or any Pricing Supplement in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) in, or change(s) in official interpretation of, after the date hereof, applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the first paragraph under the heading "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Information Memorandum.

### United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, (a) it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes of a Tranche, as certified to the Principal Paying Agent or the CMU Lodging and Paying Agent (as the case may be) or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the CMU Lodging and Paying Agent (as the case may be) or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and (b) it will send to each dealer to which it sells Notes during the periods referred to in (a)(i) and (ii) above a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

## European Economic Area

### *Public Offer Selling Restriction Under the Prospectus Directive*

In relation to each Member State of the European Economic Area (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") an offer of Notes which are the subject of the offering contemplated by this Information Memorandum as completed by the relevant Pricing Supplement in relation thereto to the public in that Relevant Member State may not be made, except that with effect from and including the Relevant Implementation Date, an offer of such Notes to the public in that Relevant Member State may be made:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive)), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State.

### *Qualified Investor Selling Restriction*

The Notes have not and will not be offered with a minimum denomination of less than EUR100,000 (or equivalent in another currency) in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), except that the Notes may be offered at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive.

For the purposes of this provision, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### *Selling Restrictions Addressing Additional United Kingdom Securities Laws*

In relation to Notes having a maturity of less than one year, Notes may not be offered or sold other than to persons:

- (a) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
- (b) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by the Issuer.

An invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) may only be communicated or caused to be communicated in connection with the issue or sale of Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

All applicable provisions of the FSMA with respect of anything done in connection with the Notes in, from or otherwise involving the United Kingdom have been and will be complied with.

### **Arab Republic of Egypt**

Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in Egypt other than in compliance with any laws applicable in Egypt governing the issue, offering and sale of securities.

### **Dubai International Financial Centre**

The Notes have not and may not be offered to any person in the Dubai International Financial Centre unless such offer is:

- (i) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

### **Hong Kong**

Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**")) may not be offered or sold in Hong Kong by means of any document other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CO**") or which do not constitute an offer to the public within the meaning of the CO. No advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) may be issued or held in the possession of the Issuer or any Dealer or any other offeror nominated by the Issuer for the purpose of such issue of Notes, whether in Hong Kong or elsewhere, other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined within the meaning of the SFO and any rules made under the SFO.

### **Kingdom of Bahrain**

The Notes may only be offered on a private placement basis to persons in the Kingdom of Bahrain who are an "**accredited investor**".

For this purpose, an "**accredited investor**" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

### **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private

placement under Article 10 or Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), made through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Any offer of Notes to a Saudi Investor must comply with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations places restrictions on secondary market activity with respect to the Notes, including as follows:

- (a) a Saudi Investor (referred to as a "**transferor**") who has acquired Notes pursuant to a private placement may not offer or sell Notes to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met;
  - (i) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;
  - (ii) the Notes are offered or sold to a sophisticated investor; or
  - (iii) the Notes are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;
- (b) if the requirement of paragraph (a)(i) above cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals one million or an equivalent amount;
- (c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Notes if he/she sells his entire holding of the Notes to one transferee; and

the provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of Notes.

### **Lebanese Republic**

The marketing, offering, distribution and sale of Notes in the Lebanese Republic shall comply with all applicable laws and regulations in the Lebanese Republic, in particular, Law No. 234 dated 10 June 2000 and Banque du Liban's Basic Decision No. 6213 dated 28 June 1996, as amended.

### **Malaysia**

This Information Memorandum has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**") and accordingly, the Notes have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

**People's Republic of China**

The Notes have not and will not be offered or sold in the People's Republic of China (excluding Hong Kong and Macau Special Administrative Regions or Taiwan) as part of the initial distribution of the Notes.

**Republic of Indonesia**

No registration statement with respect to this Information Memorandum and any Pricing Supplement has been and no such registration statement will be filed with the Financial Services Authority (Otoritas Jasa Keuangan or OJK) of the Republic of Indonesia. The Notes, therefore, shall not be offered or sold or be the subject of an invitation for subscription or purchase, and this Information Memorandum, any Pricing Supplement or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, shall not be circulated or distributed, whether directly or indirectly, in the Republic of Indonesia or to Indonesian citizens, corporations or residents, except in a manner that will not be considered as a "public offer" under the prevailing law and regulations in the Republic of Indonesia.

**Singapore**

This Information Memorandum has not been registered and will not be registered as a prospectus with the Monetary Authority of Singapore. The Notes may not be offered or sold, nor may the Notes be the subject of an invitation for subscription or purchase, whether directly or indirectly, nor may this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore (the "SFA")) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

**State of Kuwait**

No Notes have been licensed for offering in the State of Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of Notes in the State of Kuwait on the

basis of a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities. No private or public offering of the Notes is being made in the State of Kuwait, and no agreement relating to the sale of the Notes will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Notes in the State of Kuwait.

#### **State of Qatar (including Qatar Financial Centre)**

The Notes have not and will not be offered, delivered or sold, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre), except (i) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre), as applicable.

#### **Sultanate of Oman**

This Information Memorandum has not been filed with or registered as a prospectus with the Capital Market Authority of the Sultanate of Oman pursuant to Article 3 of the Capital Market Authority Law SD 80/98 ("**Article 3**"), and will not be offered or sold as an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (SD 4/74, as amended) or Article 3.

The Notes have not been and will not be offered, sold or delivered, and no invitation to subscribe for or to purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in the Sultanate of Oman to any person in Oman other than an entity duly licensed by the Capital Market Authority of the Sultanate of Oman to market non-Omani securities in Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended).

#### **Switzerland**

The Notes do not constitute participations in a collective investment scheme within the meaning of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 ("**CISA**"). Therefore, the Notes are not subject to the approval of, or supervision by, the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**"), and investors in the Notes will not benefit from protection under the CISA or supervision by FINMA.

Neither this Information Memorandum nor any offering or marketing material relating to the Notes constitute a prospectus within the meaning of (i) Articles 652a or Article 1156 of the Swiss Federal Code of Obligations, (ii) Article 5 CISA and its implementing regulations or (iii) Article 21 of the Additional Rules for the Listing of Derivatives of SIX Swiss Exchange.

However, the Issuer reserves the right to set forth all information which may be required to be disclosed in a simplified prospectus pursuant to Article 5 CISA in a separate document referred to as a "Pricing Supplement" and/or "Simplified Prospectus" (the "**Simplified Prospectus**") for Notes distributed (such term including any offering and advertising) to qualified investors according to Article 10 Paras. 3 to 4 CISA (the "**Qualified Investors**") and/or non-qualified investors within the meaning of Article 5 Para 1 CISA (the "**Non-Qualified Investors**").

Except as described in this section, Notes constituting structured products within the meaning of Article 5 CISA ("**Structured Products**") may not be distributed to Non-Qualified Investors in or from Switzerland. They may only be distributed in or from Switzerland to Qualified Investors.

Any Notes constituting Structured Products which are intended to be distributed to Non-Qualified Investors in or from Switzerland may only be offered or advertised in accordance with the provisions of the CISA and its implementing regulations. In particular, the CISA requires that a Simplified Prospectus complying with Article 5 CISA, its implementing regulations and the Swiss Banking Guidelines on Informing Investors about Structured Products (as amended from time to time) must be published. A provisional version of such Simplified Prospectus including indicative information must be made available free of charge to any interested person prior to subscribing for the Notes or prior to concluding an agreement to subscribe for the Notes. The definitive version must be made available free of charge to any interested person on issue or on concluding an agreement to subscribe for the Notes.

Notes constituting Structured Products which are not intended to be distributed to Non-Qualified Investors in or from Switzerland may only be distributed in or from Switzerland to Qualified Investors. Any Pricing Supplements, Simplified Prospectuses, term sheets, fact sheets or any other marketing material of products which are to be sold exclusively to Qualified Investors may not be distributed, copied, published or otherwise made public or available for Non-Qualified Investors.

Notes issued under this Programme which do not qualify as Structured Products may only be offered in or from Switzerland to Qualified Investors on a private placement basis.

Additional specific selling restrictions, if any, applicable in Switzerland will be included in the Pricing Supplements relating to the relevant Notes.

**Taiwan**

The Notes have not and will not be offered or sold directly or indirectly within Taiwan and the Notes may only be made available to Taiwan resident investors for purchase outside Taiwan. No person or entity has been authorized to offer, sell or give advice regarding or otherwise intermediate the offering and sale of the Notes in Taiwan.

**The Republic of Korea**

The Notes have not been and will not be registered with the Financial Services Commission of Korea for public offering in Korea under the Financial Investment Services and Capital Markets Act of Korea and the decrees and regulations thereunder. The Notes may not be offered or sold, directly or indirectly, or offered or sold for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Law of Korea and its Presidential Decree), except as otherwise permitted by the applicable Korean laws and regulations.

**United Arab Emirates (excluding the Dubai International Financial Centre)**

The Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

**GENERAL INFORMATION**

1. The Issuer prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRSs**") as adopted by the European Union.
2. There has been no material adverse change in the prospects of the Issuer since 31 December 2015.
3. There has been no significant change in the financial or trading position of the Issuer since 31 December 2015.
4. Save as disclosed under "*Risks relating to the Issuer - Macro-prudential, regulatory and legal risks to the Issuer's business model*" on page 3 of this Information Memorandum, neither the Issuer nor any of the Issuer's subsidiary undertakings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Issuer or any of its subsidiary undertakings or the group as a whole of which the Issuer is aware), during the 12 month period before the date of this Information Memorandum which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and its subsidiary undertakings.
5. PricewaterhouseCoopers CI LLP ("**PwC**") of 37 Esplanade, St Helier, Jersey JE1 4XA has audited the consolidated financial statements of the Issuer for the year ended 31 December 2015, as stated in their audit report incorporated by reference in this Information Memorandum. All audit partners of PwC are members of United Kingdom recognised accountancy bodies and PwC is subject to oversight by the Institute of Chartered Accountants in England and Wales.
6. KPMG Channel Islands Limited ("**KPMG**") of 37 Esplanade, St. Helier, Jersey JE4 8WQ, Channel Islands has audited without qualification the Financial Statements contained in the Annual Report and Accounts of the Issuer for the financial year ended 31 December 2014. All audit partners of KPMG are members of United Kingdom recognised accountancy bodies and KPMG is subject to oversight by the Institute of Chartered Accountants in England and Wales.
7. Where any Subordinated Notes form part of the regulatory capital of the Issuer, no repayment of such Notes will be made without the prior consent of or indication from the United Kingdom Prudential Regulation Authority (or any successor authority/ies in its/their function as the supervisor of authorised institutions) that it does not object.
8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and, as the case may be, CMU. Each Pricing Supplement shall specify any other clearing system which shall have accepted the relevant Notes for clearance. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be set out in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system which shall have accepted the relevant Notes for clearance together with any further appropriate information.
9. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Principal Paying Agent, the CMU Lodging and Paying Agent or the relevant Registrar (as the case may be) in relation to each Tranche of Notes.
10. The continuation of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 11 May 2016.
11. The Issuer will, at its registered office, at the registered office of HSBC Bank plc and at the specified offices of the Paying Agents, make available for inspection during normal office hours, free of charge, upon oral or written request, paper copies of this Information Memorandum (including all information incorporated by reference herein) and the audited consolidated financial statements of the Issuer and its subsidiary undertakings for the years ended 31 December 2014 and 31 December 2015. Written or oral requests for such documents should be directed to the specified office of any Paying Agent.



12. For so long as Notes are capable of being issued under the Programme, paper copies of the following documents may be inspected during normal business hours at the specified office of the Principal Paying Agent:
  - (a) the Agency Agreement;
  - (b) the Trust Deed;
  - (c) the constitutional documents of the Issuer;
  - (d) any Pricing Supplement, save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must provide evidence satisfactory to the Issuer as to the identity of such holder.
  
13. In relation to the update of the Programme, the estimated total expenses related to the admission to trading are EUR 4,940.

**THE ISSUER**

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**AGENT BANK**

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**PROGRAMME ARRANGER AND DEALER**

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