

## BASE PROSPECTUS



**HSBC Bank plc**

*(A company incorporated with limited liability in England with registered number 14259)*

as Issuer

### WARRANT AND CERTIFICATE PROGRAMME

On 3 September 2007, HSBC Bank plc (the "**Issuer**" or the "**Bank**") established a Warrant and Certificate Programme (the "**Programme**") which is described in this document under which warrants (the "**Warrants**") may be issued by the Issuer. This document (which expression shall include this document as amended and supplemented from time to time and all documents incorporated by reference herein) has been prepared for the purpose of providing disclosure information with regard to the Warrants and has been approved by the United Kingdom Financial Services Authority (the "**FSA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus (as from time to time supplemented, the "**Base Prospectus**"). In relation to any Warrants, the Base Prospectus must be read as a whole and together also with the relevant Final Terms. Any Warrants issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions described herein. This does not affect any Warrants already in issue.

The Bank may also issue certificates (the "**Certificates**") under the Programme which will be issued on or substantially on the Terms and Conditions of the Warrants with references to Warrants being deemed to refer to the Certificates of the relevant Series and with such amendments as the Issuer shall determine and agree with the relevant Manager(s). References in the Base Prospectus to Warrants shall when the context so permits include references to Certificates.

Application has been made to admit Warrants issued under the Programme to listing on the Official List of the FSA (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**") (the "**UK Listing Authority**")), and to trading on the Regulated Market (the "**Regulated Market**") of the London Stock Exchange plc (the "**London Stock Exchange**"), which is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). Such admission is expected to take effect on or about 20 January 2011. Any tranche of Warrants intended to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the Regulated Market will be so admitted to listing and trading upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Final Terms and any other information required by the UK Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Warrants (as the case may be). Prior to official listing and admittance of Warrants to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the date of the transaction. This Base Prospectus will be valid until 12 months from the date hereof.

Any person (an "**Investor**") intending to acquire or acquiring any securities from any person (an "**Offeror**") should be aware that, in the context of an offer to the public as defined in section 102B of the FSMA, the Issuer may be responsible to the Investor for the Base Prospectus under section 90 of FSMA only if the Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Base Prospectus for the purposes of section 90 of FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Base Prospectus and/or who is responsible for its contents it should take legal advice.

An Investor intending to acquire or acquiring any securities from an Offeror will do so, and offers and sales of the securities to an Investor by an Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with Investors (other than the Dealers) in connection with the offer or sale of the securities and, accordingly, this Base Prospectus and any Final Terms will not contain such information and an Investor must obtain such information from the Offeror.

**Information in relation to an offer to the public will be made available at the time such sub-offer is made, and such information will also be provided by the relevant Offeror.**

The Programme also permits Warrants 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.

**EACH ISSUE OF WARRANTS WILL BE OF A SPECIALIST NATURE AND SHOULD ONLY BE BOUGHT AND TRADED BY INVESTORS WHO ARE PARTICULARLY KNOWLEDGEABLE IN INVESTMENT MATTERS.**

Warrants may be issued in book-entry form or registered form. Warrants will be issued in series.

The Issuer may agree with any Manager (as defined herein) that Warrants may be issued in a form or upon terms not contemplated by the Terms and Conditions of the Warrants in which case Final Terms and, if appropriate, a prospectus supplement will be made available which will describe the effect of the agreement reached in relation to such Warrants.

The Warrants have not been and will not be registered under the United States Securities Act 1933, as amended (the "**Securities Act**") or the state securities laws of any state of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act ("**Regulation S**") except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Warrants are being offered and sold (A) in the United States only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) and (B) to non-U.S. persons in offshore transactions in reliance on Regulation S. Prospective purchasers are hereby notified that the sellers of Warrants pursuant to clause (A) above may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder.

Warrants eligible for sale in the United States to "qualified institutional buyers" pursuant to Rule 144A will be represented by a restricted global registered warrant which will be deposited with either (a) a custodian for The Depository Trust Company ("**DTC**"); or (b) a common depository on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") (each a "Restricted Global Registered Warrant"). Warrants sold outside the United States to non-U.S. persons will be represented by an unrestricted global registered warrant which will be deposited with a common depository on behalf of Euroclear and Clearstream, Luxembourg (each an "**Unrestricted Global Registered Warrant**"). Warrants eligible for sale in the United States to "qualified institutional buyers" pursuant to Rule 144A and to non-U.S. persons outside the United States may be represented by a combined global registered warrant which will be deposited with a common depository on behalf of Euroclear and Clearstream, Luxembourg (each a "**Combined Global Registered Warrant**").

Programme Arranger and Manager  
**The Hongkong and Shanghai Banking Corporation Limited**

Manager  
**HSBC Bank plc**

17 January 2011

## IMPORTANT NOTICES

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

*The information, if any, relating to each underlying has been accurately reproduced from information available from the information source specified herein. So far as the Issuer is aware and is able to ascertain from information available from such source, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer does not intend to provide post issuance information.*

*No manager for any issue of Warrants (each a "Manager" and together the "Managers") has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility or liability is accepted by the Managers as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or the Warrants or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the preceding paragraphs.*

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

*Neither this Base Prospectus nor any Final Terms nor any further information supplied in connection with the Programme or any Warrants (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuer or the Managers to any recipient of this Base Prospectus to subscribe for or purchase any Warrants. Each investor contemplating subscribing for or purchasing any Warrants should make its own independent investigation of the affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Warrants constitutes an offer by or on behalf of the Issuer or the Managers to subscribe for or purchase any Warrants.*

*The distribution of this Base Prospectus and the offer, distribution or sale of Warrants may be restricted by law in certain jurisdictions. None of the Issuer or the Managers represents that this Base Prospectus may be lawfully distributed, or that any Warrants may be lawfully offered, or assumes any responsibility for facilitating any such distribution or offering, in any such jurisdiction. In particular, action may be required to be taken to permit a public offering of any Warrants or a distribution of this Base Prospectus in any jurisdiction. Accordingly, no Warrants may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Warrants come must inform themselves about, and observe, any such restrictions. For details of certain restrictions on the distribution of this Base Prospectus and the offer or sale of Warrants in the European Economic Area, the United Kingdom, the United States, Hong Kong, Japan, France, Singapore and Australia, see "Purchase and Sale of Warrants" below.*

### **United States**

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR ANY U.S. STATE OR FOREIGN SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THE WARRANTS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS AND ANY ACCOMPANYING BASE PROSPECTUS SUPPLEMENTS AND FINAL TERMS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

*In addition, during the 40-day period beginning on the later of the date on which a Series of Warrants is first offered pursuant to Regulation S to persons other than distributors and the date of closing of such offering, such Warrants will only be issued or transferred to a person that is neither a U.S. person (as defined in Regulation S) nor holding such Warrants for the account or benefit of a U.S. person.*

*Each Warrant will bear legends setting forth the applicable restrictions on sale, resale, pledge and other transfers described above. Any attempted sale, resale, pledge or other transfer of a Warrant not made in accordance with the relevant legend will not be recognised by the Issuer, any warrant agent, transfer agent or registrar and will be deemed null and void. See "Summary of Provisions Relating to the Warrants While in Global Form" and "Purchase and Sale of Warrants" herein.*

*The Warrants may not be exercised by or on behalf of a U.S. person unless registered under the Securities Act or unless an exemption from such registration is available.*

*Transfers of the Warrants may be conditional upon delivery of certain certifications and are subject to significant restrictions as described under "Purchase and Sale of Warrants" including the right of the Issuer to refuse the recognition of transfers of the Warrants. Exercise of a Warrant will be conditional upon delivery of certain certifications as described under "Terms and Conditions of the Warrants - Exercise Procedure".*

#### **United Kingdom**

*All applicable provisions of the FSMA must be complied with in respect of anything done in relation to any Warrants in, from or otherwise involving the United Kingdom. Any document received in connection with an issue of Warrants may only be distributed in circumstances in which the restriction in Section 21(1) of the FSMA does not apply.*

#### **Hong Kong**

*The contents of this document have not been reviewed by any regulatory authority in Hong Kong. Investors are advised to exercise caution, and if necessary obtain independent professional advice, in relation to any purchase of Warrants under the Programme.*

#### **Australia**

*The contents of this document have not been lodged with the Australian Securities & Investments Commission or ASX Limited. Prior to making a decision to purchase a Warrant, each prospective purchaser should read this document in its entirety and seek professional advice as to whether the purchase is appropriate in the context of the purchaser's particular investment needs, objectives and financial and taxation circumstances.*

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B ("RSA 421-B") OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO**

**ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

#### **AVAILABLE INFORMATION**

To permit compliance with Rule 144A in connection with resales of the Warrants, the Issuer will promptly furnish, upon request of a holder of a Warrant, to such holder and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) if, at the time of such request, the Issuer is neither a reporting company under Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

*Notwithstanding any provision herein, every person (and each employee, representative or other agent of such person) may disclose to any and all other persons, without limitation of any kind, any information provided to him by or on behalf of the Issuer relating to the U.S. tax treatment and U.S. tax structure of transactions under the Programme and all materials of any kind (including opinions or other tax analyses) that are provided by or on behalf of the Issuer to that person relating to such U.S. tax treatment and U.S. tax structure.*

*The treatment for taxation purposes of the acquisition, holding or disposal of, or other dealings with, Warrants may differ according to the jurisdiction in which the person acquiring, holding, disposing or dealing is subject to taxation. Any person intending to acquire, hold, dispose of or otherwise deal with a Warrant should inform himself as to the treatment for taxation purposes applicable to him.*

All references in this Base Prospectus to "Sterling" and "£" refer to the lawful currency of the United Kingdom, all references to "U.S. dollars", "USD" and "U.S.\$" refer to the lawful currency of the United States of America, all references to "Hong Kong dollars", "HKD" and "HK\$" refer to the lawful currency of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), all references to "Japanese Yen" and "JPY" refer to the lawful currency of Japan and all references to "Euro", "euro", "EUR" and "€" refer 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 on the Functioning of the European Union, as amended (the "**Treaty**"). Any other currency referred to in any Final Terms will have the meaning specified in the relevant Final Terms.

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## SUMMARY NOTE<sup>1</sup>

*This summary (the "**Summary Note**") must be read as an introduction to the Base Prospectus dated 17 January 2011 (as from time to time supplemented, the "**Base Prospectus**") relating to a Programme for the issuance of warrants (the "**Warrants**") established by HSBC Bank plc. Any decision to invest in the Warrants should be based on a consideration of the Base Prospectus, including the documents incorporated by reference, and this Summary Note as a whole. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area, no civil liability will attach to the Issuer in any such Member State solely on the basis of this Summary Note, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus. Where a claim relating to the information contained in the Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.*

*Words and expressions defined in the "Terms and Conditions of the Warrants" or elsewhere in the Base Prospectus have the same meanings in this Summary Note.*

### About HSBC Bank plc

HSBC Bank plc (the "**Bank**" or the "**Issuer**") is a public limited company registered in England and Wales under registration number 14259. The liability of its members is limited. It has its registered and head office at 8 Canada Square, London, E14 5HQ; telephone number +44 20 7991 8888. The Bank was constituted by Deed of Settlement on 15 August 1836, registered under the Companies Act 1862 as an unlimited company and re-registered under the Companies Acts 1948 to 1980 as a public limited company.

The Bank is a wholly owned subsidiary of HSBC Holdings plc.

The directors of the Issuer are B Robertson, P A Thurston, P W Boyles, D C Budd, A A Flockhart, J D Garner, P J C Houzé, J W Leng, Dame Mary Marsh, R E S Martin, A R D Monro-Davies, S P O'Sullivan, P M Shawyer and J F Trueman. The members of the Executive Committee are A A Flockhart (Chairman), B Robertson, J D Garner, P W Boyles, A M Keir, J-L Guerrero, M J Haythorne, B Howe, P J Reid, B Fletcher, M Sheridan, A S Ramsay, R J H Gray, A Zeller, and J Beunardeau.

The articles of association of HSBC Bank plc are dated 20 October 2010.

The auditors of the Bank are KPMG Audit Plc Chartered Accountants of 15 Canada Square, London, E14 5GL.

The Bank and its subsidiaries form a UK-based group (the "**Group**") providing a comprehensive range of banking and related financial services. The Group divides its activities into business segments: UK Retail Banking; Continental Europe Retail Banking; Global Banking and Markets; and Private Banking. The Bank is HSBC Holdings plc's principal operating subsidiary undertaking in Europe. In all the main countries in which the Issuer operates, it competes with the other major domestic banks in those countries. In addition, the Bank competes with other major global banks in respect of corporate, investment banking and markets and private banking business.

During 2009 the Group employed, on average, 82,296 persons.

As at 30 June 2010, the Group had total assets of £819,574 million, loans and advances to customers and banks of £336,613 million, total customer accounts and deposits by banks of £401,627 million and total equity of £30,767 million. For the six months ended 30 June 2010, the Group's operating profit was

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<sup>1</sup> This summary has been prepared in accordance with Article 5(2) of the Prospectus Directive and, for the avoidance of doubt, relates only to issues of Warrants which have a denomination per unit of less than EUR50,000 or, in the case of securities with no individual denomination, that can be acquired on issue for less than EUR50,000 per security.



£2,791 million on total operating income of £9,635 million. The Issuer had a total capital ratio of 15.3 per cent. and a tier 1 capital ratio of 10.9 per cent. as at 30 June 2010.

### *Risk Factors*

There are a number of factors which could cause the Bank's actual results to differ, in some instances materially, from those anticipated. The factors set out below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties which face the Bank's businesses.

*Current economic and market conditions may adversely affect the Bank's results:* The Bank's earnings are affected by global and local economic and market conditions across all of its businesses both directly and through their impact on its customers and clients. Local variations exist, reflecting regional circumstances and presenting challenges to the Bank, specific to those areas.

*Risks associated with liquidity and funding, which are inherent in the Bank's business:* The Bank's business model is founded upon having ready access to financial resources whenever required to meet its obligations. Inability to access such financial resources due to a variety of unforeseen market dislocations or interruptions may impact the Bank's business and activities.

*Reform of the regulatory environment present risks to the Bank:* There are potential strategic and structural risks to the organisation, nature and scope of the Bank's business activities and opportunities posed by many of the proposals for regulatory reform being debated both internationally and domestically in response to the recent financial crisis. The precise nature, extent, form and timing of any regulatory changes, and the degree to which there will be effective consultation among the relevant jurisdictions, are highly uncertain and it is not possible to determine or estimate the likely impact on the Bank's business and activities.

*The Bank is subject to political and economic risks in the countries in which it operates:* The Bank operates through an international network of subsidiaries and is subject to the risk of loss from unfavourable political developments, currency fluctuations and social instability.

*The Bank has significant exposure to counterparty risk both within the financial sector and to other risk concentrations:* The Bank's ability to engage in routine transactions to fund its operations and manage its risks could be adversely affected by the actions and commercial soundness of other financial institutions. Financial institutions are necessarily interdependent because of trading, clearing, counterparty or other relationships.

*The Bank operates in a highly competitive environment, and competition could intensify as a result of current global market conditions:* The financial crisis is re-shaping the banking landscape and those institutions which have emerged the strongest have reinforced both the importance of a core retail and commercial deposit funding base and strong capitalisation. Further consolidation is expected to take place.

*The Bank is subject to legal and compliance risks, which may have an adverse effect on the Bank:* Legal and compliance risks arise from a variety of sources and require the Bank to deal appropriately with potential conflicts of interest, legal and regulatory requirements, ethical issues, anti-money laundering laws or regulations, privacy laws, information security policies, sales and trading practices and the conduct of its associated companies.

*Operational risks are inherent in the Bank's business:* The Bank is exposed to many types of operational risks, including fraudulent or other criminal activities, breakdowns in processes or procedures, systems failure or non-availability and disruption of its business arising from events that are wholly or partially beyond its control.

*The Bank is subject to tax-related risks in the countries in which it operates, which could have an adverse effect on its operating results:* The Bank is subject to the substance and interpretation of tax laws in all

countries in which it operates, the risk associated with changes in tax law or in the interpretation of tax law, the risk of changes in tax rates and the risk of consequences arising from failure to comply with procedures required by tax authorities.

In addition to the factors that may cause the Bank's actual results to differ as discussed above, there are certain factors which are material for the purpose of assessing the market risks associated with Warrants issued under the Programme. These are set out under "Risk Factors" and include the fact that the Warrants may not be a suitable investment for all investors, certain risks relating to the structure of the Warrants and certain market risks. In some cases, Warrants may carry the risk of a total or partial loss of principal.

#### *Form and Terms of the Warrants*

Warrants will be issued in series (each, a "**Series**") which may comprise one or more tranches (each, a "**Tranche**") issued on different issue dates.

The terms and conditions applicable to each Tranche are set out under "Terms and Conditions of the Warrants" as supplemented, modified or replaced by the relevant Final Terms.

The Issuer may, subject to compliance with relevant laws, issue Warrants denominated in any currency. There is no limit on the maximum amount of Warrants outstanding at any time. The Warrants will, unless otherwise specified in the Final Terms, be represented by a Global Warrant and in certain circumstances be issued in registered form.

The aggregate amount, type, style, issue price, currency, expiry date and other terms and conditions with respect to a Series of Warrants will be, to the extent not contained in this Base Prospectus, set forth in the Final Terms relating to that Series of Warrants. Warrants give the holder certain rights, including the right to receive a cash amount from the Issuer or the right to receive delivery of securities or other property against payment of a specified sum. Warrants create options exercisable by the Warrantholder, but there is no obligation upon such Warrantholder to exercise his Warrant or any obligation upon the Issuer to pay any amount in respect of unexercised Warrants.

Warrants issued under the Programme will be unsecured and unsubordinated obligations of the Issuer. There are no events of default applicable to the Warrants.

Warrantholders will be liable for and/or subject to any taxes, including withholding tax, payable in respect of the Warrants.

The Warrants permit the substitution of an Affiliate of the Issuer as principal debtor in respect of the Warrants.

Modifications to the terms and conditions of the Warrants may be made without the consent of any Warrantholders where the Issuer determines that the modification is not materially prejudicial to the interests of the Warrantholders or to correct an inconsistency with the termsheet relating to the relevant Warrants.

#### *Information relating to the Warrants*

The Issuer may issue Warrants linked 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**"). Warrants issued pursuant to the Programme may include, without limitation, Equity-Linked Warrants, which include:

- (1) Security Warrants and Security Basket Warrants, being Warrants in relation to which the Cash Settlement Amount or Physical Settlement Amount is linked to one or more securities, including shares, depositary receipts, funds, exchange-traded bonds and exchange-traded convertible bonds; and
- (2) Index Warrants and Index Basket Warrants, being Warrants in relation to which the Cash Settlement Amount or Physical Settlement Amount is linked to one or more indices.

The Issuer may issue Warrants referred to as "Low Exercise Price Options", which are potentially highly volatile cash-settled call options over the Relevant Factor(s) or Reference Asset(s) that may be sold at a high premium and exercised at a very low or nominal exercise price.

Each investor purchasing such Warrants obtains a cash-settled option to (i) buy a specified quantity of the Reference Assets at a predetermined exercise price or (ii) receive a cash amount determined with reference to the level of the Relevant Factors at a specified time in the future in return for payment of a premium at the outset of the transaction and a nominal exercise price upon exercise of the option. On proper exercise of the option, the Issuer has an obligation to pay an amount by reference to the market value of the Reference Assets or the level of the Relevant Factors, as the case may be, to the investor. The exercise of such Warrants may not be automatic and may require action on the part of the holder of the Warrants. However, there is no obligation on the investor to exercise its option.

Since the exercise price of the Warrants is nominal, its trading value will generally be approximately equal to the market price of the Reference Assets or level of the Relevant Factors, as the case may be, on expiry of the Warrant. As a consequence the premiums on such Warrants trading in the secondary market tend to be large and close to the market price of the Reference Assets or the level of the Relevant Factors, as the case may be.

#### *Selling Restrictions*

There are legal restrictions on the offer, distribution or sale of Warrants in a number of jurisdictions including, without limitation, the United Kingdom, the United States, the European Economic Area, France, Japan, Hong Kong, Singapore and Australia. In respect of a Series of Warrants, additional selling restrictions may also be set out in the applicable Final Terms. Persons into whose possession the Base Prospectus or any Warrants come must inform themselves about, and observe, any such restrictions.

#### *Listing and Admission to Trading*

Application has been made to admit Warrants issued under the Programme to the Official List of the UK Listing Authority and to trading on the Regulated Market of the London Stock Exchange. However, Warrants may also be unlisted or admitted to listing, trading and/or quotation by other stock exchanges, listing authorities and/or quotation systems as specified in the applicable Final Terms. Whether or not any Warrants are admitted to listing, trading or quotation, there may be no active trading market for the Warrants.

#### *Clearing and Settlement*

Unless otherwise specified in the applicable Final Terms, Warrants will be accepted for clearing through one or more clearing systems, including DTC, Euroclear and/or Clearstream, Luxembourg. In relation to Warrants which are held through a clearing system, investors will have to rely on such clearing system's procedures for transfer, payment and communications with the Issuer, including the exercise of any Warrants.

### *Managers and Agents*

In respect of Warrants issued under the Programme and unless otherwise specified in the relevant Final Terms, the Manager(s) will be HSBC Bank plc and/or The Hongkong and Shanghai Banking Corporation Limited and the Principal Warrant Agent, the Authentication Agent and the Calculation Agent will be HSBC Bank plc. In respect of Warrants issued in the United States under Rule 144A, the Registrar and Transfer Agent will be HSBC Bank USA, National Association.

## RISK FACTORS

*Prospective investors in the Warrants should read the entire Base Prospectus including any supplements thereto (and in respect of any particular Series of Warrants, the applicable Final Terms) together with the "Risk Factors" and other information set out in the Registration Document (as defined below), including the "Risk Factors" set out in the Registration Document for material risks on the Issuer. Words and expressions defined in the "Terms and Conditions of the Warrants" below or elsewhere in this Base Prospectus have the same meanings in this section. Investing in the Warrants involves certain risks. Prospective investors should consider, among other things, the factors described below which the Issuer believes represent the principal risks inherent in investing in Warrants issued under the Programme. Prospective investors should reach their own views prior to making any investment decision.*

### **(1) General risks**

A wide range of Warrants may be issued under the Programme. The Issuer may issue Warrants linked 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. A number of these Warrants 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 purchasers of Warrants.

Information herein reflects current market practices and is not intended to constitute business, financial, investment, legal, accounting, regulatory, tax or any other advice, prospective purchasers of the Warrants should consult their own advisers to assist them in determining the suitability of the Warrants for them as an investment.

The Warrants will generally be derivative linked securities and an investment in the Warrants will entail substantial risks. The Warrants are only intended for investors who have the necessary experience and knowledge in order to understand the risks involved in relation to the Warrants. Prospective investors considering acquiring any Warrants, should be experienced with respect to option and options transactions, should understand the risks of transactions involving the Warrants and should reach an investment decision only after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of the Warrants in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives), the information contained in this Base Prospectus and the applicable Final Terms and the information regarding the relevant Warrants and the particular Relevant Factor or Reference Asset to which the value of the relevant Warrant may relate.

An investment in Warrants entails substantial risks. Warrants are only suitable for highly sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the Warrants. Prospective Warrant holders should understand that in some instances they could suffer a partial or complete loss of their investment subject, if applicable, to any minimum amount specified in the relevant Final Terms and that any investment return on a Warrant determined by reference to changes in the value of the Reference Asset(s) described in the Final Terms 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.

Notwithstanding a purchaser's capability to understand and make independent decisions regarding investing in the Warrants, by purchasing Warrants, the purchaser implicitly represents and warrants to the Issuer and the Managers that, and the Issuer and the Managers may assume that, the complexity and risks inherent in the Warrants are suitable for the purchaser's objectives and financial situation and, if applicable, the size, nature and condition of its business, regardless of whether the same have been disclosed to the Issuer or the Managers.

*The Warrants may not be a suitable investment for all investors*

An investment in the Warrants entails certain risks, which vary depending on the specification and type or structure of the Warrants.

Each prospective investor should determine whether an investment in the Warrants is appropriate in its particular circumstances. An investment in the Warrants requires a thorough understanding of the nature of the relevant transaction. Investors should be experienced with respect to an investment in the Warrants and be aware of the related risks.

An investment in the Warrants is only suitable for prospective investors who:

- have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Warrants and the information contained or incorporated by reference into this document;
- have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of the prospective investor's particular financial situation and to evaluate the impact the Warrants will have on their overall investment portfolio;
- understand thoroughly the terms of the Warrants and are familiar with the behaviour of the Reference Asset or Relevant Factor, as applicable, and financial markets;
- are capable of bearing the economic risk of an investment in the Warrants until the relevant expiry date or exercise date of the Warrants;
- recognise that it may not be possible to dispose of the Warrants for a substantial period of time, if at all before the expiry date or the exercise date of the Warrants; and
- are familiar with the behaviour of the Reference Asset or Relevant Factor, as applicable and relevant financial markets and be able to evaluate (either alone or with the help of a financial and legal adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Warrants 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. An investor should not invest in the Warrants unless it has the expertise (either alone or with a financial and legal adviser) to evaluate how the Warrants will perform under changing conditions, the resulting effects on the value of the Warrants and the impact this investment will have on the investor's overall investment portfolio. The Issuer disclaims any responsibility to advise investors of any matters arising under the law of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments or deliveries on the Warrants.

*The Warrants may not be ordinary debt securities*

The terms of certain of the Warrants may differ from those of ordinary debt securities because the Warrants do not pay interest and, on expiry or upon exercise, depending on the performance of the Reference Asset or Relevant Factor, as applicable, may return less than the amount invested or nothing, or may return assets or securities of an issuer that is not affiliated with the Issuer, the value of which is less than the amount invested. Investors who consider purchasing the Warrants should reach an investment decision only after carefully considering the suitability of the Warrants in light of their particular circumstances. The price of the Warrants may fall in value as rapidly as it may rise, and investors in the Warrants may potentially lose all of

their investment. Investors in Warrants will sustain a total loss of their investment if the Warrants expire out of the money.

#### *Warrants are unsecured obligations*

The Warrants are direct, unsubordinated, unconditional and unsecured obligations of the Issuer and rank equally among themselves and with the Issuer's other direct, unsubordinated, unconditional and unsecured contractual obligations and with the Issuer's direct, unsubordinated, unconditional and unsecured debt.

#### *There may be no active trading market or secondary market liquidity for Warrants*

Any Series of Warrants issued under the Programme will be new securities which may not be widely distributed and for which there is 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 which is already issued). If the Warrants 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, commissions paid by the Issuer and the financial condition of the Issuer. Although application has been made for Warrants issued under the Programme to be admitted to the Official List of the UK Listing Authority and to trading on the Regulated Market of the London Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Warrants will be so admitted, that an active trading market will develop or that any listing or admission to trading will be maintained. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Warrants.

It is not possible to predict whether any trading market for the Warrants will develop or, if it does, the price at which Warrants will trade in the secondary market or whether such market will be liquid or illiquid. If any Warrants are not listed or traded on any exchange, pricing information for the Warrants may be more difficult to obtain and the liquidity of the Warrants may be adversely affected. Also, to the extent that Warrants are exercised or purchased and cancelled, the number of Warrants outstanding will decrease, resulting in a lessening of the liquidity of the Warrants. A lessening of the liquidity of the Warrants may cause, in turn, an increase in the volatility associated with the price of the Warrants. To the extent that there is no liquid market in the Warrants, an investor may have to wait until it is able to exercise such Warrants in order to realise the value of its investment and, as such, an investor should proceed on the assumption that they may have to bear the economic risk of an investment in the Warrants until their expiry or exercise date.

The Issuer and any person directly or indirectly connected with the Issuer may, but is not obliged to, at any time purchase Warrants at any price in the open market or otherwise and the price at which it may do so will depend upon, among other things, the liquidity and prevailing market price of the Reference Asset or Reference Asset Component, the currency of denomination, and the risks referred to herein. Such Warrants may be held, reissued or, at the option of the Issuer, cancelled. If a secondary market does develop, there can be no assurance that the holders of the Warrants will be provided with liquidity of investment or that it will continue throughout the life of the Warrants.

#### *No ownership rights*

An investment in Warrants relating to a Reference Asset or Reference Asset Component is not the same as an investment in the Reference Asset or any Reference Asset Component and does not 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 a Reference Asset or any Reference Asset Component may have.

### *Certain considerations regarding hedging*

Prospective purchasers intending to purchase Warrants to hedge against the market risk associated with investing in a Reference Asset should recognise the complexities of utilising Warrants in this manner. For example, the value of the Warrants may not exactly correlate with the value of the Reference Asset to which they relate. Due to fluctuating supply and demand for the Warrants, there is no assurance that their value will correlate with movements of the Reference Asset. For these reasons, among others, it may not be possible to purchase or liquidate assets in a portfolio at the prices used to calculate the value of any relevant Reference Asset.

### *Hedging activities of the Issuer and Affiliates*

The Issuer or its Affiliates may carry out hedging activities related to the Warrants, including, without limitation, 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 Warrants.

### *Potential conflicts of interest*

The Issuer or Affiliates of the Issuer may from time to time advise the issuers of or obligors in respect of Reference Assets or Reference Asset Components regarding transactions to be entered into by them, or engage in transactions involving Reference Assets or Reference Asset Components for their proprietary accounts and for other accounts under their management. Any such transactions may have a positive or negative effect on the value of such Reference Assets or Reference Asset Components and therefore on the value of any Warrants to which they relate. Certain Affiliates of the Issuer will also be the counterparty to the hedge of the Issuer's obligations under an issue of Warrants or may be the calculation agent responsible for making determinations and calculations in connection with the Warrants. Accordingly, certain conflicts of interest may arise both among the Issuer or these Affiliates and between the interests of the Issuer or these Affiliates and the interests of holders of Warrants.

### *Credit risk*

Notwithstanding any reference to any Warrants being principal protected, purchasers or investors in the Warrants bear the risk that the Issuer is not able to meet its obligations created by the issuance of Warrants. Any rating of the Issuer reflects the independent opinion of the relevant rating agency and is not a guarantee of the Issuer's credit quality.

### *Change of Law*

The Conditions are based on English law and United Kingdom tax law in effect as at the date of this document. 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 document.

### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange



with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Warrant Agent nor any other person would be obliged to pay additional amounts with respect to any Warrant as a result of the imposition of such withholding tax. The Issuer is required to maintain a Warrant Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

#### *Taxation in relation to the Warrants*

Transactions involving Warrants may have tax consequences for potential purchasers which may depend, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. No representation is made by the Issuer or the Manager as to the tax consequences for any person of acquiring, holding or disposing of any Warrants or any other transaction involving any Warrants. Potential purchasers who are in any doubt about such matters or any other tax issues relating to the Warrants should consult and rely on their own tax advisers. Stamp duty, stamp duty reserve tax and/or similar transfer taxes may be payable on any transfer or agreement to transfer assets in cases where obligations of the Issuer under the Warrants are physically settled. Prospective investors should seek their own advice in this regard.

#### *Capital risks relating to Warrants*

Save to the extent otherwise provided in the relevant Final Terms, the repayment of any amount invested in Warrants 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 Warrants. 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, Warrants 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 Warrants.

#### *Information*

No investigation has been made of the financial condition or creditworthiness of any issuer of any Reference Asset(s) or component of the Reference Asset in connection with the issue of any Warrants. Prospective investors in the Warrants 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.

### *Political Risks*

Political conditions in certain geographical locations where Reference Asset or Reference Asset Component may operate may be volatile or unstable. Political instability including as a result of armed conflict or of acts of terrorism could have an adverse effect on Reference Asset's operations, on the market value of Reference Asset or Reference Asset Component and as a result on the value of the Warrants.

### *Exchange rate risks and exchange controls*

The Issuer will pay amounts in respect of the Warrants in the Specified Currency (as referred to in the applicable Final Terms). This presents certain risks relating to currency conversions if either (a) an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**"); or (b) the Reference Asset and/or Reference Asset Component is/are denominated principally in a currency or currency unit (the "**Underlying Currency**"), in each case being a currency other than the Settlement Currency. These include the risk that exchange rates may significantly change (including changes due to appreciation of the Investor's Currency relative to the Settlement Currency or appreciation of the Settlement Currency relative to the Underlying Currency) and the risk that authorities with jurisdiction over the Investor's Currency and/or Underlying Currency such as government and monetary authorities may impose or modify (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. An appreciation in the value of the Investor's Currency relative to the Settlement Currency would decrease (i) the Investor's Currency equivalent yield on the Warrants, (ii) the Investor's Currency equivalent value of the amount payable in respect of the Warrants and (iii) the Investor's Currency equivalent market value of the Warrants. Prospective investors are also exposed to an appreciation in the value of the Settlement Currency relative to the Underlying Currency, in that such appreciation would decrease (i) the Settlement Currency yield on the Warrants, (ii) the amount payable in respect of the Warrants and (iii) the Settlement Currency market value of the Warrants. As a result, the amount payable in respect of the Warrants that investors may receive may be less than expected or zero.

The Issuer may also suspend its obligations to make any payment under any Warrants if and for as long as such exchange controls have occurred and are continuing. Holders of Warrants shall not be entitled to any interest or other compensation in respect of any such suspension.

### *Clearing systems*

Because any Unrestricted Global Registered Warrant may be held by or on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**"), and any Restricted Global Registered Warrant or Combined Global Registered Warrant may be held by or on behalf of The Depository Trust Company ("**DTC**"), investors will have to rely on their procedures for transfer, payment and communication with the Issuer to receive payments under the Warrants and for exercise of the Warrants.

Unrestricted Global Registered Warrants are deposited with a common depository for Euroclear and Clearstream, Luxembourg. Definitive Warrants will not be issued. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the Unrestricted Global Registered Warrant. While the Warrants are represented by an Unrestricted Global Registered Warrant, investors will be able to trade their interests only through Euroclear and Clearstream, Luxembourg.

While Warrants are represented by an Unrestricted Global Registered Warrant, Restricted Global Registered Warrant or Combined Global Registered Warrant (the Unrestricted Global Registered Warrant together with Restricted Global Registered Warrant and Combined Global Registered Warrant, the "**Global Registered Warrants**"), the Issuer will discharge its payment obligations under such Warrants by making payments to (i) the common depository for Euroclear and Clearstream, Luxembourg or, as appropriate or (ii) the custodian for DTC for distribution to their account holders.

The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Registered Warrants. Holders of interests in the Global Registered Warrants will not have a direct right to vote in respect of the relevant Warrants. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg or DTC, as the case may be, to appoint appropriate proxies.

## (2) Risks relating to the Warrants

### *Certain factors affecting the value and trading price of Warrants*

The Cash Settlement Amount (in the case of cash-settled Warrants) or the difference in value of the Physical Settlement Amount and the Strike Price (the "**Physical Settlement Value**") at any time prior to expiration is typically expected to be less than the trading price of such Warrants at that time. Any difference between the trading price and the Cash Settlement Amount or Physical Settlement Value will reflect, among other things, a "time value" for the Warrants. The "time value" of the Warrants will depend partly upon the length of the period remaining to expiration and expectations concerning the value of the Reference Asset or Relevant Factor to which the Warrant relates. Warrants offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the Warrants varies with the price, value and/or level of the Reference Asset and the Relevant Factor, as well as by a number of other interrelated factors, including those specified herein.

Before acquiring, exercising or selling Warrants, Holders should carefully consider and understand that the value of Warrants prior to expiry is expected to depend on a number of factors including the performance achieved by the Reference Asset(s) and Relevant Factor(s) until that time, among other things, (i) the trading price of the Warrants, (ii) the value and volatility of the Reference Asset and the Relevant Factor, (iii) the time remaining to expiration, (iv) in the case of cash-settled securities the probable range of Cash Settlement Amounts, (v) any change(s) in interim interest rates and dividend yields, (vi) any change(s) in currency exchange rates, (vii) the depth of the market or liquidity of the Reference Asset and the Relevant Factor and (viii) any related transaction costs. The price at which a holder will be able to sell the Warrants prior to expiry 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 Warrants interrelate in complex ways (for example, one factor may offset an increase in the trading value of the Warrants caused by another factor). Factors that may be expected to impact the value of the Warrants, assuming other conditions remain constant, include:

#### (a) *Reference Asset value*

The value of the Warrants will depend substantially on the value of the Reference Asset as such value is taken into account in determining whether the Warrants will be exercised prior to scheduled expiry date 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 Warrants as may expectations of fluctuation in value during the remaining period to the expiry of the exercise period of the Warrants or any earlier date for determining any price or value for the purposes of determination the basis for exercise of the Warrants. Political, economic and other developments that affect the Reference Asset may also affect the value of the Reference Asset.

#### (b) *Interest rates*

The value of the Warrants 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 Warrants while falling interest rates may increase the value of the Reference Asset and thus, the value of the Warrants. 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 Warrants.

(c) *Volatility of the Reference Asset or Relevant Factor*

If the size and frequency of market fluctuations in value of the Reference Asset or Relevant Factor increases, the trading value of the Warrants which relate to such Reference Asset or Relevant Factor is expected to increase, if the volatility decreases, the trading value of the Warrants is expected to decrease.

(d) *Time remaining to expiry*

The Warrants 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 expiry of the Warrants. As the time remaining to the exercise period of the Warrants decreases, this time premium may decrease, adversely affecting the value of the Warrants.

(e) *Fluctuations in the value of the Reference Asset or Relevant Factor*

Fluctuations in the price, value and/or level of the Reference Asset or Relevant Factor will affect the value of Warrants. 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 Warrants risk losing their entire investment if the value of the relevant underlying basis of reference does not move in the anticipated direction.

(f) *Dividend rates*

If the dividend or other income rates on the Reference Assets increase, the trading value of a Put Warrant is expected to increase and the trading value of a Call Warrant is expected to decrease. Increased dividend rates may, however, positively affect the value of the Reference Assets and the trading value of a Put Warrant could then be expected to decrease and the trading value of a Call Warrant could then be expected to increase. If such dividend rates or other income decrease, the trading value of a Put Warrant is expected to decrease and the trading value of a Call Warrant is expected to increase. Decreased dividend or other income rates may, however, adversely affect the value of the relevant Reference Assets, and the trading value of a Put Warrant could then be expected to increase and the trading value of a Call Warrant could then be expected to decrease.

(g) *Actions or omissions of the issuer of the securities, the sponsor of an index, or others*

In certain circumstances, the actions or omissions of the issuer of securities to which the Warrants relate or for which the Warrants are exchangeable, the sponsor of an index to which the Warrants are linked or others outside the control of the Issuer, may adversely affect the rights of the Warrantholders and/or the value of the Warrants, including actions that may give rise to an adjustment to, or early termination of, the Warrants.

(h) *Disruption Events*

If the Calculation Agent determines that a payment disruption event or market disruption event has occurred, any consequential postponement of or any alternative provisions for valuation provided in any Warrants may have an adverse effect on the value of such Warrants.

Prospective investors should note that Additional Disruption Events such as Change in Law, Hedging Disruption Event, Increased Cost of Hedging, Insolvency Filing and Currency Event may be specified to be applicable in the relevant Final Terms. If an Additional Disruption Event is applicable and has occurred, the Calculation Agent may take certain actions, such as adjusting certain terms and conditions of the Warrants or terminating the Warrants, and Warrantholders may suffer a loss of some or all of their investment as a result. Such Additional Disruption Events may result from an instruction from or policy change on the part of the

relevant government relating to the Reference Asset. If the Warrants are to be terminated, the Warrantholders will forego any future appreciation in the relevant Reference Assets that may occur following such termination.

(i) *Settlement Disruption Event*

In the case of Physical Settlement Warrants, if the Calculation Agent determines that a Settlement Disruption Event has occurred or exists on a Settlement Date, settlement on such Settlement Date may be postponed until such time as when such Settlement Disruption Event ceases to exist. Any consequential postponement may have an adverse effect on the value of such Warrants.

(j) *Value of baskets*

The value of a basket of Reference Assets and/or Relevant Factors to which any Warrants 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.

(k) *Index Adjustment Events*

If, in relation to Index Warrants, an Index Adjustment Event occurs, the Issuer may (i) require the Calculation Agent to either (A) 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 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; or cancel the Warrants by giving notice to Warrantholders. If the Warrants are so cancelled the Issuer will pay an amount to each Warrantholder in respect of each Warrant held by such Warrantholder which amount shall be the fair market value of a Warrant taking into account the Index Adjustment Event, less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements) plus, if already paid, the Strike Price, all as determined by the Calculation Agent in its sole and absolute discretion. Such adjustments to the Conditions of such Warrants may have an adverse effect of the value of such Warrants.

*Shares comprising an Index may not be trading*

In the case of Index Warrants, a level for the index may be published by the index compiler at a time when one or more shares comprised in the relevant index are not trading. If this occurs on a valuation date and there is no market disruption event under the terms of the relevant Index Warrants, then the official closing level of the index will be calculated by reference to the remaining shares comprised in the relevant index. Certain events relating to the index permit the Issuer to determine the level of the index on the basis of the formula or method last in effect prior to such change to formula.

*Warrants linked to an index, a basket of indices or a formula*

For Warrants linked to a total return index, dividends on the constituents of the index may be taken into account in the index calculation in accordance with the formula for and method of calculating the index, and

in such case, investors will not separately receive any payments relating to any dividends or other distributions relating to any securities which comprise the constituents of the index.

In addition, all amounts payable by the Issuer shall be subject to deduction on account of any taxes or costs incurred by the Issuer and/or any of its Affiliates, in connection with its hedging arrangements in relation to the Warrants or at the applicable tax rates as specified in the index calculation methodology, as determined by the Issuer in its absolute and sole discretion. Investors should refer to the information concerning the index, which is publicly available, for further details of the treatment of dividends and any applicable tax rates (including any dividend withholding tax and/or capital gains tax) in the Index calculation methodology.

#### *Calculation of HSBC Managed Indices / HSBC Bank plc as index sponsor*

With respect to Warrants that are linked to one or more HSBC Managed Indices (as defined below), investors should understand that although the Issuer is the sponsor of HSBC Managed Indices, such indices are calculated independently and the HSBC Managed Indices Sponsor will make determinations of the level of the HSBC Managed Indices, and of any adjustments that need to be made to the HSBC Managed Indices, without considering the interests of investors in the Warrants.

**"HSBC Managed Indices"** are one or more indices sponsored by the Issuer and/or any of its Affiliates, which shall include (without limitation) the following: the HSBC Dragon 300 Index, the HSBC Emerging Europe Index, the HSBC Global Mining Index, the HSBC Sub-continent of India 200 Index, the HSBC Smaller South East Asia Companies Indices, the HSBC Smaller Japanese Companies Index, the HSBC World excluding / including US Companies Index, the HSBC Latin America 100 Index, the HSBC Smaller European Companies Indices, the HSBC Smaller European Leaders Indices, the HSBC Investible Climate Change Index.

#### *Variation of settlement*

The Issuer may, if specified in the applicable Final Terms, vary the settlement in respect of a particular Series of Warrants and thereby at its sole and unfettered discretion elect not to pay the relevant Holders the Cash Settlement Amount or to deliver or procure delivery of the Physical Settlement Amount to the relevant Holders, as the case may be, and, in lieu thereof, deliver or procure delivery of the Physical Settlement Amount or make payment of the Cash Settlement Amount on the Settlement Date to the relevant Holders.

#### *Limitations on exercise*

If so indicated in the applicable Final Terms, the Issuer will have the option to limit the number of Warrants exercisable on any date to the maximum number specified in the applicable Final Terms and, in conjunction with such limitation, to limit the number of Warrants exercisable by any person or group of persons (whether or not acting in concert) on such date. In the event that the total number of Warrants being exercised on any date exceeds such maximum number and the Issuer elects to limit the number of Warrants exercisable on such date, a Holder may not be able to exercise on such date all Warrants that such Holder desires to exercise. Warrants to be exercised on such date will be selected at the discretion of the Issuer or in any other manner specified in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms, the Warrants tendered for exercise but not exercised on such date will be automatically exercised on the next date on which Warrants may be exercised, subject to the same daily maximum limitation and delayed exercise provisions.

If so indicated in the applicable Final Terms, a Holder must tender a specified minimum number of Warrants and integral multiples of Warrants thereafter at any one time in order to exercise. Thus, Holders with fewer than the specified minimum number of Warrants or specified multiples thereof will either have to sell their Warrants or purchase additional Warrants, incurring transaction costs in each case, in order to realise their investment. Furthermore, Holders of such Warrants incur the risk that there may be differences between the

trading price of such Warrants and the Cash Settlement Amount or the Physical Settlement Value (in the case of Physical Settlement Warrants) of such Warrants.

If specified in the applicable Final Terms, Warrants which are Physical Settlement Warrants may only be exercised in such amounts as will ensure that the number of relevant Reference Assets to be delivered is equal to an integral multiple of the minimum allowed trading amount of the relevant Reference Asset on the relevant stock exchange as from time to time specified by such stock exchange or other market in which the Reference Asset is traded (the "**Minimum Trading Amount**"). Where the exercise of a holding of Physical Settlement Warrants would not result in the purchase of a number of relevant Reference Assets equal to an integral multiple of the relevant Minimum Trading Amount, the Holder will receive the maximum number of relevant Reference Assets equivalent to the maximum integral multiple of the Minimum Trading Amount and may be entitled to a payment in lieu at the option of the Issuer, determined in the sole and absolute discretion of the Issuer, in respect of the remaining Reference Assets unless any such payment is of a *de minimis* amount, in which case, Holders shall not receive anything in respect of the remaining Warrants. Holders will, therefore, either have to sell their Warrants or purchase additional Warrants, incurring transaction costs in each case, in order to realise their investment.

#### *Time lag after exercise*

Unless otherwise specified in the Final Terms, in the case of any exercise of Warrants, there will be a time lag between the time a Holder gives instructions to exercise and the time the applicable Cash Settlement Amount or the deliverable Reference Assets relating to such exercise is determined. Any such delay between the time of exercise and the determination of the Cash Settlement Amount or the deliverable Reference Assets, as the case may be, will be specified in the applicable Final Terms or Conditions. However, such delay could be significantly longer, particularly in the case of a delay in exercise of Warrants arising from any daily maximum exercise limitation, or following the imposition of any exchange controls, other similar regulations affecting the ability to obtain or exchange any relevant currency (or basket of currencies) or, if there is any Settlement Disruption Event or Market Disruption Event on the Valuation Date (as such terms are defined in the Conditions). The applicable Settlement Price or the value of the deliverable Reference Assets may change significantly during any such period and such movement or movements could decrease the Settlement Price or the value of the deliverable Reference Assets in respect of the Warrants being exercised and, may result in such Settlement Price or the value of the deliverable Reference Assets being zero.

#### *Illegality*

If the Issuer determines that its performance under any Warrants has become unlawful or impractical in whole or in part for any reason, the Issuer may cancel such Warrants and, if permitted by applicable law, pay the Holder of such a Warrant an amount equal to the fair market value of such Warrant notwithstanding such illegality less the cost to the Issuer of unwinding any related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion.

### **(3) Country-specific risks relating to Warrants which are "Low Exercise Price Options"**

*This section highlights some of the risks of an investment in Warrants that are linked to a Reference Asset, a Reference Asset Component or a Relevant Factor comprising underlyings listed in a stock exchange in a particular country. Prospective investors should note that if the Warrants are linked to a Reference Asset or a basket of Reference Asset Components listed in a stock exchange in one or more of the following countries and/or a Relevant Factor or a basket of Relevant Factors comprising underlyings listed in a stock exchange in one or more of the following countries, the additional country-specific risk factors for each of the relevant countries will be relevant when considering whether to invest in such Warrants.*

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Warrants. All 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.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Warrants are also described below.*

*Each of the risks highlighted below could adversely affect the trading price of the Warrants or the rights of investors under the Warrants and, as a result, investors may lose the value of their entire investment or part of it. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Warrants, but the Issuer may be unable to pay amounts on or in connection with the Warrants for other reasons. Prospective investors should also read the detailed information set out in this Base Prospectus and in the applicable Final Terms and reach their own views prior to making any investment decision.*

### **Australia**

The Warrants reflect the risks of a direct investment in Australian equities, Australian debt or an index which references Australian equities, as the case may be, by an investor outside Australia ("**Foreign Investor outside Australia**") who is subject to the same securities laws and rules and regulations of any securities regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities. Some, but not all, of these risks are described in the sections below.

#### *Market Access*

Foreign Investors outside Australia can generally invest directly in Australian equities. Foreign investment in Australia is regulated principally under Commonwealth legislation, including the Foreign Acquisitions and Takeovers Act 1975 of Australia ("**FATA**") and by the Australian Federal Government's Foreign Investment Policy ("**Policy**"). The following is a very general summary of the requirements of FATA and the Policy and does not purport to be exhaustive, nor to give legal advice. The Policy is set out at the Foreign Investment Review Board's ("**FIRB**") web site - [www.firb.gov.au](http://www.firb.gov.au) (Details of such website and its contents are provided for information only. The contents of the website are not incorporated in, nor form part of, this Base Prospectus). The Policy is amended from time to time and the web site should be consulted as the primary reference source for the Policy. The Policy is designed to assist Foreign Investors outside Australia in determining whether their proposals comply with the approach of the Australian Federal Government ("**Australian Government**") in specific industry sectors. The Policy has no legislative force, but adherence to its requirements is achieved in practice by a number of means, including by refusal to grant necessary ministerial or other approvals under other legislation and by the prospect of on-going resistance from the Australian Government to the relevant investor, including the likelihood that future applications under FATA might be refused. The Australian Federal Treasurer ("**Treasurer**") is ultimately responsible for all decisions relating to foreign investment and administration of the Policy. The Treasurer is advised and assisted by FIRB which administers FATA in accordance with the Policy.

Under FATA, the Treasurer may prohibit a proposed acquisition of shares in an Australian corporation, or interests in assets of an Australian business, where the result of the acquisition would be that a foreign person, together with their associates, would have an interest of at least 15% of the issued shares in the corporation or interests in assets of an Australian business, or two or more foreign persons (together with the associates of each of them) would in aggregate have an interest of at least 40% of the issued shares in the corporation or interests in assets of the Australian business. Furthermore, if such an acquisition has already occurred, the Treasurer may order the person who acquired the shares or interests in the assets to dispose of them to an approved person. The concepts of acquisition, interest, associate and foreign person are widely defined in FATA. Certain proposed investments by foreign persons require prior approval of the Treasurer



and are required to be notified. Because FATA contains detailed tracing provisions, it is not possible to avoid the operation of the rules by interposing a group company or other entity in the transaction structure.

Under the FATA and Policy, there are special requirements with respect to U.S. investors and investors with foreign government ownership, and with respect to investments in land-rich entities or entities in the media, banking, aviation and telecommunications sectors. Foreign ownership of shares in Australian companies may also be restricted under other Commonwealth or State legislation.

The investor in these Warrants will be subjected to the effect of equivalent restrictions and controls to those imposed on Foreign Investors outside Australia generally, as determined by the Calculation Agent. These include potential delays or even non-receipt of funds on sale of the Warrants, taxes and charges generally levied on Foreign Investors outside Australia in buying and selling equity and limitations on the importation and withdrawal of funds. Payments to Warrantholders calculated by reference to the price of a disposal of Australian Reference Assets will not be due unless or until the proceeds of disposal would have been received by a Foreign Investor outside Australia.

If Foreign Investors outside Australia become unable to invest directly in or alternatively hold equities or Foreign Investors outside Australia are not allowed to sell or receive proceeds from the sale of such equities the Warrants may, in the worst case, become worthless.

#### *Foreign currency risk*

The Warrants are settled in the Settlement Currency as specified in the applicable Final Terms. Prospective investors in the Warrants should understand that, where the Settlement Currency is U.S. dollars, amounts payable under the Warrants will be converted from the lawful currency of the Commonwealth of Australia (the "**Australian dollar**") into U.S. dollars or may be calculated by reference to hedge positions that may be denominated in Australian dollars and will be converted into U.S. dollars. Therefore, the Warrants are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the Warrants.

Historical performance of the Australian dollar and the U.S. dollar does not indicate the future performance of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the Warrants.

Trading levels of the Australian dollar and the U.S. dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the Warrants.

The value of the Australian dollar and the U.S. dollar is a result of the supply of, and demand for, each currency and changes in the foreign exchange rate may result from the interactions of many factors including economic, financial, social and political conditions in Australia and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and Australia, the trade and current account balance between the United States and Australia, market interventions by the Federal Reserve Board of the United States or the Reserve Bank of Australia, inflation, interest rate levels, the performance of the stock markets in the United States and Australia, the stability of the United States' and Australia's governments and banking systems, wars in which the United States and Australia are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and Australia, and other foreseeable and unforeseeable events.

The Australian dollar is convertible into U.S. dollars at freely floating rates. However, the Banking (Foreign Exchange) Regulations promulgated under the Australian Banking Act and other regulations in Australia restrict or prohibit payments, transactions and dealings with assets having a prescribed connection with certain countries or named individuals or entities subject to international sanctions or associated with

terrorism. The Australian Department of Foreign Affairs and Trade maintains a list of all persons and entities having a proscribed connection with terrorism which is available to the public at the Department's website at [http://www.dfat.gov.au/icat/UNSC\\_financial\\_sanctions.html](http://www.dfat.gov.au/icat/UNSC_financial_sanctions.html) (Details of such website and its contents are provided for information only. The contents of the website are not incorporated in, nor form part of, this Base Prospectus).

#### *Dividend and coupon payments*

To the extent that the Reference Assets are shares, we set out below certain information relating to dividend payments in connection with such Reference Assets. Australian companies may pay dividends, as determined by either the shareholders of the Australian company in general meeting or the directors of the company depending on the terms of the company's constitution and subject to the requirements of the Corporations Act 2001 of Australia ("**Australian Corporations Act**") and the rights of any shareholders which hold shares which have special rights to dividends.

In accordance with section 254T of the Australian Corporations Act, a dividend may not be paid by a company unless each of the following are satisfied:

- The company's assets exceed its liabilities immediately before the dividend is declared, and the excess is sufficient for the payment of dividend. Assets and liabilities are to be calculated in accordance with accounting standards in force at the relevant time.
- The payment of the dividend is fair and reasonable to the company's shareholders as a whole.
- The payment of the dividend does not materially prejudice the company's ability to pay its creditors. For example, if the payment of a dividend would result in a company becoming insolvent, then such a payment would materially prejudice the company's ability to pay its creditors.

Dividends are generally declared on ordinary shares as a stated number of cents per share. However, an Australian company may have issued different classes of shares, which may have different dividend rights. For example, preference shares will typically carry a right to a fixed percentage dividend, while ordinary shares will be entitled to whatever rate of dividend is declared. There is no obligation to declare a dividend on ordinary shares and interest is not payable on any dividend.

Subject to an Australian company's constitution, dividends can be paid in cash, with the issue of shares, the grant of options or the transfer of assets and are payable to the persons registered as members as at the date of the declaration.

Most companies listed on the stock exchange operated by ASX Limited (ABN 98 008 624 691) ("**Australian Securities Exchange**") pay dividends each half year. Australian company law allows for the declaration of a final dividend and a resolution (typically, under the company's constitution, a resolution of the directors) to pay an interim dividend. The declaration of a final dividend gives rise to a debt payable by the company to the shareholders immediately or from a date stipulated for payment. An interim dividend is entirely provisional as it anticipates that assets will exceed liabilities in the final accounts by at least the amount of the interim dividend. A resolution of directors to pay an interim dividend does not create a debt owed by the company to members and the resolution could be rescinded or varied before the dividend is paid.

Where directors are given the right to determine that a dividend is payable, the directors may revoke or amend their determination to pay a dividend at any time before the dividend is paid.

To the extent that the Reference Assets are shares or bonds, the timing issues concerning dividend or coupon payments in connection with such Reference Assets are set out below. The investors (who owned the Warrants immediately prior to the ex-dividend/coupon date) may become entitled to receive amounts reflecting the dividend or coupon some time after the dividend or coupon is announced or paid if payment of the dividend or coupon, or the receipt thereof by a Foreign Investor outside Australia or any other person, is

delayed for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs and expenses incurred in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends or coupons may be calculated with reference to any taxation charged in respect of such dividends or coupons.

#### *Taxation issues concerning investment in listed securities in Australia*

Investors of Warrants may be subject to taxation in Australia in some circumstances. In addition, under the terms of the Warrants, the amount of a payment to the investor under the Warrants may be adjusted to take into account the effect of Australian taxes on an investment in the Reference Assets.

For example, the imposition of taxes may affect:

- the amount of any Additional Amount (as defined in the Conditions), paid to a Holder;
- the Cash Settlement Amount (as defined in the Conditions); and
- the liability that the Holder has to pay any applicable stamp duty and/or other taxes and duties and transfer taxes and other charges payable in connection with the subscription, purchase or exercise of the Warrants.

Please also see the section headed "Australian Taxation" below.

*Prospective investors in the Warrants issued in accordance with this Base Prospectus should obtain their own tax advice in relation to their investment.*

#### *Settlement*

The settlement of Australian Securities Exchange transactions is carried out by an automated system for transfer and settlement processes. The automated system for the transfer and settlement of shares is an electronic securities clearing house called the Clearing House Electronic Subregister System ("**CHESS**"), operated by the ASX Settlement and Transfer Corporation Pty Ltd ("**ASTC**"). Trading, clearing and settlement on the Australian Securities Exchange markets are regulated by the Australian Securities Exchange Market Rules, the Australian Clearing House Pty Ltd Clearing Rules and the ASTC Settlement Rules.

CHESS operates as a computerised book entry register of holdings, which enables electronic transfer and registration of "Approved Financial Products", as defined in the ASTC Settlement Rules (such as the Underlying Securities) with electronic funds transfer for settlement of trades. Under CHESS, the transfer of securities is effected by entities admitted as "Participants" in CHESS. The Participant may be appointed by the owner of the securities under a sponsorship agreement to act as the sponsor of the securities and, as such, provides transfer and settlement services in respect of the securities.

#### *Suspension of trading for the Index*

For Warrants linked to an index, trading on the Australian Securities Exchange may be halted or suspended by the Australian Securities Exchange. This may occur whenever the Australian Securities Exchange deems such action appropriate in the interests of maintaining a fair and orderly market in the underlying shares or otherwise deems such action advisable in the public interest or to protect investors.

#### **Hong Kong**

The Warrants reflect the risks of a direct investment in Hong Kong equity, Hong Kong debt or an index which references Hong Kong equity, as the case may be, by an investor outside Hong Kong ("**Foreign**

**Investor outside Hong Kong")** who is subject to the same securities laws and rules and regulations of any securities regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities. Some, but not all, of these risks are described in the sections below.

#### *Foreign currency risk*

The Warrants are settled in the Settlement Currency as specified in the applicable Final Terms. Prospective investors in the Warrants should understand that, where the Settlement Currency is U.S. dollars, amounts payable under the Warrants will be converted from Hong Kong dollars into U.S. dollars.

The Hong Kong dollar has been linked to the U.S. dollar at the range of HKD7.75 to HKD7.85 to USD1.00 since 18 May 2005. The Hong Kong government has stated that it is fully committed to maintaining exchange rate stability under this linked exchange rate system. In the event this policy were to be changed, investors will assume foreign currency exchange risk and be exposed to a U.S. dollar appreciation against the Hong Kong dollar. The Issuer cannot assure prospective investors that the Hong Kong dollar will continue to be linked to the U.S. dollar at the current exchange rate range or at all.

#### *Timing issues concerning dividend or coupon payments*

To the extent that the Reference Assets are shares or bonds, the timing issues concerning dividend or coupon payments in connection with such Reference Assets are set out below. The investors (who owned the Warrants immediately prior to the ex-dividend/coupon date) may be entitled to receive amounts reflecting the dividend or coupon some time after the dividend or coupon is announced or paid if payment of the dividend or coupon, or the receipt thereof by a Foreign Investor outside Hong Kong or any other person, is delayed or for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs and expenses incurred in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends may be calculated with reference to any taxation charged in respect of such dividends or coupons.

#### *Taxation issues concerning investment in listed securities in Hong Kong*

To the extent that the Reference Assets are shares, the taxation issues concerning investment in listed securities in connection with such Reference Assets are set out below. Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by Hong Kong listed companies.

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as Hong Kong listed shares. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where the gains are derived from or arising in Hong Kong from the trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations.

Gains from sales of Hong Kong listed shares effected on The Stock Exchange of Hong Kong Limited will be considered to be derived from or arising in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of Hong Kong listed shares realised by persons carrying on a business or trading or dealing in securities in Hong Kong.

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong listed shares. With effect from 1 September 2001, the duty is charged at the rate of 0.2% of the value of the Hong Kong listed shares transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HKD5 is currently payable on any instrument of transfer of shares. If one of the parties to the sale is a non-resident of Hong Kong and does not pay the required stamp duty, the duty not

paid will be assessed on the instrument of transfer (if any), and the transferee will be liable for payment of such duty.

## ***India***

The Warrants reflect the risks of a direct investment in Indian equity, Indian debt or an index which references Indian equity, as the case may be, by a Foreign Institutional Investor ("**FII**") who is subject to the same securities laws and rules and regulations of any securities regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities. Some, but not all, of these risks are described in the sections below.

### *Indian Investment*

Investments in Indian equity are usually volatile, and it should not be assumed that prices will always be available for the relevant Reference Asset or Relevant Factor specified in the list attached to the relevant Final Terms (for the purposes of Warrants, the "**Indian Reference Assets**", each an "**Indian Reference Asset**"). Information available on the relevant Indian Reference Assets may be limited and not as reliable as would be expected in a more developed market.

Indian securities markets are substantially smaller, less liquid and more volatile than securities markets in the United States or Western Europe. There are 22 recognised stock exchanges in India, including the Over-the-Counter Exchange of India. Most stock exchanges are governed by regulatory boards. The Bombay Stock Exchange Limited, ("**BSE**") and the National Stock Exchange of India Limited, ("**NSE**") have nationwide trading terminals and, taken together, are the principal Indian stock exchanges in terms of the number of listed companies, market capitalisation and trading volume. The relatively small market capitalisations of, and trading values on, the BSE and NSE may cause the Indian Reference Assets listed on these exchanges to be comparatively less liquid and subject to greater price volatility than comparable United States or European Union investments.

A high proportion of the shares of many Indian issuers are held by a limited number of persons, which may limit the number of shares available for investment. In addition, further issuances, or the perception that such issuances may occur, of securities by Indian issuers could dilute the earnings per share of its investment and could adversely affect the market price of such securities. Sales of securities by such issuer's major shareholders, or the perception that such sales may occur, may also significantly and adversely affect the market price of such securities and, in turn, the investment. A limited number of issuers represent a disproportionately large percentage of market capitalisation and trading value. The limited liquidity of the Indian securities markets may also affect the ability to acquire or dispose of securities at the desired price and time. Anticipation of the global private placement in the Indian securities markets might adversely influence the prices paid when purchasing securities for a portfolio and could affect the speed with which one can invest in Indian securities. Further, the small trading volume concentrated in a limited number of the largest companies, combined with certain investment diversification requirements and other restrictions applicable, may affect the rate at which investments can be made initially in liquid public equity.

Indian stock exchanges, including the BSE and the NSE, have in the past experienced substantial fluctuations in the prices of their listed securities. They have also experienced problems such as temporary exchange closures, broker defaults, settlement delays and broker strikes that, if they occur again in the future, could affect the market price and liquidity of the Indian Reference Assets. In addition, the governing bodies of the various Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Disputes have also occurred from time to time among listed companies, the stock exchanges and other regulatory bodies, and in some cases those disputes have had a negative effect on overall market sentiment. Recently, there have been delays and errors in share allotments relating to initial public offerings. In addition, the Securities and Exchange Board of India ("**SEBI**") has recently imposed heavy fines on market intermediaries in relation to manipulations by some investors of the allotment process in several recent initial public offerings with a view to cornering large

shares allotments in the "retail investor" category. Such events in turn may affect overall market sentiment and lead to fluctuations in the market prices of the Indian Reference Assets.

Pursuant to the rules and regulations of the Reserve Bank of India ("**RBI**") under the Foreign Exchange Management Act 1999 ("**FEMA**") and the regulations issued thereunder, foreign investment in Indian companies is subject to certain minimum valuation and pricing guidelines. Such minimum valuation and pricing guidelines may restrict the ability of the Issuer to make investments in Indian companies at attractive prices. The RBI has also prescribed certain maximum valuation and pricing guidelines for persons and corporations resident outside India that sell shares of Indian companies to resident Indian persons and corporations. Such maximum valuation and pricing guidelines may restrict the ability of the FII to sell its investments in Indian companies at a higher price that may have been available in the absence of the aforesaid RBI restrictions.

The investor in the Warrants is accepting these risks and the effect that such risks may have on the amounts payable in respect of the Warrants and the timing of any such payment. The Calculation Agent shall determine how these risks shall affect the amounts and the timing of any payments.

#### *Market Access*

Under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 ("**FEMA Regulations**") persons resident outside India are primarily permitted to invest in Indian equity under two schemes: (i) foreign direct investment scheme ("**FDI Scheme**"); and (ii) portfolio investment scheme ("**PI Scheme**").

An application can be made for registration with SEBI as an FII under the Securities and Exchange Board of India (Foreign Institutional Investors Regulations 1995 (as amended or supplemented from time to time and notifications, circulars, rules and guidelines issued from time to time thereunder) (the "**FII Regulations**") so as to allow investment in Indian equities under the PI Scheme. Some Affiliates of the Issuer are registered as FIIs (though the Issuer is not).

Under the PI Scheme, FIIs can purchase shares / compulsorily convertible debentures of listed Indian companies through registered stock brokers on a recognised stock exchange in India, without obtaining the approval of any regulatory authority in India. FIIs are also permitted to invest in listed and unlisted securities outside the stock exchanges, through private placement. Additionally, under Schedule 5 of the FEMA Regulations FIIs are permitted to invest in dated government securities/treasury bills, listed non-convertible debentures/bonds, commercial papers issued by an Indian company and units of domestic mutual funds, security receipts issued by asset reconstruction companies and perpetual debt instruments eligible for inclusion as Tier I capital and debt capital instruments as upper Tier II capital issued by banks in India to augment their capital subject to the limits prescribed by SEBI and the RBI from time to time. Pursuant to a circular dated 31 January 2008 issued by SEBI, investments by FIIs in units of debt oriented mutual funds are considered as investments in corporate debt and are reckoned within the stipulated limit earmarked for FII investments in corporate debt.

The consideration for purchase of shares/compulsorily convertible debentures shall be paid out of inward remittance from abroad through normal banking channels or out of funds held in an account maintained with the designated branch of an authorised dealer (typically a bank) in India.

FII registration granted by SEBI is permanent (unless suspended or cancelled by SEBI). An FII that was registered with SEBI prior to the commencement of the Securities and Exchange Board of India (Foreign Institutional Investors) (Amendment) Regulations 2008 on 22 May 2008 (the "**FII Regulations Amendment**") is required to file Form A (as prescribed under the FII Regulations) at least 3 months prior to the expiry of the period of the certificate or within 3 months from such commencement, whichever is later.

Pursuant to a circular dated 15 April 2010 issued by SEBI, an FII/sub-account registered with SEBI was required to submit certain declarations and undertakings to SEBI by 30 September 2010 that it is not a

protected cell company or a segregated portfolio company and does not have an equivalent structure by whatever nomenclature. Further, all applicants seeking registration as FIIs or sub-accounts are required to make such declarations and undertakings as part of the application process. As per the circular requires an existing FII/sub-account to declare that (a) it is not a multi-class vehicle ("MCV") by constitution and does not have an equivalent structure by whatever nomenclature and that it contains only a single class of shares; (b) the FII/sub-account is a MCV and has more than one class of shares and a common portfolio is maintained for all classes of shares and satisfies the broad-based criteria or (c) a segregated portfolio is maintained for separate classes of shares and each such class of shares is broad-based. In case of any addition of share classes, these share classes must follow the above criteria as well. Further, the FIIs/sub-accounts are required to obtain the prior approval of SEBI in case of any change in structure/ constitution/ addition of classes of shares. Undertakings to this effect were also required to be made by the existing FIIs/sub-accounts. Pursuant to a circular dated 29 September 2010 issued by SEBI, all FIIs and sub-accounts that have not complied with the above requirements will not be permitted to take fresh positions in cash and derivatives markets. However, such FIIs and sub-accounts have been permitted to retain their current positions or sell off/unwind.

Going forward, the FIIs are required to remain in compliance with the declarations and undertakings given under the circular to SEBI. In the event of default, SEBI has the power to impose certain monetary penalties and/ or suspend or cancel the registration granted to the FII. SEBI also has the power to prohibit the FII from trading for a specified period.

FII investments are substantially restricted and controlled. These restrictions, such as the maximum percentage holding of any single equity, are controlled by the SEBI, the RBI and are also subject to the guidelines issued by the Government of India in this regard from time to time. Further, the operational mechanism for purchase, sale, settlement and movement of funds is restricted. For example, FIIs shall, subject to certain exceptions, deliver securities only in dematerialised form for settlement of their transactions undertaken on a recognised stock exchange.

These restrictions may change from time to time, sometimes without notice.

The investor in the Warrants will be subjected to the effect of equivalent restrictions and controls to those imposed on FIIs, as determined by the Calculation Agent. These include limitations on the number of Indian Reference Assets in respect of which the investor is expecting to receive an economic return, potential delays or even non-receipt of funds on sale of the Warrants, taxes and charges generally levied on FIIs in buying and selling equity and limitations on the importation and withdrawal of funds. Payments to Warrant holders calculated by reference to the price of a disposal of Indian Reference Assets will not be due unless or until the proceeds of disposal would have been received by the relevant FII.

Under the FII Regulations and the FEMA Regulations, subject to certain exceptions, the total holding of each FII / sub-account registered with SEBI shall not exceed 10% percent of the total paid up equity capital or 10% of the paid up value of each series of convertible debentures issued by an Indian company. Additionally, the FEMA Regulations specify that the total investments by FIIs and their sub-accounts, taken together, in the primary and secondary Indian markets may not exceed 24% of the equity capital or the value of each series of convertible debentures of any Indian company in which they invest. The ceiling would apply to the total holdings in any Indian company of all FII and their sub-accounts collectively in a given Indian company unless it is increased by a board resolution and a special resolution to the foreign investment cap applicable to the sector in which the Indian company operates.

FIIs are also limited in their ability to invest in certain sectors, such as the banking sector, insurance sector, telecom sectors etc. In such sectors, there is often a ceiling on total foreign holdings, against which holdings of FII are counted. To the extent that the ceiling has been reached in that industry, further investment by FIIs may not be permitted.

If FIIs become unable to invest directly in or alternatively hold equities (and no alternative route is established by SEBI) or FIIs are not allowed to sell or receive proceeds from the sale of such equities the Warrants may, in the worst case, become worthless.

#### *Foreign currency risk*

The Warrants are settled in the Settlement Currency as specified in the applicable Final Terms. Prospective investors in the Warrants should understand that, where the Settlement Currency is U.S. dollars, amounts payable under the Warrants will be converted from Indian Rupees into U.S. dollars. Therefore, the Warrants are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the Warrants.

Historical performance of the Indian Rupee and the U.S. dollar does not indicate the future performance of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the Warrants.

Trading levels of the Indian Rupee and the U.S. dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the Warrants.

The value of the Indian Rupee and the U.S. dollar is a result of the supply of, and demand for, each currency and changes in the foreign exchange rate may result from the interactions of many factors including economic, financial, social and political conditions in India and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and India, the trade and current account balance between the United States and India, market interventions by the Federal Reserve Board or the central banks of the United States and India, inflation, interest rate levels, the performance of the stock markets in the United States and India, the stability of the United States and India's governments and banking systems, wars in which the United States and India are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and India, and other foreseeable and unforeseeable events.

Certain relevant information relating to India may not be as well known or as rapidly or thoroughly reported in the United States as comparable to United States developments. Prospective purchasers of the Warrants should be aware of the possible lack of availability of important information that can affect the value of Indian Rupees in relation to the U.S. dollar and must be prepared to make special efforts to obtain such information on a timely basis.

Exchange rates of most economically developed nations, including India, are "floating", meaning they are permitted to fluctuate in value relative to the U.S. dollar. Governments, including those of the United States and India use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing the Warrants is that their liquidity, trading value and amounts payable could be affected by the actions of sovereign governments which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces and the movement of currencies across borders. There may be adjustments or changes in the terms of the Warrants in the event of impositions of restrictions, prohibition (such as exchange controls) or delaying of the exchange of the Indian Rupee into the U.S. dollar. Such events may also cause the Issuer to terminate the Warrants early.

Exchange controls in India may restrict the ability of an FII/sub-account to repatriate the investment. The ability of an FII/sub-account to invest in Indian securities, exchange Indian rupees into U.S. dollars and repatriate investment income, capital and proceeds of sales realised from investments in Indian securities is subject to FEMA and the rules, regulations and notifications issued thereunder.



Under certain circumstances, such as a change in law or regulation, governmental regulation or approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors may be required. In addition, the Indian government in the future, whether for purposes of managing its balance of payments or for other reasons, may impose restrictions on foreign capital remittances abroad or otherwise modify the exchange control regime applicable to FIIs in such a way that may adversely affect the ability of the FII to repatriate its income and capital.

#### *Nature of Warrants under the Indian Regulatory Regime*

The FII Regulations specify that FIIs may not issue, or otherwise deal in offshore derivative instruments ("**ODIs**"), directly or indirectly, unless certain conditions set out in the FII Regulations are satisfied (described below). ODIs have been defined in the FII Regulations, to mean any instrument, by whatever name called, which is issued overseas by an FII against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as the underlying.

Since the Issuer is not a registered FII, the Issuer may invest the Indian Reference Assets by way of ODIs issued by an FII or an FII affiliate ("**ODI Issuer**") for the purpose of hedging the Warrants. In such case, the Warrants issued by the Issuer will be considered as an ODI by SEBI and the regulatory authorities in India.

Pursuant to the FII Regulations Amendment, a sub-account is no longer permitted to issue any fresh ODIs and further, no FII may issue, or otherwise deal in ODIs, directly or indirectly, unless such ODIs are issued after compliance with "know your client" norms and are in compliance with all of the conditions set out below:

- (a) The ODIs shall not be offered, sold or transferred to (i) a "person resident in India" (as such term is defined in the Foreign Exchange Management Act, 1999, as may be amended or supplemented from time to time), or, (ii) a "non-resident Indian" (as such term is defined in the Foreign Exchange Management (Deposit) Regulations, 2000 as may be amended or supplemented from time to time), (each a "**Restricted Entity**").
- (b) The ODIs shall not be offered, sold or transferred to any person/entity whose controller is a Restricted Entity.

For the purposes of this representation, a "controller" means any person or group of persons (acting pursuant to any agreement or understanding (whether formal or informal, written or otherwise)) who:

- (i) is/are entitled to exercise, or control the exercise of a majority or more of the voting power of an entity, or
- (ii) holds or is otherwise entitled to a majority or more of the economic interest in an entity, or
- (iii) who in fact exercises control over an entity.

For the purposes of the above, "control" means the ability to appoint a majority or more of the directors of an entity, or the capacity to control decision-making, directly or indirectly, in relation to the financial, investment and/or operating policies of an entity in any manner.

Notwithstanding the foregoing definition, in the case only where an entity's investments are being managed on a discretionary basis by an investment manager, such investment manager shall not be deemed to be such entity's controller for the purposes of this representation by reason only of it being able to control decision-making in relation to the entity's financial, investment and /or operating policies.

- (c) The ODIs shall only be purchased by a principal for its own account and not as an agent, nominee, trustee or representative of any other person and no agreement for the issuance of a back-to-back offshore derivatives instrument (as such term is defined in the FII Regulations) can be entered into against the ODIs.
- (d) The ODIs shall only be offered to a "person regulated by an appropriate foreign regulatory authority" (as such term and/or requirements relating thereto are defined or otherwise interpreted for the purposes of Regulation 15A of the FII Regulations) (a "**Regulated Entity**").
- (e) The ODIs shall not be purchased with the intent of circumventing or otherwise avoiding any requirements applicable under the FII Regulations (including, without limitation, any restrictions applying to foreign institutional investors in relation to their issuances and/or other dealings in the ODIs with, Restricted Entities and persons/entities who are not Regulated Entities).
- (f) The ODIs cannot be sold, transferred, assigned or novated or otherwise disposed of and no back-to-back offshore derivatives instruments may be entered into and no agreement with respect to any of the foregoing may be entered into by the ODI holder nominees, associates or Affiliates (each, a "**Transfer**") with, an entity which is a Restricted Entity or an entity which is not a Regulated Entity.

For the purpose of sub-paragraphs (c) and (f) above and sub-paragraph (a) below, a "back-to-back offshore derivatives instrument" shall not include the issue of any ODI issued by a party who has disclosed the terms and parties to such back-to-back ODI in the form and manner prescribed by the Securities and Exchange Board of India pursuant to the FII Regulations (in particular, under Regulation 20A of the FII Regulations).

Further, by the purchase of any ODIs, each purchaser of the ODIs is deemed to have agreed and undertaken as follows (and for the avoidance of doubt, such agreements and undertakings shall survive the maturity or expiration date of such ODIs):

- (a) it will, in the case where it or its nominees, associates or Affiliates sell, transfer, assign, novate or otherwise dispose of the ODIs to, or enter into any back-to-back offshore derivatives instruments or enter into an agreement with respect to any of the foregoing with any party:
  - (i) provide notice of these "Indian Selling Restrictions" to any person to whom a Transfer was made (the "**Transferee**"); and
  - (ii) issue a written notice to the Issuer in such form as the Issuer may determine within two (2) Hong Kong business days after the Transfer;
- (b) the Issuer and its associates/Affiliates are authorised to provide information in their possession regarding it, any Transferee, each of the nominees or associates/Affiliates of it and/or the Transferee, the ODIs and any breach of these representations, warranties, agreements and undertaking to any Indian governmental or regulatory authorities (each an "**Authority**") as the Issuer or its associates/Affiliates reasonably deems necessary or appropriate in order to comply with regulations or requests of such Authority from time to time, including but not limited to disclosures in periodic reportings made by the Issuer or its associates/Affiliates to any Authority;
- (c) it will and shall procure its nominees or associates/Affiliates to, provide the Issuer or its associates/Affiliates (as the case may be) promptly with such additional information that the Issuer or its associates/Affiliates (as the case may be) reasonably deems necessary or appropriate in order to comply with regulations or requests of any Authority from time to time;
- (d) it acknowledges that non-compliance with, or breach, violation or contravention of, the obligations under these representations, warranties, agreements and undertakings that (including, without limitation, any restrictions with respect to a Transfer) ("**ODI Holder Obligations**") may result in non-compliance with, or breach, violation or contravention of, applicable laws, regulations,

governmental orders or directions, regulatory sanctions against the Issuer and/or its associates/Affiliates and cause irreparable harm to the Issuer and/or its associates/Affiliates. Accordingly, it further acknowledges that, in the event of any non-compliance with, or breach, violation or contravention of the ODI Holder Obligations by it, the Issuer and/or its associates/Affiliates may notify the Authority of the breach, violation or contravention and exercise any rights and take any measures available to the Issuer and/or its associates/Affiliates under the terms of the ODIs including these "Indian Selling Restrictions", or any other measures to prevent, avoid, mitigate, remedy or cure such non-compliance, breach, violation or contravention, including but not limited to termination or compulsory redemption of the ODIs by the Issuer or its associates/Affiliates; and

- (e) it will promptly notify the Issuer or its associates/Affiliates should any of the representations, warranties, agreements and undertakings given by it changes or no longer holds true.

In most instances ODI Issuers insist on undertakings from the ODI holder (e.g. Warrantholder) in respect of the foregoing. Any default in these restrictions by the Issuer, the Warrantholder or any other party to the ODI transaction may affect the ability to liquidate such investments. In addition, the Warrantholder may be bound by such additional transfer restrictions as may be agreed and set out in any further agreement or arrangement between the Issuer and the Warrantholder, including any representations that the Warrantholder may be required to provide to the Issuer for the purposes of acquisition of the Warrants.

SEBI has prescribed mandatory reporting requirements for the ODI Issuers. The reporting requirements necessarily require the ODI Issuers to disclose details of all transactions pertaining to the ODIs, name and details of the subscriber of the ODI, investors, clients, counterparties and holders of the beneficial interest. Details disclosed could include the name and correspondence address of Warrantholders and their major shareholders, directors and investors, name and jurisdiction of the regulator by whom the Investors are regulated, type of entity that the Warrantholder falls under (i.e. hedge fund, corporate, individual, pension fund, trust) and if a Warrantholder is a fund, the names of its fund managers, investment advisors and top investors in the fund.

Further, SEBI has, in a press release dated 20 October 2008 in respect of offshore stock lending activities by an FII, stated that it disapproves of the overseas lending and borrowing activities of FIIs and the consequent selling pressure in the cash market in India. SEBI has communicated this disapproval to the FIIs. Consequently, the lending and borrowing activities of FIIs are being monitored and if necessary stronger measures may be taken by SEBI as considered appropriate, which may include the imposition of further restrictions or reporting requirements on an FII.

In the recent past, there has been regulatory scrutiny of investments through ODIs. The Government of India and its agencies have constituted various committees to examine the desirability of ODIs as an indirect method for foreign investors to access the economic benefits of Indian securities. While the RBI has recommended that ODIs be abolished, an expert committee of the Government of India has recommended that ODIs be allowed subject to full disclosure of beneficial ownership of the holders of the ODIs and the investors of the holders. There is no certainty as to whether ODIs will continue to be available to the ODI Issuers and other FIIs generally for accessing Indian securities.

#### *Timing and taxation issues concerning dividend or coupon payments*

To the extent that the Reference Assets are shares, the timing and taxation issues concerning dividend payments are set out below. Under the Indian Companies Act, 1956, (the "**Indian Companies Act**") unless the board of directors of a company ("**Board**") recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down by Section 205 of the Indian Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company calculated in accordance with the provisions of the Indian Companies Act or out of the profits of the company for any previous financial year(s) arrived at as laid down by the Indian Companies Act. Subject to certain conditions contained in the Indian Companies Act,

dividends may also be payable out of moneys provided by the central or state government for payment of dividend in pursuance of a guarantee given by that government.

If so authorised by the articles of association of the company, the shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board. Dividends are generally declared as a percentage of the par value. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their shares as of the book closure or record date. In addition, the Board may declare and pay interim dividends. Under the Indian Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "record date" or "book closure date". The capitalisation of profits or reserves for the purpose of issuing fully paid-up bonus shares is not treated as a dividend payment. No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of his/her shares is outstanding.

Any dividend declared is required to be deposited in a separate bank account within five days from the date of the declaration of such dividend. Dividends must be paid to the shareholders within 30 days from the date of the declaration and any dividend which remains unpaid or unclaimed after that period are required to be transferred within seven days of the expiry of the 30-day period (mentioned aforesaid) to a special unpaid dividend account held at a scheduled bank. A company is required to transfer any money, which remains unpaid or unclaimed for seven years from the date of transfer to the unpaid dividend account, to the Investor Education and Protection Fund established by the Government of India pursuant to which no claim shall lie against the company or the Investor Education and Protection Fund.

A company declaring dividend is liable to pay a dividend distribution tax currently at the rate of 15% (plus surcharge at 7.5% on the dividend distribution tax and education cess at the rate of 3% on aggregate of dividend distribution tax and surcharge) on the total amount distributed as dividend. The effective dividend distribution tax is therefore 16.609%. Dividends in the hands of the recipient shareholders are exempted from tax.

To the extent that the Reference Assets are shares or bonds, the timing issues concerning dividend or coupon payments in connection with such Reference Assets are set out below. The investors (who owned the Warrants immediately prior to the ex-dividend/coupon date) may be entitled to receive amounts reflecting the dividends or coupons some time after the dividend or coupon is announced or paid if payment of the dividends or coupons, or the receipt thereof by an FII or any other person, is delayed for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs and expenses incurred in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends or coupons may be calculated with reference to any taxation charged in respect of such dividends or coupons.

Sometimes dividends are occasionally announced but then subsequently not paid by Indian companies. Further there can be a significant delay (sometimes a number of months) between the marking of a share as ex-dividend at the relevant stock exchange and the payment of that dividend. Occasionally the dividends are of such modest magnitude that the costs of converting the Indian Rupees and transferring the payment offshore are significant relative to the dividend.

#### *Other Taxation Issues*

To the extent that the Reference Assets are shares, the other taxation issues are set out below:

If India should choose to renegotiate its Double Taxation Avoidance Agreements ("DTAA") or question the applicability of DTAA relief relating to the jurisdiction in which an FII is incorporated, it could result in an adverse impact on the capital gains tax paid by the FII. Presently no capital gains tax is charged in India on disposal of Indian Reference Assets by FIIs incorporated in Cyprus, Singapore or Mauritius. Further, any

income of FIIs, by way of capital gains on sale/ transfer of Indian securities, is exempt from Indian withholding tax.

The investor is deemed to accept the risk that if the DTAA between India and Mauritius/ Singapore/ Cyprus are renegotiated or disallowed so as to introduce capital gains tax on equities so as to be applicable to any FIIs incorporated in such jurisdictions, the Calculation Agent may determine that an amount equal to the charge which would have been suffered by such an FII should be reflected by a reduction in the realisable sale price.

Further, of late there have been few instances where the Indian revenue authorities have attempted to deny the capital gains tax exemption under the India–Mauritius DTAA to Mauritius entities, holding valid Tax Residence Certificate ("**TRC**"), on the ground that the Mauritian entity is only a shell company not having any substance. This is despite there being several judicial precedents to the contrary. Therefore, litigation on this account cannot be ruled out.

The Indian government has proposed to replace its current income-tax legislation with a new Direct Taxes Code ("**DTC**"). To this effect, the Indian government has introduced a Direct Taxes Code Bill, 2010 ("**DTC Bill**") in the Indian Parliament. The DTC Bill contains certain General Anti-Avoidance Rules, which provide that in certain circumstances, the DTC would prevail over the applicable DTAA in case the entity claiming DTAA benefits lacks commercial substance. The guidelines for use of General Anti-Avoidance Rules are yet to be prescribed.

#### *Settlement*

Settlement in India is quickly becoming dematerialised. To expedite the dematerialisation process and secure the investments of FIIs, FIIs are required to submit share certificates to the relevant registrar for the dematerialisation of any securities which are capable of dematerialisation. This can impose an additional constraint on FIIs, namely that they cannot sell securities they have purchased until they have been received, checked and dematerialised. This can take more than two weeks and may therefore affect the realisable sale price, the secondary market price of the Warrants or other determinations of the value of the Indian Reference Assets.

The settlement of transactions is carried out by clearing corporations/clearing houses. A further risk exists in DVP settlement that settlement simply fails as the counterparty to an equity trade does not deliver the Indian Reference Asset(s). In such circumstances, after a reasonable period the FII may request the Custodian to insist that the broker square-up, that is either immediately deliver the certificates, deliver securities in dematerialised form or pay the excess of the present market value over the purchase price. Once again, this risk can be substantially reduced by using clearing house settlement.

#### *Indonesia*

The Warrants reflect the risks of a direct investment in Indonesian equity, Indonesian debt or an index which references Indonesian equity, as the case may be, by a Foreign Investor outside Indonesia (as defined below) who is subject to the same securities laws and rules and regulations of any securities regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities. Some, but not all, of these risks are described in the sections below.

#### *General Risks relating to Indonesia and Investment in Indonesian Listed Companies or an Index referencing shares of Indonesian Listed Companies*

The Underlying Company is an Indonesian entity and the Reference Assets or the constituents of the Reference Assets, as the case may be, are located in Indonesia. Most or all of the commissioners, directors and officers of the Underlying Company are based in Indonesia and substantially all of the assets and operations of the Underlying Company are located in Indonesia. The Reference Assets could therefore be

adversely affected by changes in the Indonesian Government's policies, social instability or other political, economic, legal, regulatory or international developments in or affecting Indonesia.

Prospective investors in the Warrants should be aware that they are exposed to the Indonesian legal system which is subject to considerable discretion and uncertainty. It may be difficult or impossible to pursue claims relating to the Reference Assets. As the Reference Assets or constituents of the Reference Assets, as the case may be, are shares, it is important to note that Indonesian legal principles relating to the rights of shareholders, or their practical implementation by Indonesian courts, may differ from those that are applied in other jurisdictions such as the United States or member states of the European Union. Absent a binding precedent system, the rights of shareholders under Indonesian law might not be as clear as in these other jurisdictions. In addition, under Indonesian law, companies may have rights and defences to actions filed by shareholders that may not be available in these other jurisdictions.

The Underlying Company's corporate affairs are governed by its Articles of Association, the laws governing corporations incorporated in Indonesia, the Indonesian Capital Market law and regulations and the rules of the Indonesia Stock Exchange. The rights of the shareholders and the responsibilities of the board of commissioners and the board of directors of the Underlying Company under Indonesian law may be different from those applicable to a company incorporated in another jurisdiction. Principal shareholders of Indonesian companies do not owe fiduciary duties to minority shareholders as may be the case in other jurisdictions. The public shareholders may have more difficulty in protecting their interests in connection with actions taken by members of the board of directors or the board of commissioners or by the principal shareholders of the Underlying Company than they would as shareholders of a company incorporated in another jurisdiction.

The Reference Assets or constituents of the Reference Assets, as the case may be, are subject to Indonesian law and the continuing listing requirements of the Indonesia Stock Exchange. In particular, the convening and conduct of general meetings of shareholders of the Underlying Company will be governed by Indonesian law. The procedures and notice periods in relation to the convening of such general meetings of shareholders, as well as the entitlement of shareholders to attend and vote at such general meetings, may be different from those in jurisdictions outside Indonesia. For instance, the shareholders of a company who would be entitled to attend and vote at general meetings of shareholders are, by operation of Indonesian law, those shareholders appearing in the company's register of shareholders on the business day immediately preceding the day on which the notice of general meeting is issued (the "**Record Date**"), regardless of whether such shareholders may have disposed of their shares following the Record Date. In addition, shareholders who may have acquired their shares after the Record Date (and before the day of the general meeting) would not be entitled to attend and vote at the general meeting. Accordingly, prospective investors in the Warrants should note that the Issuer and/or its Affiliates may be subject to procedures and rights with regards to general meetings of shareholders of the Underlying Company that are different from those to which they may be accustomed in other jurisdictions.

The Indonesian securities market is less liquid and relatively more volatile compared to securities markets in certain other countries. The Indonesian securities market, including the Indonesia Stock Exchange, has in the past experienced substantial fluctuations in the prices of listed securities. The Indonesia Stock Exchange has previously experienced some problems which, were they to continue or recur, could affect the market price and liquidity of the securities of Indonesian listed companies, including the Reference Assets or the constituents of the Reference Assets, as the case may be. These problems include broker defaults and settlement delays. In addition, the level of regulation and monitoring of the Indonesian securities market and the activities of investors, brokers and other market participants may not be the same as that in other countries. Further, the ability to sell and settle trades on the Indonesia Stock Exchange may be subject to delays. In light of the foregoing, there can be no assurance that the Issuer and/or any of its Affiliates will be able to dispose of the shares of the Underlying Company it holds or the hedging transactions it enters into relating to the Reference Assets, as the case may be, at the price or frequency that would be available to investors in a more liquid or less volatile market. There may also be less information publicly available about Indonesian companies than is regularly made available by public companies listed on other markets. Any of

these factors could adversely affect the trading price or level, as the case may be, of the Reference Assets and therefore the return on the Warrants.

#### *Acquisition of Shares by the Issuer and/or its Affiliates may be considered as a Takeover*

Under the regulations of Bapepam-LK (the Indonesian equivalent of the SEC), if there is any change of control in an Indonesian public company, the new controlling party must carry out a mandatory tender offer of the remaining public shares (not including, for example, shares of the other controlling shareholders, if any). Consequently, if the Issuer and/or any of its Affiliates acquires shares of an Indonesian public company and the acquisition causes it to be the new controller of the Indonesian public company, it would be required to carry out a mandatory tender offer of the remaining shares as described above.

Under Regulation No. IX.H.1, regarding Takeover of Public Companies, a takeover of an Indonesian public company is defined as an action which directly or indirectly changes the controlling party of that public listed company.

A controlling party of an Indonesian public listed company is:

- (i) a party that owns more than 50% (fifty percent) of the overall paid up capital of the company; or
- (ii) a party that directly or indirectly has the ability to control the management or policy of the company.

#### *Issues (excluding taxation issues) relating to dividend or coupon payments*

To the extent that the Reference Assets are shares or bonds, the issues relating to dividend or coupon payments in connection with such Reference Assets are set out below.

In accordance with the applicable Indonesian law, distributions of dividends must be approved by the shareholders of an Indonesian public listed company in an annual shareholders' meeting following a proposal of the board of directors and an Indonesian public listed company can only distribute dividends if it has net profits and has no carry forward losses.

The net profits available to pay dividends will be reduced by the amount that is required to allocate to the company's reserve fund under Indonesian law. The reserve fund is designed to provide a reserve to offset any future losses. It should be funded to an amount equal to at least 20% of the company's issued share capital although there is no time period specified for achieving this level of funding. A decision to allocate any of the net profits to the reserve fund must be approved by the shareholders.

Holders of shares on the applicable record dates will be entitled to the full amount of dividends approved, subject to Indonesian withholding tax imposed, if any.

Where the Reference Assets are shares or bonds, the investors (who owned the Warrants immediately prior to the ex-dividend date) may be entitled to receive amounts reflecting the dividend or coupon some time after the dividend or coupon is announced or paid if payment of the dividend or coupon, or the receipt thereof by a Foreign Investor outside Indonesia or any other person, is delayed for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs and expenses incurred in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends may be calculated with reference to any taxation charged in respect of such dividends or coupons.

#### *Market Access*

Organisations and individuals outside Indonesia ("**Foreign Investors outside Indonesia**") can generally invest directly in Indonesian listed securities, subject to certain foreign ownership limits. Certain industries in Indonesia such as banking and broadcasting provide limitation for investments by Foreign Investors

outside Indonesia. Under Indonesian law, a bank can only list 99% of its shares on a stock exchange, but all of them may be purchased by Foreign Investors outside Indonesia. The remaining 1% must be held by Indonesian investors and cannot be listed. Under Indonesian law, Foreign Investors outside Indonesia can only hold, directly or indirectly, a maximum of 20.0% of shares of a private broadcasting institution.

#### *Exchange Control*

Indonesia has no foreign exchange controls. Foreign currency is generally freely transferable within or from Indonesia. However, to maintain the stability of the lawful currency of Indonesia (the "**Indonesia Rupiah**" or "**IDR**") and to prevent the utilisation of the Indonesia Rupiah for speculative purposes by non-residents, Bank Indonesia has introduced regulations to restrict the movement of Indonesia Rupiah to a bank domiciled outside Indonesia or to an offshore branch of an Indonesian bank, or any investment in Indonesia Rupiah denomination with foreign parties and/or Indonesian parties domiciled or permanently residing outside Indonesia, thereby limiting offshore trading to existing sources of liquidity. In addition, Bank Indonesia has the authority to request information and data concerning the foreign exchange activities of all persons and legal entities that are domiciled, or plan to domicile, in Indonesia for at least one year. Bank Indonesia regulations also require resident banks and companies that have total assets or total annual gross revenues of at least IDR100 billion to report to Bank Indonesia all data concerning their foreign currency activities, if the transaction is not conducted via a domestic bank or domestic non-bank financial institution (for example, insurance companies, securities companies, finance companies, or venture capital companies). However, if the transaction is conducted via a domestic bank and/or domestic non-bank financial institution, the requirement to report to Bank Indonesia is imposed on the relevant Indonesian banks or non-bank financial institutions that carried out the transaction. The transactions that must be reported include receipt and payment of foreign currency through bank accounts outside of Indonesia.

Bank Indonesia provides certain limitations for Indonesian individuals, Indonesian legal entities (excluding banks) and foreign parties for buying foreign currencies. Based on a Bank Indonesia regulation, Indonesian individuals, Indonesian legal entities (excluding banks) and foreign parties can buy foreign currencies using Rupiah from banks. However, if the purchase of foreign currencies exceeds U.S.\$100,000 or its equivalent per month, such purchase would require some additional documentation. Purchases of foreign currencies against IDR by a resident/non-resident of a value not exceeding U.S.\$100,000 should be accompanied with a formal declaration with stamp duty signed, stating that the foreign exchange purchase transaction against IDR does not exceed U.S.\$100,000 or its equivalent per month across all banks in Indonesia. For purchases of foreign currencies against IDR above U.S.\$100,000 or its equivalent per month across all banks in Indonesia, documents evidencing the underlying transaction, copy of tax identity (this does not apply for foreign parties) and declaration letter with stamp duty signed declaring the validity of the underlying documents and that the underlying document only entitles the purchase of foreign currency against IDR in the Indonesian banking system at the maximum corresponding to the nominal amount of the underlying transaction should be submitted. "Foreign parties" include foreign citizens, foreign legal entities or institutions and Indonesian citizens having permanent residence in other countries and that are not domiciled in Indonesia.

#### *Foreign currency risk*

The Warrants are settled in the Settlement Currency as specified in the applicable Final Terms. Prospective investors in the Warrants should understand that, where the Settlement Currency is U.S. dollars, amounts payable under the Warrants will be converted from Indonesian Rupiah into U.S. dollars. Therefore, the Warrants are subject to the same risks as any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the Warrants. In addition, any dividends that an Indonesian corporation may declare in the future will be denominated and payable in Indonesian Rupiah and will be subject to risks from fluctuations in exchange rates if such amounts are converted into U.S. dollars.



Historical performance of the Indonesian Rupiah and the U.S. dollar does not indicate the future performance of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the Warrants.

Trading levels of the Indonesian Rupiah and the U.S. dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the Warrants. The value of the Indonesian Rupiah and the U.S. dollar is a result of the supply of, and demand for, each currency and changes in the foreign exchange rate may result from the many factors including economic, financial, social and political conditions in Indonesia. These conditions include, for example, the overall growth and performance of the economies of Indonesia, interest rate levels, the performance of the stock markets in Indonesia, major natural disasters in Indonesia, and other foreseeable and unforeseeable events.

#### *Taxation issues relating to dividend payments*

To the extent that the Reference Assets are shares, the taxation issues relating to dividend payment in connection with such Reference Assets are set out below. Dividends declared by an Indonesian public listed company out of retained earnings and distributed to a non-Indonesian holder in respect of shares are subject to Indonesian withholding tax, currently at the rate of 20.0%, on the amount of distribution (in the case of cash dividends) or on the shareholders' proportional share of the value of the distribution (normally par value in the case of stock dividends). A lower tax rate provided under certain double taxation treaties may be applicable. According to Regulation of the Director General of Tax No PER-61/PJ/2009, starting 1 January 2010, to be able to benefit from tax treaty relief, the requirements that must be complied are, among others, (i) the recipient of the income is a non-Indonesian resident taxpayer, (ii) the recipient of the income must have submitted original Form of DGT-1 (for non-banking institution) or DGT-2 (for banking institution and pension fund), acting as a Certificate of Tax Residency ("**Tax Certificate**") that is filled in by the recipient of the income and validated by the competent authority of the country where the recipients are resident and (iii) the recipient of the income does not misuse the tax treaty as set out in the provision on the prevention of misuse the tax treaty. A copy of the Tax Certificate is to be submitted by the tax withholder to the appropriate Indonesian tax office that has jurisdiction over the company at the latest by tax reporting submission deadline (i.e. the 20th of the following month after the recipient receives the income).

#### *Taxation issues relating to Disposition of Shares*

To the extent that the Reference Assets are shares, the taxation issues relating to disposition of shares in connection with such Reference Assets are set out below. Under Indonesian Income Tax Law, the sale of unlisted shares by a non-Indonesian holder is subject to final Indonesian withholding tax, currently at the rate of 20.0%, on the estimated net income. In accordance with the Decree of the Ministry of Finance No. 434/KMK.04/1999, effective 24 August 1999, the estimated net income for the sale of unlisted shares is 25.0% of the sale price resulting in an effective final withholding tax rate of 5.0% of the sale price (irrespective of whether or not there is a profit on the sale of unlisted shares). The obligation to withhold the final withholding tax lies with the buyer (if it is an Indonesian taxpayer) or the company (if the buyer is also a non-Indonesian holder). Exemption from the 5.0% final withholding tax on the sale of unlisted shares may be available to non-resident sellers of shares depending on the provisions of the applicable double taxation treaties. In order to benefit from the exemption under the relevant double taxation treaty, the non-resident seller must provide a Tax Certificate to the buyer (or the company if the buyer is a non-Indonesian holder).

Pursuant to Government Regulation No. 41 of 1994 regarding Income Tax on Income from Share Trading Transactions on the Stock Exchange dated 23 December 1994 and its amendments in Government Regulation No. 14 of 1997 dated 29 May 1997, the sale or transfer of shares that are listed on an Indonesian stock exchange is subject to final withholding tax of 0.1% of the total amount of the transaction value and should be withheld by such Indonesian stock exchange. An additional 0.5% final tax (totalling a total tax of 0.6%) is imposed on the share value for the holding of the founder shares (except for the founder shares of a mutual fund). The imposition of 0.5% withholding tax will occur at the time of the initial public offering for shares traded on such Indonesian stock exchange on or after 1 January 1997. The imposition of 0.5%

withholding tax on the founder shares is not compulsory. The tax regulations provide an option for the taxpayer, subject to reporting to the tax office and the stock exchange, to elect to substitute the 0.5% additional final tax with the taxation of actual capital gains (if any) resulting from the sale of the founder shares subject to the normal tax rates (a flat rate of 25% for corporate taxpayers, or progressive rates with a maximum of 30.0% for individual taxpayers). Currently, the tax regulations for listed shares do not contain any provision in respect of treaty protections. In practice, the 0.1% final withholding tax is applied irrespective of the fact that there may be treaty exemptions. Indonesian tax authorities have a general rule regarding refunds, which may be used in case of an applicable treaty exemption.

### *Settlement*

The settlement of transactions is carried out by the Central Depository. A further risk exists in DVP settlement that settlement simply fails as the counterparty to an equity trade does not deliver the Reference Assets.

### *Japan*

The Warrants reflect the risks of a direct investment in Japanese equity, Japanese debt or an index which references Japanese equities, as the case may be, by an investor outside Japan ("**Foreign Investor outside Japan**") who is subject to the same securities laws and rules and regulations of any securities regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities. Some, but not all, of these risks are described in the sections below.

### *Market Access*

There are no substantial restrictions on the investment in Japanese shares, subject to certain requirements set out below.

If an investor (regardless of its nationality or residence) acquires 5% or more of the voting rights in a Japanese listed company, such investor is required to file a Significant Shareholding Report ("**SSR**") with the Chief of the Kanto Local Finance Bureau within five business days after the date of acquisition. A filed SSR will be disclosed to the public for a period of five years from the date of filing. Once a SSR is filed, the investor is required to file an amendment report each time there is an increase or decrease in its shareholding by 1% or more. Failure to file a SSR would not render the transaction void, however, the investor (in the case of a corporation) may be subject to a fine of up to 500 million Japanese Yen.

In addition, if, as a result of the investment, a non-Japanese resident (any person resident outside Japan, including any corporation or other entity organised under laws other than Japanese law) ("**Non-Japanese Resident**") becomes an owner of 10% or more of the issued shares in a Japanese listed company, such Non-Japanese Resident is required to make a filing with the Bank of Japan under the Foreign Exchange and Foreign Trade Act of Japan ("**Foreign Exchange Act**"). Depending on the industry in which the target company operates (such as industries relating to weapons, aircraft, satellites, reactors and nuclear fuel material), such filing may be required in advance of the contemplated transaction, which entails a waiting period of thirty days (normally reduced to two weeks). In most cases, however, a filing is required within fifteen days after the completion of the transaction. It is prohibited under Japanese law for non-Japanese nationals (including any corporation or other entity organised under laws other than Japanese law) to hold over one-third of the shares of a Japanese aviation company or Nippon Telegraph and Telephone Corporation. Similarly, it is prohibited under Japanese law for non-Japanese nationals to hold over one-fifth of the shares of a Japanese broadcasting company.

To the extent the Reference Assets are bonds issued by a Japanese company (other than those issued by public offering), such Non-Japanese Resident who acquires the bonds might be required to make a filing with the Bank of Japan under the Foreign Exchange Act after the acquisition in certain circumstances.

As these requirements relate to direct investment in a Japanese corporation, they do not apply to a holder of the Warrants so long as the Warrants are settled by a cash payment. However, if the Issuer and/or its Affiliate, as a direct investor in a Japanese corporation, fails to comply with any of these requirements, and is fined or forced to pay damages, its ability to settle the transaction upon exercise of the Warrants may be seriously compromised.

#### *Foreign currency risk*

The Warrants are settled in the Settlement Currency as specified in the applicable Final Terms. Prospective investors in the Warrants should understand that, where the Settlement Currency is U.S. dollars, amounts payable under the Warrants will be converted from Japanese Yen into U.S. dollars. Therefore, the Warrants are subject to the same risks as any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the Warrants. In addition, any dividends that a Japanese corporation may declare in the future will be denominated and payable in Japanese Yen and will be subject to risks from fluctuations in exchange rates if such amounts are converted into U.S. dollars.

Historical performance of the Japanese Yen and the U.S. dollar does not indicate the future performance of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the Warrants.

Trading levels of the Japanese Yen and the U.S. dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the Warrants.

The value of the Japanese Yen and the U.S. dollar is a result of the supply of, and demand for, each currency and changes in the foreign exchange rate may result from the interactions of many factors including economic, financial, social and political conditions in Japan and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and Japan, the trade and current account balance between the United States and Japan, market interventions by the Federal Reserve Board of the United States or the Bank of Japan, inflation, interest rate levels, the performance of the stock markets in the United States and Japan, the stability of the United States' and Japan's governments and banking systems, wars in which the United States and Japan are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and Japan, and other foreseeable and unforeseeable events.

Certain relevant information relating to Japan may not be as well known or as rapidly or thoroughly reported in the United States as comparable to developments in the United States. Prospective purchasers of the Warrants should be aware of the possible lack of availability of important information that can affect the value of the Japanese Yen in relation to the U.S. dollar and must be prepared to make special efforts to obtain such information on a timely basis.

#### *Timing issues concerning dividend or coupon payments*

To the extent that the Reference Assets are shares or bonds, the timing issues concerning dividend or coupon payments in connection with such Reference Assets are set out below. The investors (who owned the Warrants immediately prior to the ex-dividend/coupon date) may be entitled to receive amounts reflecting the dividends or coupons some time after the dividend or coupon is announced or paid if payment of the dividend or coupon, or the receipt thereof by a Foreign Investor outside Japan or any other person, is delayed for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs and expenses in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends or coupons may be calculated with reference to any taxation charged in respect of such dividends or coupons.

In relation to shares, there are further timing issues concerning dividend payments set out below. Under the Japanese Companies Act (Law No. 86 of 2005) (the "**Japanese Companies Act**"), distribution of dividends must be approved by the shareholders at a general meeting unless the articles of incorporation of the company provide that the board of directors should have such authority and the company meets certain conditions under the Japanese Companies Act. In addition, the board of directors of a company may approve payment of interim dividends once in a business year if so provided in the articles of incorporation.

Distribution of dividends is only permitted utilising the distributable amount (*bunpai kanou gaku*) defined under the Japanese Companies Act (the "**Distributable Amount**") as of the effective date which is roughly calculated by deducting (i) the amount to be set aside for creditors and (ii) the decrease in surplus since the last day of the most recent fiscal period from (iii) the amount of surplus as of the last day of the most recent fiscal period, and adding (iv) the increase in surplus since the last day of the most recent fiscal period *provided that* the creditors of the company were given the opportunity to raise objections against such amount in accordance with the Japanese Companies Act, and further *provided that* the net assets of the company are not below JPY3 million. A shareholder or board resolution approving distribution of dividends in excess of the Distributable Amount is not valid, therefore, the company may demand that the shareholders return the entire amount equivalent to the book value of cash or other assets received based on such resolution, and the creditors of the company may also demand payment against the shareholders to the extent of their debts owed by the company.

Typically, where a record date is specified in the articles of incorporation of a company, dividends are paid to the shareholders whose names appear on the company's shareholder register as of the record date on the dividend payment date to be designated at a shareholders' meeting (or board meeting where applicable). In general, dividends are distributed and paid to shareholders in proportion to the number of shares held by each shareholder. Cash or other assets (typically, shares) may be paid as dividends (except in the case of interim dividends which are only allowed to be paid in cash), however, payment of dividends in assets other than cash generally requires shareholders' approval by a special majority resolution.

#### *Taxation issues concerning investment in listed shares in Japan*

To the extent that the Reference Assets are shares, the taxation issues concerning investment in listed securities in connection with such Reference Assets are set out below. Generally speaking, similar to a company resident in Japan, a corporation classified as a Non-Japanese Resident is subject to Japanese corporation tax if they are trading in Japan through a permanent establishment (e.g. a branch or a dependent agency) ("**PE**"). Under Japanese tax law, a Non-Japanese Resident corporation not having a PE in Japan would not be subject to corporation tax in Japan except for certain cases such as capital gains on the sale of real estate in Japan or on the sale of certain other assets including certain shares (as described in the paragraph below), income from the operation or retention of assets situated in Japan, income from certain services provided in Japan and rental income from real estate in Japan. Japanese-sourced income paid to a Non-Japanese Resident corporation will, however, be subject to withholding tax in Japan in a number of situations.

Among others, capital gains on a sale of the following shares by a Non-Japanese Resident corporation without a PE in Japan is treated as Japanese-sourced income, and will be subject to corporation tax at a rate of 30%:

- (i) shares in a Japanese company if the Non-Japanese Resident and/or its related persons own 25% or more of the outstanding shares at any time during the past three years including the year of sale and 5% or more of the outstanding shares held by such Non-Japanese Resident and/or its related persons are sold in the current year; or

- (ii) shares in a company with 50% or more of its total property consisting of real estate located in Japan on a fair market value basis, if such Non-Japanese Resident and/or its related persons own more than 5% of (in the case of listed shares) or 2% (in the case of unlisted shares) of the outstanding shares.

Dividends paid by listed Japanese companies to Non-Japanese Residents are subject to withholding tax at a general rate of 15%, which is presently reduced to 7% until 31 December 2011, and thereafter increased to 15% from 1 January 2012 onwards. However, such reduced rates do not apply to an individual investor owning 5% or more of the outstanding shares of a listed company.

The execution of a transfer agreement in respect of listed shares in Japan is not subject to stamp duty.

The description above could be changed under applicable tax treaties.

### *Settlement*

As the Warrants will not be traded on any Japanese stock exchange, there is no risk in relation to any specific settlement mechanism or trading rules with respect to the Warrants. However, there is a general risk that, at the time of exercise of the Warrants, the Issuer may not have sufficient funds to settle the proposed trade. Further, settlement may not occur if the counterparty to a share transaction involving the Japanese underlying shares fails to deliver the shares to the Issuer as contemplated although a person who does not have or own the title in the securities it proposes to sell is generally prohibited from carrying out the transaction (whether directly or by using a broker) under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended).

### *Korea*

The Warrants reflect the risks of a direct investment in Korean equity, Korean debt or an index which references Korean equity, as the case may be, by a foreign investor eligible under the Securities Regulations (as defined below) to trade listed securities in the Korean securities markets ("**Foreign Investor outside Korea**") who is subject to the same securities-related laws and rules and regulations of any securities-related regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities. Some, but not all, of these risks are described in the sections below.

#### *Korean foreign exchange and securities regulation in general*

The Foreign Exchange Transaction Law of Korea and its Presidential Decree and the regulations under such Law and Decree (collectively, the "**Foreign Exchange Transaction Laws**") regulate the investment in Korean securities by Foreign Investors outside Korea as non-residents (as defined under the Foreign Exchange Transaction Laws) ("**Non-Korean Residents**") and the issuance of securities outside of Korea by Korean companies. Non-Korean Residents may invest in Korean securities pursuant to the Foreign Exchange Transaction Laws. The Financial Services Commission of Korea ("**FSC**") has also adopted, pursuant to its authority under the Korean Financial Investment Services and Capital Markets Act ("**FSCMA**") and its Presidential Decree, certain regulations (collectively, the "**Securities Regulations**") that restrict investment by Foreign Investors outside Korea in Korean securities and regulate the issuance of securities outside of Korea by Korean companies.

Under the Foreign Exchange Transaction Laws, (1) if the Minister of Strategy and Finance ("**MOSF**") in its discretion deems it inevitable following the outbreak of natural calamities, wars, conflict of arms or due to grave and sudden changes in domestic or foreign economic circumstances or other situations equivalent thereto, it may temporarily suspend payment, receipt, or the performance of obligations relating to the whole or a part of, the transactions to which the Foreign Exchange Transaction Laws apply, or impose an obligation to safe-keep, deposit or sell means of payment or jewellery in or to the Bank of Korea, certain Korean governmental agencies, the Foreign Exchange Equalisation Fund or financial institutions; and (2) if the

MOSF deems that international balance of payments and international finance are confronted or are likely to be confronted with serious difficulty, or the movement of capital between Korea and abroad brings or is likely to bring on serious obstacles in carrying out currency policies, exchange rate policies and other macroeconomic policies, it may take measures to require any person who intends to perform capital transactions to obtain permission or to require any person who performs capital transactions to deposit part of the means of payment acquired in such transactions in the Bank of Korea, the Foreign Exchange Equalisation Fund or financial institutions, and in each case of (1) and (2), subject to certain limitations thereunder.

*Filing with Korean government in connection with the issuance of Warrants*

In order for the Issuer to issue Warrants linked to the lawful currency of Korea (the "**Korean Won**"), the Issuer is required to file a prior report of the issuance with the MOSF. In addition, the Issuer is also required to submit a report to the MOSF upon receipt of the full proceeds from the offering of the Warrants promptly after the issuance of the Warrants. Unless and until the MOSF accepts the prior report, the issuance of the Warrants is not permitted. If the Issuer issues the Warrants without such prior report being filed and accepted, it may be subject to criminal penalties and administrative sanctions. No further Korean governmental approval is necessary for the initial offering and issuance of the Warrants.

*Restrictions applicable to securities transactions*

As a result of the amendments to the foreign exchange related laws and the securities related laws adopted in connection with the stock market opening to foreign investors in January 1992, Foreign Investors outside Korea may invest, with certain exceptions and subject to certain procedural requirements, in the securities of all Korean companies, whether or not listed on the Korea Exchange ("**KRX**"), unless prohibited by specific laws. Foreign Investors outside Korea may trade securities listed on the KRX only through the KRX, except in limited circumstances, including:

- odd-lot trading of shares;
- acquisition of shares by exercise of rights under convertible bonds, bonds with warrants, exchangeable bonds, depositary receipts, secondary depositary receipts or any other similar securities or certificates issued outside of Korea by a Korean company (collective, the "**Securities outside Korea**");
- acquisitions of shares by exercise of rights under convertible bonds, bonds with warrants, exchangeable bonds or stock options;
- acquisition of shares by foreign companies as a result of merger;
- acquisition of shares as a result of inheritance, donation, bequest or exercise of shareholders' rights, including pre-emptive rights or rights to participate in free distributions and receive dividends;
- over-the-counter transactions between foreigners of shares of designated public corporations (as defined below) for which the ceiling on aggregate acquisition by foreigners, as explained below, has been reached or exceeded;
- shares acquired by way of the foreign investment under Article 2, Paragraph 1, Subparagraph 4(Ga) of the Foreign Investment Promotion Act of Korea and/or the disposal of such shares by the investors;
- disposal of shares pursuant to the exercise of appraisal rights of dissenting shareholders;
- the acquisition or disposal of shares in connection with a tender offer pursuant to FSCMA;

- the acquisition of underlying shares by a foreign depository in connection with the issuance of depository receipts or secondary depository receipts;
- the trading of listed bonds with an investment trader as the counterparty to a transaction with or through the brokerage of an investment broker; and
- margin transactions intermediated by the Korea Securities Depository, securities finance companies or investment brokers; provided, that, as for the shares of designated public corporations (as defined below), this exception is limited only to margin transactions between foreigners.

For over-the-counter transactions between Foreign Investors outside Korea of shares of designated public corporations (as defined below) with respect to which the limit on aggregate foreign ownership, as explained below, has been reached or exceeded, an investment broker licensed in Korea must act as an intermediary. Odd-lot trading of shares outside the KRX must involve an investment dealer licensed in Korea as the other party.

The Presidential Decree of FSCMA and Securities Regulations require a Foreign Investor outside Korea who wishes to invest in securities listed on the KRX (including securities being publicly offered or sold in order to be listed on the KRX) to register its identity with the Financial Supervisory Service ("FSS") prior to making any such investment unless it has previously registered. However, such registration requirement does not apply to Foreign Investors outside Korea who (i) acquire shares by exercise of rights under the Securities outside Korea with the intention of selling such shares within three (3) months from the date of acquisition thereof or (ii) acquire or dispose of government bonds or monetary stabilisation bonds through an account opened in the Korea Securities Depository in the name of an international depository and clearing organization that has completed the registration of investment (provided, however, that excluded herefrom are cases where the obligation to report is waived, in the manner prescribed by the Governor of the FSS, the details of bonds traded by a foreigner through an international depository and clearing organization that has completed the registration of investment in its name). Upon registration, the FSS will issue to the Foreign Investor outside Korea an investment registration card which must be presented each time the Foreign Investor outside Korea opens a brokerage account with an investment broker or investment dealer ("**Investment Registration Card**"). Foreign Investors outside Korea eligible to obtain an Investment Registration Card include foreign nationals who have not been residing in Korea for a consecutive period of six (6) months or more, foreign governments, foreign municipal authorities, foreign public institutions, corporations incorporated under foreign laws, international organisations designated by the Presidential Decree of FSCMA and any other person including foreign entities located abroad designated by the Presidential Decree of FSCMA. The offices of a foreign corporation in Korea are not subject to investment registration and treated as Korean nationals, unlike the offices of the corporation outside Korea for the purpose of investment registration. However, a foreign financial institution or a foreign depository issuing depository receipts or secondary depository receipts may obtain one or more Investment Registration Cards in its name in certain circumstances as described in the relevant regulations.

Upon a purchase of securities by a Foreign Investor outside Korea through the KRX, no separate report by the Foreign Investor outside Korea is required because the Investment Registration Card system is designed to control and oversee foreign investment through a computer system. However, an acquisition or sale of securities listed on the KRX outside the KRX (as discussed above) by a Foreign Investor outside Korea must be reported by the Foreign Investor outside Korea or his standing proxy to the Governor of the FSS ("**FSS Governor**") at the time of each such acquisition or sale provided, however, that a Foreign Investor outside Korea must ensure that any acquisition or sale by it of securities listed on the KRX outside the KRX, in the case of trades in connection with a tender offer, odd-lot trading of shares, trades between foreigners of shares of designated public corporations (as defined below) for which the aggregate foreign ownership limit, as explained below, has been reached or exceeded, acquisition of underlying shares by a foreign depository in connection with the issuance of depository receipts or secondary depository receipts, trading of listed bonds with an investment trader as the counterparty to a transaction with or through the brokerage of an investment broker or margin transactions mediated by the Korea Securities Depository, securities finance companies or

investment brokers (*provided that*, as for the shares of designated public corporations, as defined below, the exception is limited only to margin transactions between foreigners), is reported to the FSS Governor by the relevant investment dealer, investment broker, Korea Securities Depository or securities finance company engaged to facilitate such transaction. A Foreign Investor outside Korea may appoint one or more standing proxies from among the Korea Securities Depository, foreign exchange banks, investment dealers, investment brokers, collective investment business entities and certain foreign custodians specified in the Securities Regulations to exercise shareholders' right, place an order to sell or purchase securities or perform any matter related to the foregoing activities if the Foreign Investor outside Korea does not perform these activities himself. However, a Foreign Investor outside Korea may be exempted from complying with these standing proxy rules with the approval of the FSS Governor in cases deemed inevitable by reason of conflict between the laws of Korea and that of the home country of such Foreign Investor outside Korea.

Securities of Korean companies acquired by a Foreign Investor outside Korea must be kept in custody with an eligible custodian. Only the Korea Securities Depository, foreign exchange banks, investment dealers, investment brokers, collective investment business entities and certain foreign custodians specified in the Securities Regulations are eligible to act as a custodian of securities for a Foreign Investor outside Korea. The custodian of a Foreign Investor outside Korea must deposit such securities with the Korea Securities Depository. However, the custodian of a Foreign Investor outside Korea may be exempt from complying with this deposit requirement with the approval of the FSS Governor in circumstances where the incompliance thereof is inevitable, including where such compliance would contravene the laws of the home country of such Foreign Investor outside Korea.

Under the Securities Regulations, with certain exceptions, Foreign Investors outside Korea may acquire shares of a Korean company without being subject to any foreign investment ceiling. As one such exception, designated public corporations are subject to a 40% ceiling on the acquisition of shares by Foreign Investors outside Korea in the aggregate. Designated public corporations may set a ceiling on the acquisition of shares by a single foreign person within 3% of the total number of shares in their articles of incorporation. Of the Korean companies listed on the KRX, only Korea Electric Power Corporation has been so designated. Furthermore, an investment by a Foreign Investor outside Korea of not less than KRW 100 million of investment amount and not less than 10% of the outstanding voting shares of a Korean company is defined as a "foreign investment" under Article 2, Paragraph 1, Subparagraph 4(Ga) of the Foreign Investment Promotion Act and Article 2, Paragraph 2, Subparagraph 1 of its Presidential Decree, which is in general, subject to reporting to, and acceptance by, the Minister of Knowledge Economy which delegates its authority to the president of foreign exchange banks or the president of the Korea Trade-Investment Promotion Agency under Decree of the Ministry of Knowledge Economy. The acquisition of shares of a Korean company by a Foreign Investor outside Korea may also be subject to certain foreign shareholding restrictions in the event that such restrictions are prescribed in each specific law which regulates the business of such Korean company.

Under the Foreign Exchange Transaction Laws, a Foreign Investor outside Korea who intends to acquire securities must open a foreign currency account and a Korean Won account exclusively for investments at a foreign exchange bank in Korea. No approval is required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from foreign currency account at the time required to place a deposit for, or settle the purchase price of a securities purchase transaction, to a Korean Won trading account opened with an investment broker or an investment dealer. Funds in the foreign currency account may be remitted abroad without any governmental approval.

Dividends on shares are paid in Korean Won. No governmental approval is required for Foreign Investors outside Korea to receive dividends on shares or the Korean Won proceeds of the sale of securities to be paid, received and retained in Korea. Dividends paid on shares and the Korean Won proceeds of the sale of securities held by a Foreign Investor outside Korea must be deposited either in a Korean Won trading account with the investor's investment broker or investment dealer or his Korean Won account at a foreign exchange bank. Funds in the investor's Korean Won account at a foreign exchange bank may be transferred to his foreign currency account or withdrawn for local living expenses up to certain limitations. Funds in the



Korean Won account at a foreign exchange bank may also be used for future investment in securities or for payment of the subscription price of new shares obtained through the exercise of pre-emptive right.

Investment brokers and investment dealers are allowed to open foreign currency accounts with foreign exchange banks exclusively for accommodating securities investments of Foreign Investors outside Korea in Korea. Through these accounts, investment brokers and investment dealers may enter into foreign exchange transactions on a limited basis, such as conversion of foreign currency funds and Korean Won funds, either as a counterparty to or on behalf of Foreign Investors outside Korea, without the investors having to open their own accounts with foreign exchange banks.

#### *Market access*

The investor in the Warrants will be subjected to the effect of equivalent restrictions and controls to those imposed on Foreign Investors outside Korea generally, as determined by the Calculation Agent. These include limitations on the number of Korean Reference Assets in respect of which the investor is expecting to receive an economic return, potential delays or even non-receipt of funds on sale of the Warrants, taxes and charges generally levied on Foreign Investors outside Korea in buying and selling equity and limitations on the importation and withdrawal of funds. Payments to Warrantholders calculated by reference to the price of a disposal of Korean Reference Assets will not be due unless or until the proceeds of disposal would have been received by a Foreign Investor outside Korea.

If Foreign Investors outside Korea become unable to invest directly in or alternatively hold equities or Foreign Investors outside Korea are not allowed to sell or receive proceeds from the sale of such equities the Warrants may, in the worst case, become worthless.

#### *Foreign currency risk*

The Warrants are settled in the Settlement Currency as specified in the applicable Final Terms. Prospective investors in the Warrants should understand that, where the Settlement Currency is U.S. dollars, amounts payable under the Warrants will be converted from Korean Won into U.S. dollars or calculated by reference to hedge positions that may be denominated in Korean Won and will be converted into U.S. dollars, as the case may be. Therefore, the Warrants are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the Warrants.

Historical performance of the Korean Won and the U.S. dollar does not indicate the future performance of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the Warrants.

Trading levels of the Korean Won and the U.S. dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the Warrants.

The value of the Korean Won and the U.S. dollar is a result of the supply of, and demand for, each currency and changes in the foreign exchange rate may result from the interactions of many factors including economic, financial, social and political conditions in Korea and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and Korea, the trade and current account balance between the United States and Korea, market interventions by the Federal Reserve Board of the United States or the Bank of Korea, inflation, interest rate levels, the performance of the stock markets in the United States and Korea, the stability of the United States' and Korea's governments and banking systems, wars in which the United States' and Korea are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and Korea, and other foreseeable and unforeseeable events.

Certain relevant information relating to Korea may not be as well known or as rapidly or thoroughly reported in the United States as comparable to developments in the United States. Prospective purchasers of the Warrants should be aware of the possible lack of availability of important information that can affect the value of the Korean Won in relation to the U.S. dollar and must be prepared to make special efforts to obtain such information on a timely basis.

Governments, including those of the United States and Korea use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. A special risk in purchasing the Warrants is therefore that their liquidity, trading value and amounts payable could be affected by the actions of sovereign governments which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces and the movement of currencies across borders. There may be adjustments or changes in the terms of the Warrants in the event of impositions of restrictions, prohibition (such as exchange controls) or delaying of the exchange of the Korean Won into the U.S. dollar. Such events may also cause the Issuer to terminate the Warrants early.

### *Risks Relating to Korea*

If economic conditions in Korea deteriorate, the price of the Warrants could be materially and adversely affected. The price of the Reference Assets of the Warrants is subject to political, economic, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs, and future growth of the Korean economy is subject to many factors beyond the Issuer's control. Events related to the terrorist attacks in the United States on 11 September 2001, recent developments in the Middle East including the war in Iraq and its aftermath, higher oil prices, the general weakness of the global economy and the occurrence of avian flu in Asia and other parts of the world have increased the uncertainty of global economic prospects and may continue to adversely affect the Korean economy. Any future deterioration of the Korean and global economy could adversely affect the price of the Warrants. Developments that could have an adverse impact on Korea's economy include:

- financial problems or lack of progress in restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance;
- issues of certain Korean conglomerates;
- a slowdown in consumer spending and the overall economy;
- adverse changes or volatility in foreign currency reserve levels, commodity prices, exchange rates, interest rates or stock markets;
- adverse developments in the economies of countries that are important export markets for Korea, such as the United States, Japan and PRC, or in emerging market economies in Asia or elsewhere;
- the continued emergence of the PRC economy, to the extent its benefits (such as increased exports to PRC) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to PRC);
- the economic impact of any pending or future free trade agreements, including the Free Trade Agreement recently entered into with the United States;
- social and labour unrest;

- substantial decrease in the market price of Korean real estate;
- a decrease in tax revenues and a substantial increase in the Korean government's expenditures for unemployment compensation and other social programmes that, together, would lead to an increased government budget deficit;
- geo-political uncertainty and risk of further attacks by terrorist groups around the world;
- the recurrence of severe acute respiratory syndrome or an outbreak of avian flu in Asia and other parts of the world;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from trade disputes or disagreements in foreign policy;
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities involving oil producing countries in the Middle East and any material disruption in the supply of oil or increase in the price of oil; and
- an increase in the level of tension or an outbreak of hostilities between North Korea and Korea or the United States.

Escalations in tensions with North Korea could have an adverse effect on the price of the Reference Assets. Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events.

In recent years, there have been heightened security concerns stemming from North Korea's nuclear weapon and long-range missile programmes and increased uncertainty regarding North Korea's actions and possible responses from the international community. In December 2002, North Korea removed the seals and surveillance equipment from its Yongbyon nuclear power plant and evicted inspectors from the United Nations International Atomic Energy Agency. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty. Since the renouncement, Korea, the United States, North Korea, PRC, Japan and Russia have held numerous rounds of six party multi-lateral talks in an effort to resolve issues relating to North Korea's nuclear weapons programme.

In addition to conducting test flights of long-range missiles, North Korea announced in October 2006 that it had successfully conducted a nuclear test, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council passed a resolution that prohibits any United Nations member state from conducting transactions with North Korea in connection with any large scale arms and material or technology related to missile development or weapons of mass destruction and from providing luxury goods to North Korea, imposes an asset freeze and travel ban on persons associated with North Korea's weapons programme, and calls upon all United Nations member states to take cooperative action, including through inspection of cargo to or from North Korea. In response, North Korea agreed in February 2007 at the six-party talks to shut down and seal the Yongbyon nuclear facility, including the reprocessing facility, and readmit international inspectors to conduct all necessary monitoring and verifications. In October 2007, Korea and North Korea held a summit meeting to discuss easing tensions and fostering peace on the Korean peninsula.

However, in April 2009, North Korea launched a long-range rocket over the Pacific Ocean. Korea, Japan and the United States responded that the launch poses a threat to neighboring nations and that it was in violation of the United Nations Security Council resolution adopted in 2006 against nuclear tests by North Korea, and the United Nations Security Council unanimously passed a resolution that condemned North Korea for the launch and decided to tighten sanctions against North Korea. Subsequently, North Korea announced that it

would permanently pull out of six-party talks and restart its nuclear program, and the International Atomic Energy Agency reported that its inspectors had been ordered to remove surveillance devices and other equipment at the Yongbyon nuclear power plant and to leave North Korea. In May 2009, North Korea announced that it had successfully conducted a second nuclear test and test-fired three short-range, surface-to-air missiles. In response, the United Nations Security Council unanimously passed a resolution that condemned North Korea for the nuclear test and decided to expand and tighten sanctions against North Korea. In March 2010, a Korean warship was destroyed by an underwater explosion, killing many of the crewmen on board. In May 2010, the Korean government formally accused North Korea of causing the sinking and demanded that North Korea apologise for the act and punish those responsible. The Korean government has also been seeking international condemnation against North Korea for the act. North Korea has threatened retaliation for any attempt to punish it over the incident. Furthermore, in November 2010, North Korea suddenly attacked with a volley of artillery shells aimed at Yeonpyeong Do, the small island located in the Northwest sea of Korea near North Korea, resulting in two (2) deaths and eighteen (18) or more injuries including civilians.

There recently has been increased uncertainty about the future of North Korea's political leadership and its implications for the economic and political stability of the region. In June 2009, U.S. and Korean officials announced that Kim Jong-il, the North Korean ruler who reportedly suffered a stroke in August 2008, designated his third son, who is reportedly in his twenties, to become his successor. The succession plan, however, remains uncertain. In addition, North Korea's economy faces severe challenges. For example, in November 2009, the North Korean government redenominated its currency at a ratio of 100 to 1 as part of its first currency reform in 17 years in an attempt to control inflation and reduce income gaps. In tandem with currency redenomination, the North Korean government banned the use or possession of foreign currency by its residents and closed down privately run markets, which led to severe inflation and food shortage. Such developments may further aggravate social and political tensions within North Korea.

There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tension, including a breakdown of high-level contacts between Korea and North Korea or occurrence of military hostilities, could have a material adverse effect on the value of the Reference Assets and the Warrants.

There are special risks involved with investing in securities of Korean companies, including accounting and corporate disclosure standards that differ from those in other jurisdictions. As the Reference Assets or the constituents of the Reference Assets, as the case may be, are shares in Korean companies, there are risks associated with investing in them that are not typical for investments in securities of other countries' companies.

#### *Timing issues concerning dividend or coupon payments*

To the extent that the Reference Assets are shares and bonds, the timing issues concerning dividend payments in connection with the Reference Assets are set out below. The investors (who owned the Warrants immediately prior to the ex-dividend/coupon date) may be entitled to receive amounts reflecting the dividends or coupons some time after the dividend or coupon is announced or paid if payment of the dividends or coupons, or the receipt thereof by a Foreign Investor outside Korea or any other person, is delayed for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs and expenses incurred in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends or coupons may be calculated with reference to any taxation charged in respect of such dividends or coupons.

*Taxation issues concerning investment in the Warrants and listed securities in Korea*

To the extent that the Reference Assets are shares and bonds, the taxation issues concerning investment in the Warrants and listed securities in Korea in connection with the Reference Assets are set out below. The following summary of Korean tax considerations applies to Foreign Investors outside Korea who are:

- (a) Non-Korean Residents;
- (b) not corporations having its head office, principal place of business, or place of effective management in Korea; or
- (c) not engaged in a trade or business in Korea through a permanent establishment or a fixed base to which the relevant income is attributable or with which the relevant income is effectively connected,

each such Foreign Investor outside Korea, a "**Foreign Tax Person**".

Since the Warrants are not themselves securities issued by a Korean corporation nor listed on the KRX, the transfer of the Warrants, which does not involve the transfer of the Reference Assets, shall not be subject to Korean taxation.

The following would nevertheless apply to a holder of Reference Assets such as the Foreign Investor outside Korea holding shares and bonds in connection with any arrangement established for the purposes of hedging the Issuer's obligations under the Warrants.

Under the current Korean tax law, interest and premiums on bonds earned by Foreign Tax Persons are subject to Korean withholding tax at the rate of 15.4% (inclusive of local income surtax), unless exempted by relevant laws or reduced under the applicable Korean tax treaty with the Foreign Tax Person's country of tax residence (if any), as described below.

Under the current Korean tax law, dividends earned by Foreign Tax Persons are subject to Korean withholding tax at the rate of 22% (inclusive of local income surtax), unless otherwise reduced under the applicable Korean tax treaty with the Foreign Tax Person's country of tax residence (if any), as described below.

As a general rule, capital gains earned by Foreign Tax Persons upon the transfer of shares or bonds, whether or not listed on the KRX, are subject to Korean withholding tax at the lower of (1) 11% (inclusive of local income surtax) of the gross proceeds realised or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the shares or bonds, 22% (inclusive of local income surtax) of the net realised gain, unless exempted from Korean income taxation under the applicable Korean tax treaty with the Foreign Tax Person's country of tax residence as described below. Even if a Foreign Tax Person does not qualify for an exemption under a tax treaty, it will not be subject to the foregoing withholding tax on capital gains if it qualifies under the relevant Korean domestic tax law exemptions. In this regard, a Foreign Tax Person will not be subject to Korean taxation on capital gains realized upon the transfer of bonds to non-residents (unless the transfer is to the non-resident's permanent establishment in Korea). Furthermore, a Foreign Tax Person will not be subject to Korean income taxation on capital gains realised upon the transfer of shares through the KRX if it: (1) has no permanent establishment in Korea; and (2) did not own or has not owned (together with any shares owned by any entity with which it has a certain special relationship) 25% or more of the total issued and outstanding shares at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

Korea has entered into a number of income tax treaties with other countries (including the United States), which would reduce Korean withholding tax on dividends and interest and exempt Korean withholding tax on capital gains on transfer of shares or bonds. For example, under the Korea-United States income tax treaty, a reduced withholding tax at the rate of 13.2% (inclusive of local income surtax) on interest and 11%

or 16.5% (inclusive of local income surtax) on dividends and an exemption from Korean withholding tax on capital gains are available to residents of the United States that are beneficial owners of the relevant capital gains, subject to certain exceptions.

Where the Foreign Tax Person is a private person, if he or she dies while holding a security or donates a security, his or her heir or donee (or in certain circumstances, the Foreign Tax Person as the donor) will be subject to Korean inheritance or gift tax at the rate of 10% to 50%, *provided that* the value of the securities is greater than a specified amount. Under Korean inheritance and gift tax laws, securities issued by a Korean corporation are deemed to be located in Korea irrespective of where they are physically located or by whom they are owned. At present, Korea has not entered into any tax treaty relating to inheritance or gift taxes.

If a Foreign Tax Person transfers shares on the KRX KOSPI Market, it will be subject to securities transaction tax at the rate of 0.15% and an agriculture and fishery special surtax at the rate of 0.15% of the sale price of the shares. If a Foreign Tax Person transfers shares on the KRX KOSDAQ market, it will be subject to securities transaction tax at the rate of 0.3% and will not be subject to an agriculture and fishery special surtax. If the transfer of shares is not made on the KRX, subject to certain exceptions, a Foreign Tax Person will be subject to securities transaction tax at the rate of 0.5% and will not be subject to an agriculture and fishery special surtax. In principle, the securities transaction tax, if applicable, must be paid by the transferor of the shares. When the transfer is effected through the Korea Securities Depository, the Korea Securities Depository is generally required to withhold and pay the tax to the tax authorities. When such transfer is made through an investment dealer or investment broker only, such investment broker or investment dealer is required to withhold and pay the tax. Where the transfer is effected by a Foreign Tax Person without a permanent establishment in Korea, other than through the Korea Securities Depository, an investment dealer or an investment broker, the transferee is required to withhold the securities transaction tax. No securities transaction tax or agriculture and fishery special surtax is payable on the transfer of the bonds.

### ***Malaysia***

The Warrants reflect the risks of a direct investment in Malaysian equity, Malaysian debt or an index which references Malaysian equity, as the case may be, by an investor outside Malaysia ("**Foreign Investor outside Malaysia**") who is subject to the same securities laws and rules and regulations of any securities regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities. Some, but not all, of these risks are described in the sections below.

Each holder of any Warrants represents and agrees, as a condition of acquiring or holding such Warrants: (i) that the Issuer is authorised to provide information regarding the holder and the Warrants to the relevant Underlying Company and any Malaysian governmental or regulatory authority, or if applicable, to any Affiliate for onward transmission to the relevant Underlying Company and any such Malaysian governmental or regulatory authority, if required under applicable Malaysian regulations and/or as requested by any Malaysian governmental or regulatory authority from time to time and where a holder of the Warrants is or becomes, as a consequence of holding the Warrants, a "substantial shareholder" (as that term is used in the Malaysian Companies Act 1965) in the Underlying Company, then such holder shall disclose the same to the Underlying Company and to the Securities Commission of Malaysia as required under applicable Malaysian regulations and shall continue to disclose any dealings it may have thereafter in its capacity as a substantial shareholder of the Underlying Company to the Underlying Company and to the Securities Commission of Malaysia, as required under applicable Malaysian regulations, until it ceases to be a substantial shareholder; (ii) that such holder will provide the Issuer with such additional information that the Issuer and/or the Affiliate deems necessary or appropriate in order to comply with regulations or requests of the relevant Underlying Company and any Malaysian governmental or regulatory authority from time to time; (iii) that the Warrants are not being purchased by or for the benefit or account of any "resident" of Malaysia as that term is used in the Malaysian Exchange Control Notices ("**ECM**") issued pursuant to the Malaysian Exchange Control Act (a "**Malaysian Resident**") unless such purchase by or for the benefit or

account of a Malaysian Resident is wholly conducted offshore Malaysia and in accordance with the provisions of the ECM; (iv) that such holder will not, directly or indirectly, sell, transfer or otherwise dispose of any Warrants to or for the benefit or account of any Malaysian Resident unless such sale, transfer or disposal of any Warrants to or for the benefit or account of a Malaysian Resident is wholly conducted offshore Malaysia and in accordance with the provisions of the ECM; and (v) that such holder is not currently the subject of any investigation or enquiry by any Malaysian governmental or regulatory authority in connection with a failure to disclose information relating to such holder or to any "regulated activity" as that term is defined in the Capital Markets and Services Act 2007.

#### *Potential Market Access Risk for the Issuer*

There is no legislation in Malaysia prohibiting foreign ownership of equity in Malaysian companies. Foreign organisations and individuals can generally invest directly in Malaysian equity. However, the Economic Planning Unit of the Prime Minister's Department ("**EPU**") has issued guidelines which stipulate that the specific approval of the EPU is required for, inter alia, the acquisition of shares in a company that has real property representing more than 50% of its assets and where the value of such real property is more than RM20 million, which acquisition will result in a change of control of the company from Bumiputera interests and/or governmental agencies.

The guidelines issued by the EPU are not law and are a reflection of governmental policy only. While there are no legal sanctions against non-compliance, the guidelines are usually enforced administratively through government departments which generally conform to the views of the EPU.

Additionally, it should be noted that in certain instances, the operations of a local company or business in Malaysia may require certain licences, permits or other governmental approvals for its business operations, and the relevant Malaysian governmental or regulatory authority may require or stipulate certain equity conditions which may restrict the level of foreign ownership of equity in such company or business.

#### *Foreign currency risk*

The Warrants are settled in the Settlement Currency as specified in the applicable Final Terms. Prospective investors in the Warrants should understand that, where the Settlement Currency is U.S. dollars, amounts payable under the Warrants will be converted from the lawful currency of Malaysia (the "**Malaysian Ringgit**" or "**MYR**") into U.S. dollars or calculated by reference to hedge positions that may be denominated in Malaysian Ringgit and will be converted into U.S. dollars, as the case may be. Therefore, the Warrants are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. Such risks generally depend on economic and political events over which the Issuer has no control.

Malaysia has imposed from time to time, and may in the future impose or modify, exchange controls that could affect the exchange rate of the Malaysian Ringgit.

Historical performance of the Malaysian Ringgit and the U.S. dollar does not indicate the future performance of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the Warrants.

Trading levels of the Malaysian Ringgit and the U.S. dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the Warrants.

The value of the Malaysian Ringgit and the U.S. dollar is a result of the supply of, and demand for, each currency and changes in the foreign exchange rate may result from the interactions of many factors including economic, financial, social and political conditions in Malaysia and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and Malaysia, the trade and current account balance between the United States and Malaysia, market

interventions by the Federal Reserve Board of the United States or the Central Bank of Malaysia, Bank Negara Malaysia, inflation, interest rate levels, the performance of the stock markets in the United States and Malaysia, the stability of the United States' and Malaysia's governments and banking systems, wars in which the United States and Malaysia are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and Malaysia, and other foreseeable and unforeseeable events.

Certain relevant information relating to Malaysia may not be as well known or as rapidly or thoroughly reported in the United States as comparable to developments in the United States. Prospective purchasers of the Warrants should be aware of the possible lack of availability of important information that can affect the value of the Malaysian Ringgit in relation to the U.S. dollar and must be prepared to make special efforts to obtain such information on a timely basis.

Currently the exchange of Malaysian Ringgit into other foreign currencies for the purposes of repatriation is not subject to foreign exchange control in Malaysia.

#### *Timing issues concerning dividend payments*

To the extent that the Reference Assets are shares, the timing issues relating to dividend payments in connection with such Reference Assets are set out below. Under section 365(1) of the Malaysian Companies Act 1965 (the "CA"), no dividend shall be payable to the shareholders of any local company except out of profits or pursuant to section 60 of the CA (i.e. using the share premium in payment of dividend which is satisfied by the issue of shares to shareholders of the company). The power to declare a dividend lies with the shareholders at a general meeting but the dividend may not exceed the amount recommended by the directors at a meeting of the board of directors. In addition, a local company must ensure that after distribution of any dividend, it is still capable of discharging all monetary obligations due.

Dividends approved by the directors at a board meeting are distributed and paid to shareholders in proportion to the paid-up value of their shares as of the book closure date. In addition, the directors may declare and pay interim dividends. Generally, dividends are paid in cash, although, if authorised by its constituent documents, a company may pay dividends in specie of particular property of the company or the dividend may be applied in paying up shares to be distributed to the shareholders as bonus shares.

The directors, at the board meeting, may determine the date of payment of the dividend. However, where an interim dividend is declared, according to the Bursa Securities Listing Rules, it must be paid within three months from the date of the declaration of the interim dividend and must be paid within one month of the entitlement date.

To the extent that the Reference Assets are shares or bonds, the timing issues concerning dividend or coupon payments in connection with such Reference Assets are set out below. The investors (who owned the Warrants immediately prior to the ex-dividend/coupon date) may be entitled to receive amounts reflecting the dividends or coupons some time after the dividend is announced or paid if payment of the dividends or coupons, or the receipt thereof by a Foreign Investor outside Malaysia or any other person, is delayed for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs and expenses incurred in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends or coupons may be calculated with reference to any taxation charged in respect of such dividends or coupons.

#### *Taxation*

The comments below are of a general nature and are only a summary of the law and practice currently applicable in Malaysia as at the date of this Base Prospectus and are subject to any changes in laws or administrative guidelines, or the interpretation of those laws, or guidelines, occurring after such date, which changes could be made on a retrospective basis. The comments relate to the position of persons who are the absolute beneficial owners of the Warrants and may not apply equally to all persons. The comments do not



purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Warrants and do not purport to deal with the tax consequences applicable to all categories of investors. The comments are not to be regarded as advice on the tax position of any Warrantholder or of any person acquiring, selling or otherwise dealing with the Warrants or on any tax implications arising from the acquisition, sale or other dealings in respect of the Warrants. Holders or prospective holders of the Warrants who are uncertain about their respective tax positions or any such tax implications of the acquisition, ownership or transfer of Warrants should consult their own professional advisers. In particular, this general summary does not consider any specific facts or circumstances that may apply to any particular purchaser. The comments relate only to certain aspects in respect of the Warrants under the laws and practice in Malaysia as at the date of this Base Prospectus and Warrantholders should be aware that they may be liable to taxation under the laws of other jurisdictions.

#### (A) Income Tax and Capital Gains

Although Malaysia imposes a tax on income, there is no tax imposed on gains which are capital in nature except in certain circumstances in relation to the disposal of real property. However, any gains arising from the sale of Warrants derived by a person as part of a trade or business carried on by that person would be regarded as income from the trading activities of the trader and may be taxable in Malaysia. The question of whether a gain is income or capital is subject to the facts or circumstances that may apply to the Warrantholder's personal circumstances.

Subject to certain exceptions, income tax is generally payable in Malaysia on income accruing in or derived from Malaysia and on foreign-source income received or deemed received in Malaysia notwithstanding the tax resident status of the investors. However, all foreign-source income received in Malaysia by any person (other than a resident company carrying on the business of banking, insurance, shipping or air transport) is currently exempted from tax. Foreign-source income received under the Warrants will be exempt from tax subject to the facts or circumstances that may apply to a particular investor. Warrantholders should seek their own independent tax advice in respect of tax treatment that would be applicable to them.

#### (B) Goods and Service Tax

Warrantholders should be aware that the Malaysian government has announced that the current sales tax and service tax regime will be replaced with the Malaysia Goods and Services Tax ("**Malaysia GST**"). If a Malaysia GST Act is enacted, Warrantholders should consider whether the issue, allotment, transfer of ownership, renewal or variation of Warrants would be subject to Malaysia GST.

#### (C) Stamp Duty

Malaysia stamp duty would not be payable on any instrument or agreement to transfer cash-settled Warrants or any interests in cash-settled Warrants if executed outside and kept outside Malaysia, and enforced outside Malaysia.

### ***Pakistan***

The Warrants reflect the risks of a direct investment in Pakistan equity, Pakistan debt or an index which references Pakistan equities, as the case may be, by an investor outside Pakistan ("**Foreign Investor outside Pakistan**") who is subject to the same securities laws and rules and regulations of any securities regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities. Some, but not all, of these risks are described in the sections below.

Each holder of any Warrants represents and agrees, as a condition of acquiring or holding such Warrants: (i) that the Warrants are being purchased for the benefit or account of, or pursuant to or in connection with back-to-back transactions with, a Person resident outside Pakistan (as defined below); and (ii) that such holder will not, directly or indirectly, sell, transfer or otherwise dispose of any Warrants to or for the benefit or account of any person other than a Person resident outside Pakistan (as defined below).

## *Market Access*

The Foreign Exchange Regulation Act, 1947 ("**FERA**") and the Foreign Exchange Manual issued thereunder (collectively, the "**Foreign Exchange Laws**") contain the foreign exchange laws in Pakistan. The State Bank of Pakistan ("**SBP**") has, under the FERA, granted a general exemption to certain "persons resident outside Pakistan" so that they are not required to obtain a special permission from the SBP in connection with the issue, transfer and export of securities that are listed on stock exchanges in Pakistan and can, hence, invest in such listed securities directly. These include the following categories of "persons resident outside Pakistan" (hereinafter referred to as "**Persons resident outside Pakistan**"):

- (a) a Pakistan national resident outside Pakistan;
- (b) a person who holds dual nationality including Pakistan nationality, whether living in or outside Pakistan;
- (c) a foreign national, whether living in or outside Pakistan; and
- (d) a firm (including a company incorporated outside Pakistan and a body corporate or partnership) or trust or mutual fund registered and functioning outside Pakistan, excluding entities owned or controlled by a foreign government.

The Foreign Investor outside Pakistan is exempted under sub-section (d) above.

Under current practice, a Foreign Investor outside Pakistan is required to open a Special Convertible Rupee Account (the "**SCRA**") with any Authorised Dealer in Pakistan for the purpose of making investments in Pakistan listed securities. An "Authorised Dealer" is a person authorised by the SBP for the time being to deal in foreign exchange. All funds paid or received in respect of its investments, which can be funded by remittances from abroad or by transfer from a foreign currency account maintained by the Foreign Investor outside Pakistan in Pakistan, must be channelled through the SCRA. Payment for purchases of equity may be debited and dividend proceeds may be credited to the SCRA of the Foreign Investor outside Pakistan on the production of the stock broker's memorandum evidencing such a transaction. The Foreign Investor outside Pakistan may transfer the funds in the SCRA outside Pakistan or to a foreign currency account maintained in Pakistan at any time without the prior approval of the SBP. Authorised Dealers are under a statutory duty to submit a statement to the SBP on a weekly basis showing the position of the SCRAs opened with them.

Generally, Foreign Investors outside Pakistan may buy Pakistan listed shares without any sectoral restrictions. However, the existing law imposes a restriction on the maximum percentage holding of shares by a foreign investor in Pakistan listed companies in certain sectors of the economy which include banking, air transport, broadcasting and newspapers. Some of the more specific restrictions include the following:

- (a) in the case of Pakistan Telecommunications Company Limited (the former state-owned fixed line monopoly), a statutory restriction on acquiring more than 10% of the class "A" shares applies to both local and foreign investors;
- (b) in the case of insurance companies, while there is no restriction on the percentage of shareholding by a local or foreign investor, a transfer of more than 10% of the shares to a third party requires the transferor to obtain the approval of the corporate regulator, the Securities and Exchange Commission of Pakistan ("**SECP**") (whether there is one or a number of transactions constituting such transfer); and
- (c) in the case of a banking company, permission from the Ministry of Finance on the recommendation of the SBP is required in case the Foreign Investor outside Pakistan intends to acquire more than 5% shares (the application would have to be made by the bank at the request of the Foreign Investor outside Pakistan).

These restrictions may change from time to time, sometimes without prior notice.

If the Foreign Investor outside Pakistan beneficially owns 10% or more of the voting shares in a Pakistan listed company, it is required to report its shareholding in such company to the registrar of companies and the SECP within thirty (30) days. Any subsequent change in such shareholding must also be so reported within fifteen (15) days of the change.

An acquisition of 10% or more of the voting shares of a Pakistan listed company must be disclosed to that company, the stock exchanges in Pakistan on which such shares are listed and the SECP and if the acquirer intends to acquire more than 25% of the voting shares or control of the listed company, it must also make an SECP approved public announcement of an offer to acquire a certain approved percentage of voting shares of the listed company.

The investor in the Warrants will be subjected to the effect of restrictions and controls to those imposed on Foreign Investors outside Pakistan generally, as determined by the Calculation Agent. These include limitations on the number of Pakistan Reference Assets in respect of which the investor is expecting to receive an economic return, potential delays or even non-receipt of funds on sale of the Warrants, taxes and charges generally levied on Foreign Investors outside Pakistan in buying and selling equity and limitations on the importation and withdrawal of funds. Payments to Warrantholders calculated by reference to the price of a disposal of Pakistan Reference Assets will not be due unless or until the proceeds of disposal would have been received by a Foreign Investor outside Pakistan.

If Foreign Investors outside Pakistan become unable to invest directly in or alternatively hold equities or Foreign Investors outside Pakistan are not allowed to sell or receive proceeds from the sale of such equities the Warrants may, in the worst case, become worthless.

#### *The Shariat Law Position on the Payment of Interest or Riba*

Presently there are no laws, regulations or binding judgments of any superior court in Pakistan which expressly bar a lender's right to receive interest, including interest on late payments, from a borrower under a loan agreement or a debt obligation. However, (a) the Constitution of Pakistan 1973 (the "**Constitution**") declares Islam to be the state religion; (b) Article 38(f) of the Constitution provides for the elimination of riba as a matter of policy as early as possible; and (c) Article 227 of the Constitution requires all existing laws to be brought in conformity with the injunctions of Islam and prohibits the enactment of any law which is repugnant to the injunctions of Islam. The term "riba" is defined neither in the Constitution nor any other legislative enactment. As a result there is some controversy over its exact meaning. Some consider it as being analogous to interest while others equate it with usury.

In November 1991, the Federal Shariat Court of Pakistan, a constitutionally established body in Pakistan which has jurisdiction to determine whether any law, custom or usage having the force of law violates the principles of Islam (the "**Shariat Court**"), ruled that a number of statutory provisions in Pakistan violated Islamic principles relating to riba and instructed the government to conform these provisions to the injunctions of Islam. However, after protracted legal proceedings, including an appeal before the Supreme Court of Pakistan (the "**SCP**") and a review of the resulting judgment by another bench of that Court, the question of whether interest payable on borrowed money is, under the injunctions of Islam "riba" and therefore forbidden, was remanded to the Shariat Court where a fresh adjudication is pending.

If the SCP, which is the final forum for adjudicating this issue, eventually finds that interest is riba and contrary to Islamic principles, the ordinary civil courts in Pakistan may not enforce contracts pertaining to interest payment on moneys borrowed. This may have an adverse effect generally on the overall performance of the Pakistan economy and, because it is likely to restrict access to foreign currency loans, specifically on the growth and expansion of the Pakistan economy. This in turn could adversely affect the profitability of Pakistan companies, particularly, listed ones and consequently, amongst other things, affect their ability to pay dividends to shareholders.

No representation is made as to whether amounts payable under the Warrants comply with any principles of Islamic sharia'h.

#### *Foreign currency risk*

The Warrants are settled in the Settlement Currency as specified in the applicable Final Terms. Prospective investors in the Warrants should understand that, where the Settlement Currency is U.S. dollars, amounts payable under the Warrants will be converted from the lawful currency of Pakistan (the "**Pakistan Rupee**" or "**PKR**") into U.S. dollars. Therefore, the Warrants are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the Warrants.

Historical performance of the Pakistan Rupee and the U.S. dollar does not indicate the future performance of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the Warrants.

Trading levels of the Pakistan Rupee and the U.S. dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the Warrants.

The value of the Pakistan Rupee and the U.S. dollar is a result of the supply of, and demand for, each currency and changes in the foreign exchange rate may result from the interactions of many factors including economic, financial, social and political conditions in Pakistan and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and Pakistan, the trade and current account balance between the United States and Pakistan, market interventions by the Federal Reserve Board of the United States or the SBP, inflation, interest rate levels, the performance of the stock markets in the United States and Pakistan, the stability of the United States' and Pakistan's governments and banking systems, wars in which the United States and Pakistan are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and Pakistan, and other foreseeable and unforeseeable events.

Certain relevant information relating to Pakistan may not be as well known or as rapidly or thoroughly reported in the United States as comparable to developments in the United States. Prospective purchasers of the Warrants should be aware of the possible lack of availability of important information that can affect the value of the Pakistan Rupee in relation to the U.S. dollar and must be prepared to make special efforts to obtain such information on a timely basis.

Exchange rates of the Pakistan Rupee, are determined following a "managed floating rate" regime, which is an exchange rate environment in which exchange rates fluctuate from day to day but the country's central bank attempts to influence the exchange rate by buying and selling currencies. However, some experts believe the exchange rate to be de facto pegged. Governments, including those of the United States and Pakistan use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. A special risk in purchasing the Warrants is therefore that their liquidity, trading value and amounts payable could be affected by the actions of sovereign governments which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces and the movement of currencies across borders. There may be adjustments or changes in the terms of the Warrants in the event of impositions of restrictions, prohibition (such as exchange controls) or delaying of the exchange of the Pakistan Rupee into the U.S. dollar. Such events may also cause the Issuer to terminate the Warrants early.

As discussed under *Market Access* above, currently the exchange of the Pakistan Rupee into other foreign currencies for the purposes of repatriation is not subject to foreign exchange control in Pakistan as long as certain formalities specified under that heading are fulfilled.

*Timing issues concerning dividend or coupon payments*

Under the Companies Ordinance, 1984 (the "**Pakistan Companies Ordinance**") of Pakistan, a company in a general meeting may declare a dividend which cannot exceed the amount recommended by the Board of that company. Pursuant to Section 249 of the Pakistan Companies Ordinance, a company may declare and pay dividends only out of its profits. However, unless the business of the company consists of selling and purchasing such property or assets, a dividend can be paid out of the profits made by a company from the sale or disposal of immovable property or assets only after such profits are set off against losses arising from the sale of other immovable property.

Prior to the recommendation of any dividend, the Board may set aside amounts out of the profits of the company as reserves which, pursuant to the Pakistan Companies Ordinance, may be applied to meet contingencies, equalise dividends, make investments or for any other purpose for which the profits of the company may properly be applied.

Dividends are generally declared as a percentage of the share par value and, subject to the rights of persons (if any) entitled to shares with special rights as to a dividend, are paid to the shareholders in proportion to the paid-up value of their shares at the time the dividend is declared. If, however, nothing is paid up on any of the shares the dividends may be declared and paid according to the par value of the shares. In addition, the Board may declare and pay interim dividends. Dividends may be paid in the form of warrants and sent by registered post to shareholders listed in the register of shareholders. However, since most listed companies in Pakistan are registered with the Central Depository System, on the basis of the list of beneficial owners therein and information in the dividend mandate (as submitted by the beneficial owner), dividends may be transferred directly to a beneficial owner's bank account.

A notice of dividend of a Pakistan listed company must be advertised in a newspaper circulated in the province in which the registered office of that listed company is situated. Dividends must be paid within 30 days from the time they are deemed to be declared. Dividends are deemed to be declared on the date of the general meeting if it is approved and declared in such meeting. In the case of interim dividends, they are deemed to be declared on the date on which the share transfer register is closed (for purposes of determining the entitlement of dividends).

Thus, the time when the dividends are deemed to be declared is crucial in determining when investors in the Warrants will receive the amounts reflecting the dividends.

As non-payment of dividend after it is declared is a criminal offence under the Pakistan Companies Ordinance, it is possible although extremely unlikely for a dividend to be announced but then subsequently not paid by a Pakistan company. However, there can be a significant delay (sometimes a number of months) between the declaration of a dividend and its payment. Occasionally the dividends are of such modest magnitude that the costs of converting Pakistan Rupee into U.S. dollars and transferring the payment offshore are significant in relation to the dividend.

To the extent that the Reference Assets are shares or bonds, the timing issues concerning dividend or coupon payments in connection with such Reference Assets are set out below. The investors (who owned the Warrants immediately prior to the ex-dividend/coupon date) may be entitled to receive amounts reflecting the dividends or coupons some time after the dividend or coupon is announced or paid if payment of the dividend or coupon, or the receipt thereof by a Foreign Investor outside Pakistan or any other person, is delayed for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs and expenses incurred in connection therewith, as determined by the

Issuer in its sole and absolute discretion. Also, adjustments for dividends or coupons may be calculated with reference to any taxation charged in respect of such dividends or coupons.

With respect to tax implications on dividends payable to a Foreign Investor outside Pakistan, please see the discussion below.

#### *Taxation issues concerning investment in listed securities in Pakistan*

A tax is imposed under Section 5 of Chapter II of the Income Tax Ordinance, 2001 (the "**Pakistan Tax Ordinance**") of Pakistan, on every person, whether a local or a foreign investor, who receives a dividend from any Pakistan resident company, and is collected by means of tax withholding at source. A general rate of tax of 10% is deductible at source on the gross amount of the dividend received from companies in all sectors except companies set up for power generation which are required to deduct tax at 7.5% of the dividend. The Pakistan Tax Ordinance requires Pakistan listed companies to deduct withholding tax at the time of making a payment of a dividend at the rate specified under the First Schedule to the Pakistan Tax Ordinance and pay the same to the relevant authorities under the Pakistan Tax Ordinance within the time and in the manner provided. Upon receipt, the Foreign Investor outside Pakistan can remit proceeds from its dividend income out of Pakistan net of withholding tax at source.

The Pakistan Tax Ordinance also requires that every company that pays any profit on debt (defined, *inter alia*, as "any profit, yield, interest, discount, premium or other amount owing under a debt other than a return of capital") including any profit on a bond, certificate, debenture or security to any person other than a financial institution (defined, *inter alia*, as "a company or institution whether... operating within or outside Pakistan which transacts the business of banking or any associated or ancillary business through its branches") to deduct tax at a general rate of 10% from the gross amount of the profit paid. If the Foreign Investor outside Pakistan is a financial institution, for the purpose of the Pakistan Tax Ordinance, it is not subject to the withholding tax on profit on debt.

Capital gains derived from the sale of any instrument of redeemable capital or shares of a company or modaraba certificates, listed on any stock exchange in Pakistan, were exempt from tax until the tax year ending on 30 June 2010.

Capital gains derived from the sale of a security (defined as "share of a public company, voucher of Pakistan Telecommunication Company, Modaraba Certificate, instrument of redeemable capital and derivative products") on or after 1 July 2010 are subject to tax. Capital losses sustained during a tax year, if any, can be offset only against the gain of the person from any other securities chargeable to tax in that year but cannot be carried forward to the subsequent tax year. If the holding period of such securities is less than six months, capital gains derived from their disposal shall be chargeable to tax at rate of 10% and if the holding period is more than six months but less than twelve months, the applicable rate shall be 7.5% (both rates applicable for the year 2011). If such capital gains are derived after a holding period of more than one year, then no tax is chargeable. Additionally, no tax is chargeable if the sale is made by a banking company (defined as "any body corporate which transacts the business of banking in Pakistan").

Unlike tax on dividend and profit on debt, tax on capital gains is not collected by means of tax withholding at source, hence the Foreign Investor outside Pakistan can only remit proceeds from capital gains on listed securities out of Pakistan through its authorised banker, being the bank with which its SCRA is opened, upon fulfilment of its taxation obligations as well as any obligations arising pursuant to Pakistan's foreign exchange regulations.

It is however noteworthy that the Pakistan tax rules may, in some cases, be uncertain or suffer from a lack of interpretative guidelines. It is possible that both the substantive provisions of the tax laws of Pakistan and the interpretation and application of such laws by the Pakistan tax authorities may change without prior notice.

## *Settlement*

The settlement of transactions on the Karachi, Lahore or Islamabad Stock Exchanges is carried out by a centralised and automated electronic settlement system, the National Clearing and Settlement System and effected through electronic delivery of book-entry securities in the Central Depository Company (the "CDC") on behalf of investors under the applicable law. A risk of failure of a Delivery v Payment settlement exists if certain regulations are not complied with or the counterparty to the transaction does not deliver the specified number of shares to the investor's account, in which case the CDC will notify the investor of the failure of the transaction. Similarly, under the existing trading rules, an order for sale placed by an investor may be revoked if there are not sufficient securities in the investor's securities account in order to settle the proposed trade. A broker may not execute an order for purchase in the event the credit balance in the investor's cash account is not sufficient to pay for the securities intended to be purchased.

## *People's Republic of China*

### *Market Access*

The Warrants are offshore products issued by the Issuer which offer a return that is linked to the performance of Reference Assets of the securities market of the People's Republic of China ("PRC") but are otherwise unrelated to any Underlying Company or underlying government. The Warrants reflect the risks of an investment in PRC securities by a Qualified Foreign Institutional Investor ("QFII") who is subject to the same securities laws and rules and regulations of any securities regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities. Some, but not all, of these risks are described in the sections below.

In general, foreign investors have limited access to the capital markets of the PRC. Under current PRC law, foreign investment only has limited channels to access the PRC securities market. One of them is to invest in the secondary securities market in the PRC as, or through, a QFII.

The QFII status must be approved by and registered with the China Securities Regulatory Commission of the government of the PRC ("CSRC"). An investment quota must be applied for by the QFII to the State Administration of Foreign Exchange of the government of the PRC ("SAFE") and SAFE has discretion in determining and approving the quota under each application. SAFE may also adjust the quota of a QFII. The quota of a single QFII may be increased or decreased by SAFE, while the total quota for all QFIIs is also subject to the control of SAFE.

A QFII must deposit its capital with a PRC commercial bank which must be a qualified custodian bank ("**Custodian Bank**") and entrust a PRC securities company to conduct the securities trading for it in the PRC stock market.

### *Investment in the PRC Securities Market*

The PRC capital market is still at a premature stage.

The PRC capital market is heavily influenced by government policies. There has been a lack of efficiency in regulating the market by the PRC government. Although regulations are developing at a very fast pace, from time to time, there still remain allegations and convictions of malpractices such as market manipulation and insider trading. The stock price of a PRC listed company may not therefore reasonably reflect its intrinsic value.

The PRC bond market is comprised of the inter-bank bond market, the exchange-traded bond market and the commercial bank's over-the-counter bond market. In the PRC, the vast majority of the volume of bond is traded on the inter-bank bond market. The bonds traded on the three markets are deposited and cleared through different systems. At the same point of time, the price of a single bond simultaneously listed on two or more markets above may be different. In the PRC, the price of exchange-traded bond is generally

influenced by various factors including, but not limited to, coupon rate, issuer's credit, interest rate, inflation rate, liquidity, etc. Moreover, the price of convertible bond is significantly influenced by other factors including, but not limited to, the price of underlying shares, the issuer's redemption right, etc.

In addition, the disclosure of information by a PRC company with respect to its financial status such as its assets, liabilities, revenues and losses may not always be complete and reliable.

#### *Legal Risk*

As a QFII is required to deposit its capital with a Custodian Bank in the PRC. However, the nature of the bank account opened by a QFII with the Custodian Bank ("**Custodian Account**") has never been clarified by the relevant PRC authorities. If the Custodian Account is deemed to be of the nature of a trust asset account, the capital of the QFII in such account will be remote from the bankruptcy of the Custodian Bank. However, if the Custodian Account is by nature a deposit account, if the Custodian Bank goes into insolvency, the QFII will only be an ordinary creditor and rank *pari passu* among all the unsecured creditors of the Custodian Bank. Although in practice it is unlikely that the Custodian Bank will become insolvent, theoretically there exists such a legal risk.

A QFII is required to open a securities account with the China Securities Depository and Clearing Corporation Limited ("**CSDCC**"). The securities acquired by the QFII will be held under the name of the QFII. As such and based on the prevailing interpretation of PRC law, a QFII is not similarly exposed to the insolvency risk of the CSDCC.

#### *Regulatory Requirement*

Investments by QFIIs in the PRC are subject to restrictions on equity holding ratios set by the CSRC and other relevant PRC authorities. Such restrictions currently include a 10% equity holding limitation in a listed company by a single QFII and a 20% equity holding limitation in a single listed company by all foreign investors. Conversely, investments by QFIIs on convertible bonds are not subject to explicit restrictions under the relevant rules. However, the exercising of the right to convert the convertible bonds into the underlying equity by QFIIs shall not give rise to the equity holding ratios of such QFIIs exceeding the relevant thresholds set out above.

A QFII is required to disclose to the PRC regulators and other relevant PRC authorities or institutions the holding information of PRC securities, including exchange-traded bonds, held by it (including information on securities held by investors through the QFII) in accordance with the relevant laws and regulations in the PRC.

A QFII is required to report to the PRC regulators, in accordance with the relevant regulatory requirements of the CSRC, information (including without limitation investor information) regarding structured products to which the Reference Assets are linked (including the Warrants) before the issuance thereof, as well as information on the issuance and operation of such structured products, on a regular basis, after the issuance thereof.

The repatriation of principal amounts invested in, and profits earned from, the securities investments of QFIIs is subject to SAFE examination and approval. The repatriation of such principal amounts is currently subject to a lock-up period of one year (three months for pension funds, insurance funds, mutual funds and other long-term capital management institutions). However SAFE has the authority to adjust the conditions (including the lock-up period) for such repatriation at any time.

#### *Foreign Exchange Risk*

Currently, the exchange of the lawful currency of the PRC ("**Renminbi**" or "**CNY**") into other foreign currencies for the purposes of repatriation is subject to foreign exchange control in the PRC that includes certain formalities to be fulfilled.



In addition, the appreciation and depreciation of the Renminbi are subject to complex factors and cannot be predicted with any degree of confidence.

There may be adjustments or changes in the terms of the Warrants in the event of impositions of restrictions, prohibition (such as exchange controls) or delaying of the exchange of the Renminbi into the U.S. dollar. Such events may also cause the Issuer to terminate the Warrants early.

### *Distributions*

According to the Company Law of the PRC ("**PRC Company Law**"), the board of directors has the authority to formulate the profit (including dividends) distribution plan ("**Dividend Plan**") of a company. A (general) shareholders' meeting has the power to deliberate and approve such a Dividend Plan as formulated by the board of directors. To protect the minority shareholders, the PRC Company Law provides that where the company has not distributed profit for five consecutive years, even when the company has been in profit and satisfied the requirements for profit distribution, the shareholders who have voted against the resolutions not to distribute profits may require the company to repurchase their shares at a reasonable price.

Generally, companies listed in the PRC A-share market distribute dividends in the form of cash payments or by way of stock dividends. Generally, many companies listed in the PRC A-share market favour distributing stock dividends, which will lead to an increase in the company's registered capital and the number of shares issued; however, this does not change the equity ratio held by each shareholder. There are no compulsory requirements under applicable PRC laws or regulations as to the frequency of stock dividend distributions by such a company listed in any given period. However, the PRC regulators have established a policy, according to relevant regulations, for listed companies to pay "exceptional attention" to cash dividend distribution to its shareholders.

To the extent that the Reference Assets are shares or bonds, the timing issues concerning dividend or coupon payments in connection with such Reference Assets are set out below. The investors (who owned the Warrants immediately prior to the ex-dividend or ex-coupon date, as the case may be) may be entitled to receive amounts reflecting the dividends or bond coupons, as the case may be, some time after the dividend is announced or paid if payment of the dividend or bond coupons, as the case may be, or the receipt thereof by a QFII or any other person, is delayed for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs and expenses incurred in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends or bond coupons, as the case may be, may be calculated with reference to any taxation charged in respect of such dividends or bond coupons, as the case may be.

### *Taxation Issues*

The relevant laws and regulations on taxation treatment of QFIIs are not wholly clear in the PRC. The Ministry of Finance and the State Administration of Taxation of the government of the PRC ("**SAT**") jointly issued a circular (Caishui [2005] No. 155 on 1 December 2005) to state that gains arising from securities trading through approved securities brokers will be exempted from business tax. In addition, SAT has clarified in a circular (Guoshuihan [2009] No. 47 dated 23 January 2009) that dividends and interest payments to QFIIs derived from the PRC are subject to a 10% withholding tax. However, QFIIs may apply to the relevant tax authorities for tax relief in respect of any returns on dividends and interest payments derived in the PRC under any applicable bilateral treaties/arrangements on the avoidance of double taxation signed between the PRC and their resident nations. Although this circular is dated 23 January 2009, it did not specify the effective date of such tax on dividends and interest payments (including whether it could be applied retrospectively). Notwithstanding the abovementioned uncertainty, as a matter of practice, the relevant tax bureau has already started to collect such tax. The PRC tax authorities have also not clarified whether income tax and other tax categories are payable on capital gains arising from securities trading of QFIIs. It is therefore possible that the relevant tax authorities may in the future clarify the tax position and impose a capital gains tax on realised gains by QFIIs from dealing in PRC equities and/or other securities.

Prospective purchasers should note that before the PRC tax authorities clarify the tax treatment of QFIIs on capital gains, Warrantholders are subject to a 10% capital gains tax deduction on realised gains on the Reference Asset (in addition to the 10% withholding tax on dividends and interests payments discussed above). The taxes are reflected as a deduction within the calculation of the Cash Settlement Amount or the Additional Amount, as the case may be. In the case of capital gains tax, if the PRC tax authorities clarify the position before the final valuation date, the actual tax rate will be applicable to the calculations. Prospective purchasers should note that if at any time before 7 years after the final valuation date (regardless of whether the Warrants have already been redeemed) there is any Deduction Shortfall (as defined below), Warrantholders have an obligation to pay the Issuer such Deduction Shortfall.

### ***Philippines***

The Warrants reflect the risks of a direct investment in Philippine equity, Philippine debt or any index which references Philippine equity, as the case may be, by a Foreign Investor outside Philippines (as defined below) who is subject to the same securities laws and rules and regulations of any securities regulators, exchanges and self-regulating organisations as applied to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities. Some, but not all, of these risks are described in the sections below.

#### *Political Considerations*

The Underlying Company is a Philippine entity and the Reference Assets or the constituents of the Reference Assets, as the case may be, are located in the Philippines. Most or all of the directors and officers of the Underlying Company are based in the Philippines and substantially all of the assets and operations of the Underlying Company are located in the Philippines. The Reference Assets could therefore be adversely affected by changes in the Philippine Government's policies, social instability or other political, economic, legal, regulatory or international developments in or affecting the Philippines.

The Philippines has from time to time experienced political and military instability. The term of office of former President Gloria Macapagal Arroyo had been marred by allegations of corruption, resulting in the institution of several impeachment proceedings, mass public protests, and even withdrawal of support of the military.

However, with President Benigno Aquino III's assumption of office in June 2010, the Bangko Sentral ng Pilipinas, or the Philippine central bank, has noted a rise in business confidence since the third quarter of 2009. President Aquino's campaign promise to level the playing field in the economy and address the problem of corruption had made a great impact on the business community, which overwhelmingly supported his candidacy. He garnered close to 50% of the votes, the highest percentage obtained by a presidential candidate in recent history. After only half a year in office, the new administration has shown its resolve to fulfil the President's campaign promises and implement much needed reforms in governance and the economy. The President's focus on poverty alleviation has also made him very popular in the country where around 32% of the population still lives below the poverty threshold. Thus, despite recent issues and events that have tested Mr. Aquino's leadership, surveys conducted after his first 100 days in office put his net satisfaction rating at +60 and those conducted after his first five (5) months in office place his net satisfaction rating at +64.

Nevertheless, any future economic, political or social instability in the Philippines could adversely affect the Underlying Company business, financial condition or results of operations.

#### *Economic Considerations*

Since President Aquino assumed office, businesses in the country have become bullish about their revenue-earning potentials and the economy in general, with the latest confidence index rising further to reflect the consensus of a recovery in 2010 from last year's slowdown. Investor confidence in the Philippines reached an all time high during the second quarter of 2010, driven by the belief that the new Aquino administration can promote a stable business climate in the country.

The Asian Development Outlook 2010 ("**ADO 2010**"), an annual publication of the Asian Development Bank, reports that the economic recovery of the Philippines in the first half of 2010 was stronger than expected, with the gross domestic product ("**GDP**") increasing by 7.9% in the first six months of the year, up from a tepid 0.9% in the same period last year. As a result, the Asian Development Bank has lifted its growth forecast to 6.2% this year, up from a 5% forecast made in July. Private consumption remains the main driver of the economy, underpinned by robust remittances, a firmer labour market, and stronger consumer confidence. Investment is forecasted to rebound from last year's low levels, while external trade will be considerably stronger this year. Exports will grow in line with the global recovery. While the trade deficit will persist, higher remittances and business process outsourcing income will swing the current account into surplus.

However, notwithstanding higher-than-expected economic growth, serious challenges remain. The ADO 2010 foresees less-stimulative fiscal policy in 2010, given budgetary constraints and plans of the new administration to trim the fiscal deficit to 3.9% of GDP in 2010 and to 2.0% by 2013. The ADO 2010 further warns that the Philippines has been investing less in social sectors and infrastructure than most of its neighbours, partly due to the tight fiscal situation, high public debt, and poor business climate. The budget deficit for the first half of the year widened to the equivalent of 4.9% of GDP. Fiscal resources are severely constrained by weak internal revenue generation. Tax revenue in the Philippines as a share of GDP is lower than most of its neighbours, and declined to 12.8% in 2009 due to the economic slowdown and the erosion of the tax base following a number of legislated tax exemptions. Given the budget deficit and limited tax revenues, the ability of the government to invest in much needed infrastructure development and poverty reducing programs will be seriously hampered.

The ADO 2010 also reports that the agricultural sector contracted by 2.9% mainly owing to dry weather caused by an El Niño weather pattern. The dry spell was so severe that it cut agricultural employment by 802,000, offsetting much of the employment generated by industry and services. Consequently, the unemployment rate rose to 8.0% in April 2010 from 7.5% last April 2009. Underemployment accounted for another 17.8% of the workforce. As a mark of the broad-based scarcity of jobs, about 20% of the unemployed have college degrees.

#### *Investment in Philippine companies*

Many of the listed Philippine companies belong to a few family-controlled groups of companies. Accordingly, this may limit the number of shares available for investment. Likewise, sales of securities by such issuer's major shareholders, or the perception that such sales may occur, may also significantly and adversely affect the market price of such securities and, in turn, the investment. This could also affect the liquidity of the securities or the ability to acquire or dispose of securities at the desired price and time.

#### *Legal Considerations - Shareholders' Rights*

Prospective investors in the Warrants should be aware that they are exposed to the Philippine legal system. To the extent that the Reference Assets or constituents of the Reference Assets, as the case may be, are shares, it is important to note that Philippine legal principles relating to the rights of shareholders, or their practical implementation by Philippine courts, may differ from those that are applied in other jurisdictions such as the United States or member states of the European Union. The rights of shareholders under Philippine law might not be as clear as in these other jurisdictions. In addition, under Philippine law, companies may have rights and defences to actions filed by shareholders that may not be available in these other jurisdictions.

The Underlying Company's corporate affairs are governed by its Articles of Incorporation and By-Laws, the laws and regulations governing corporations incorporated in the Philippines, such as the Corporation Code and the Securities Regulation Code ("**SRC**") of the Philippines, and, for listed companies, the regulations and the rules of the Philippine Stock Exchange ("**PSE**"). The rights of the shareholders and the responsibilities of the board of directors of the Underlying Company under Philippine law may be different from those applicable to a company incorporated in another jurisdiction. Principal shareholders of Philippine companies

do not owe fiduciary duties to minority shareholders as may be the case in other jurisdictions. The public shareholders may have more difficulty in protecting their interests in connection with actions taken by members of the board of directors or by the principal shareholders of the Underlying Company than they would as shareholders of a company incorporated in another jurisdiction.

The convening and conduct of annual and special meetings of shareholders of the Underlying Company will be governed by Philippine law. The procedures and notice periods in relation to the convening of such annual and special meetings of shareholders, as well as the entitlement of shareholders to attend and vote at such general meetings, may be different from those in jurisdictions outside the Philippines. Prospective investors in the Warrants should note that the Issuer and/or its Affiliates may be subject to procedures and rights with regard to annual and special meetings shareholders of the Underlying Company that are different from those to which they may be accustomed in other jurisdictions.

### *Tender Offer Rules*

To the extent that the Reference Assets are shares in a Philippine public company, prospective investors in the Warrants should be aware that certain acquisitions by the Issuer and/or its Affiliates of equity shares of the Underlying Company may be subject to mandatory tender offer rules. Subsection 19.1 of the SRC, as implemented by SRC Rule 19 of the SRC Rules (as defined below), provides the instances when a mandatory tender offer is required, which are the following:

- (i) any person or group of persons acting in concert, who intends to acquire thirty-five per cent. (35%) or more of equity shares in a public company shall disclose such intention and contemporaneously make a tender offer for the per cent. sought to all holders of such class;
- (ii) any person or group of persons acting in concert, who intends to acquire thirty-five per cent. (35%) or more of equity shares in a public company in one or more transactions within a period of twelve (12) months shall be required to make a tender offer to all holders of such class for the number of shares so acquired within the said period; and
- (iii) if any acquisition of even less than thirty-five per cent. (35%) would result in ownership of over fifty-one per cent. (51%) of the total outstanding equity securities of a public company, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of the said company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer in such a tender offer shall be required to accept any and all securities thus tendered.

Based on the above and as further expounded in the Revised Implementing Rules and Regulations of the SRC ("**SRC Rules**"), any person or group of persons acting in concert who intends to acquire at least 35% of any class of any equity security of a public company is required to disclose such intention and contemporaneously make a tender offer for the per cent. sought to all holders of such class. If the tender offer is for less than all of the outstanding equity securities of a class but a greater number of securities is tendered pursuant thereto, the bidder will be bound to take up and pay for the securities on a *pro rata* basis, disregarding fractions, according to the number of securities tendered by each security holder during the period such offer remains open. If the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer will be proportionately distributed across both the selling shareholder with whom the acquirer may have been in private negotiations and the minority shareholders.

This requirement also applies to any person or group of persons acting in concert, who intends to acquire at least 35% of the total outstanding equity securities of a public company in two or more transactions within a period of 12 months. This rule seeks to prevent circumvention of the requirement to make a tender offer through "creeping acquisitions" although, in determining whether the requirement will apply to the acquirer, only transactions done within a 12-month period will be taken into account.

If any acquisition of even less than 35% would result in ownership of over 51% of the total outstanding equity securities of a public company, the acquirer will be required to make a tender offer for all the outstanding equity interests to all remaining stockholders of the said company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer in such a tender offer will be required to accept any and all securities tendered.

These mandatory tender offer rules also apply to indirect acquisition whereby the result will make the buyer in control of the public company. Based on a Philippine Supreme Court decision, whatever may be the method by which control of a public company is obtained, either through the direct purchase of its stocks or through indirect means such as the purchase of shares issued by a stockholder of a public company, mandatory tender offer applies.

In any of the above-described transactions (*i.e.*, those that will trigger the 35% or 51% thresholds), the sale of the shares pursuant to the private transaction will not be completed prior to the closing and completion of the tender offer. Transactions with any of the sellers of significant blocks of shares with whom the acquirers may have been in private negotiations must close at the same time and upon the same terms as the tender offer made to the public. In respect of acquisitions of at least 35% within a period of 12 months, the last sale meeting the 35% threshold must not be consummated until the closing and completion of the tender offer.

SRC Rule 19 provides that the requirements of mandatory tender offer do not apply to the following:

- (i) any purchase of shares from the unissued capital stock, *provided that* the acquisition will not result in fifty per cent. (50%) or more ownership of shares by the purchaser;
- (ii) any purchase of shares from an increase in authorised capital stock;
- (iii) purchase in connection with foreclosure proceedings involving a duly constituted pledge or security arrangement where the acquisition is made by the debtor or creditor;
- (iv) purchases in connection with privatisation undertaken by the government of the Philippines;
- (v) purchases in connection with corporate rehabilitation under court supervision;
- (vi) purchases in the open market (e.g., in a stock exchange) at the prevailing market price; and
- (vii) merger or consolidation

#### *Beneficial Ownership Disclosure*

To the extent that the Reference Assets are shares in a Philippine company, prospective investors must also be aware that there are certain disclosures to the Underlying Company, the Philippine Securities and Exchange Commission ("PSEC") and the PSE that need to be made by persons holding the beneficial ownership of securities issued by the Underlying Company, even if such person does not hold the legal title to such securities. Depending on the level of acquisition, the Issuer and/or its Affiliates may have to comply with these disclosure requirements.

Section 18 of the SRC and SRC Rule 18.1 require the disclosure of beneficial ownership of more than 5% of any class of equity securities of a public company or a company which has sold a class of its securities pursuant to the registration requirements under the SRC within five (5) business days from the date of the acquisition of such beneficial ownership.

Section 23 of the SRC and SRC Rule 23 require the disclosure of beneficial ownership of more than 10% of any class of any equity security of a public company or a company which has sold a class of its securities pursuant to the registration requirements under the SRC within ten (10) days from the date of the acquisition of such ownership.

The SRC Rules define a "beneficial owner" as any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote, or to direct the voting of the security; and/or investment returns or power, which includes the power to dispose of, or to direct the disposition of such security.

A person shall be deemed to be the beneficial owner of a security if that person has the right to acquire such beneficial ownership within thirty (30) days, including, but not limited to, any right to acquire, through the exercise of any option, warrant or right; through the conversion of any security; pursuant to the power to revoke a trust, discretionary account or similar arrangement; or pursuant to automatic termination of a trust, discretionary account or similar arrangement.

Pursuant to the preceding paragraph, derivatives (such as options), are not includable as "equity securities," unless such options and other physically-settled derivatives give the optionee or the person concerned the right to acquire the underlying "equity securities" within thirty (30) days. This means that such options or derivatives are to be counted as "equity securities" within thirty (30) days of their exercise or physical settlement. Since the Warrants are cash-settled with the Issuer not being under any obligation to deliver the underlying equity securities and considering further that the Warrants do not vest in the Warrantholder beneficial ownership over the shares of the Underlying Company, the disclosure requirement does not apply to the Warrantholder simply by the acquisition of the Warrants.

Each of the Issuer and/or its Affiliates only has to report those shares which it beneficially owns. A HSBC entity does not need to aggregate its holdings with other entities within the HSBC group if it is not the beneficial owner of such other HSBC entity's stockholdings. However, if the parent company of the HSBC entities beneficially owns the securities held by its subsidiaries and other companies within the group, the parent company has to disclose such ownership on a consolidated basis. The SRC Rules provide that all securities of the same class beneficially owned by a person, regardless of the form such beneficial ownership takes, must be aggregated in calculating the number of shares beneficially owned by such person.

The disclosure requirements also apply to indirect beneficial ownership interests. A person is deemed to have an indirect beneficial ownership interest in any security that is held by a corporation of which such person is the controlling shareholder. Control here is defined as "the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities." Control is presumed to exist "when the parent owns, directly or indirectly through subsidiaries, more than one half of the voting power of an enterprise unless, in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control." Thus, to the extent a HSBC entity controls other HSBC entities, whether directly or indirectly, it will be deemed to be the beneficial owner of the shares held by such other HSBC entities and therefore subject to the disclosure requirement.

#### *Foreign Ownership Limitations*

Organisations and individuals outside Philippines ("**Foreign Investors outside Philippines**") can generally invest directly in Philippine listed securities, subject to certain foreign ownership limits. These limitations are set out in the Foreign Investment Negative List, which is amended/updated from time to time, pursuant to the Foreign Investments Act of 1991. For instance, Foreign Investors outside Philippines can own only up to 40% of the voting stock of a public utility. Foreign Investors outside Philippines are not allowed to invest in any company engaged in mass media.

Prospective investors must also take into account the above limitations when investing in the Warrants to the extent that the Reference Assets are debts owed to a foreign lender and such debts are secured by shares in a Philippine company that is subject to foreign ownership limits. A pledge may be validly constituted over all of the shares of such Philippine company in favour of the foreign lender. Such foreign lender can enforce the security over all such shares, and may purchase the shares in the public auction that will be held in the course of enforcing the security, but only up to the extent of the foreign ownership allowed. Any shares in excess of the foreign ownership limits may only be purchased by a qualified person (i.e., a Philippine national).

### *Issues (excluding taxation issues) relating to dividend payment*

To the extent that the Reference Assets are shares, the issues relating to dividend payment in connection with such Reference Assets are set out below.

In accordance with the applicable Philippine law, cash dividends must be declared by the board of directors of the company and only out of the corporation's "unrestricted retained earnings". Stock dividends, on the other hand, require both the approval of the board of directors and the stockholders representing not less than two-thirds (2/3) of the outstanding capital stock.

The PSEC issued the "Guidelines on the Determination of Retained Earnings Available for Dividend Declaration" on 5 December 2008 ("**PSEC Guidelines**"). The PSEC Guidelines cover the determination of availability of retained earnings for declaration of cash, stock or property dividends.

Under the PSEC Guidelines, the term "retained earnings" means the accumulated profits realised out of normal and continuous operations of the business after deducting therefrom distributions to stockholders and transfers to capital stock or other accounts. The retained earnings shall be the amount as shown in the financial statements audited by the company's independent auditor. If applicable, such amount shall refer to the retained earnings of the parent company but not the consolidated financial statements.

On the other hand, "unrestricted retained earnings" which is available for dividend declaration is the amount of accumulated profits and gains realised out of the normal and continuous operations of the company after deducting therefrom distributions to stockholders and transfers to capital stock or other accounts, and which is: (1) not appropriated by its Board of Directors for corporate expansion projects or programs; (2) not covered by a restriction for dividend declaration under a loan agreement; and (3) not required to be retained under special reserve for probable contingencies.

Holders of shares on the applicable record dates will be entitled to the full amount of dividends approved, subject to Philippine withholding tax imposed, if any. Under PSEC regulations, cash dividends declared by corporations shall have a record date of not less than ten (10) nor more than thirty (30) days from said declaration. If case no record date is specified, then the same shall *ipso facto* be deemed fixed at fifteen (15) days after such declaration.

### *Exchange Control*

Under regulations promulgated by the BSP, no person may import or export nor bring with him into or take out of the country, or electronically transfer, legal tender Philippine notes and coins, checks, money order and other bills of exchange drawn in pesos against banks operating in the Philippines in an amount exceeding PHP10,000.00 Philippine Peso ("**PHP**") without authorisation by the BSP.

A non-resident cannot, as a rule, open and maintain peso deposit accounts with local banks unless these are funded by an inward remittance of foreign exchange or peso income from or peso proceeds of conversion of properties located in the Philippines whether real or personal, belonging to said non-resident.

There are exchange regulations when conversion is effected through Authorised Agent Banks (as such term is defined under the BSP Manual of Foreign Exchange Transactions) and their related foreign exchange corporations (collectively, "**BSP Regulated Entities**"). Under BSP regulations, BSP Regulated Entities may not, as a general rule, sell foreign currency to non-residents. They can only sell foreign currency to non-residents in respect of certain transactions and provided the required conditions are met.

Under BSP rules, inward foreign investments (such as foreign direct investments in Philippine firms or enterprises, investments in securities listed in the PSE or investments in peso-denominated money market instruments) should be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue thereon shall be purchased from BSP Regulated Entities. For instance, if the peso bank account of a non-resident was funded through an

inward remittance of foreign exchange, and the peso funds were then used by such non-resident to invest in the shares of a Philippine company, the investor can later purchase foreign exchange from any of the BSP Regulated Entities to service repatriation of capital or remittance of dividends and other earnings derived from any of such investments, *provided* the investment was registered with the BSP.

However, peso funds can be freely converted into foreign currency outside the Philippine banking system, *e.g.*, through a spot transaction with a Philippine corporation that has its own stock of foreign currency. Provided the foreign currency proceeds of the conversion were sourced from outside the banking system, such proceeds can be transferred outside the Philippines through the remittance facilities of a local bank.

#### *Taxation issues relating to dividend or coupon payments*

Where the Reference Assets are shares and the Issuer holds such Reference Assets, the Issuer, as holder of the shares will be subject to the tax on dividends declared by the Underlying Company, although the Issuer will deduct such tax from the Additional Amount (if any) which will be paid to the investors. If the Issuer is a non-resident foreign corporation, the dividend tax applicable to it shall be at the rate specified below.

Dividends received from a domestic corporation by a non-resident foreign corporation are generally subject to final withholding tax at the rate of thirty per cent. (30%) (beginning 1 January 2009) subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The thirty per cent. (30%) rate for dividends paid to non-resident foreign corporations may be reduced to a special fifteen per cent. (15%) rate if (a) the country in which the non-resident foreign corporation is domiciled imposes no taxes on foreign sourced dividends or (b) the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident corporation taxes deemed to have been paid in the Philippines equivalent to fifteen per cent. (15%) (beginning 1 January 2009).

Philippine tax authorities have prescribed, through an administrative issuance, procedures for availment of tax treaty relief. The domestic corporation declaring the dividends will withhold at a reduced rate on dividends paid to a non-resident holder of shares or interest paid to a non-resident holder if such non-resident holder provides the corporation with a certification or ruling from the Philippine taxing authorities that the non-resident holder qualifies for a reduced or preferential tax rate. If the regular rate of tax is withheld by the domestic corporation instead of the reduced rates applicable under a treaty, the non-resident holder of shares may file a claim for a refund from the Philippine taxing authorities within two years from the date the tax was paid. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund unless the claim is substantial in amount.

Where the Reference Assets are shares or bonds, the investors (who owned the Warrants immediately prior to the ex-dividend/coupon date) may be entitled to receive amounts reflecting the dividends or coupons some time after the dividend or coupon is announced or paid if payment of the dividend or coupon, or the receipt thereof by a Foreign Investor outside Philippines or any other person, is delayed for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs and expenses incurred in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends or coupons may be calculated with reference to any taxation charged in respect of such dividends or coupons.

#### *Taxation issues relating to disposition of shares*

To the extent that the Reference Assets are shares, the taxation issues relating to disposition of shares in connection with such Reference Assets are set out below.

Sales, exchanges or other dispositions of such shares which are effected through the PSE by persons other than a dealer in securities are subject to a stock transaction tax at the rate of  $\frac{1}{2}$  of one per cent (0.005%)



based on the gross selling price of the shares. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Notwithstanding its classification as a percentage tax, exemptions from capital gains tax may also apply to the stock transaction tax under the terms of some tax treaties.

Subject to applicable tax treaty rates, a capital gains tax of 5% on the net capital gains realised during the taxable year, not in excess of PHP100,000.00, and 10% on the net capital gains realised during the taxable year, in excess of PHP100,000.00, is imposed on sales, exchanges or other dispositions of shares of stock not traded through a local stock exchange. Exemptions from capital gains tax under the terms of some tax treaties may apply provided that the non-resident holder is able to present a certification or ruling from the Philippine taxing authorities that such non-resident holder qualifies for a reduced or preferential tax rate.

While the secondary trading of shares listed and traded through the PSE is exempt from documentary stamp tax ("**DST**"), the secondary trading of shares not listed/traded through the exchange is subject to DST at the rate of PHP 0.75 on each PHP200 or fractional part thereof, of the par value of such stock.

#### *Taxation issues relating to issuance of, and income payments on, bonds*

Where the Reference Assets are bonds issued by Philippine companies, a documentary stamp tax of PHP1.00 on each PHP200.00 shall be due on every original issue of bonds. Either party to an instrument is liable for documentary stamp tax. It is local market practice however for the issuer to shoulder the documentary stamp tax charge on the original bond issue.

The interest income of a non-resident foreign corporation on foreign currency-denominated bonds issued by Philippine companies or the Philippine government is subject to 20% final withholding tax. The interest income of a non-resident foreign corporation on PHP-denominated bonds issued by Philippine companies or the Philippine government is subject to the income tax of 30%. The preferential tax treaty rates apply if the non-resident foreign corporate holder provides the issuer with a certification or ruling from the Philippine taxing authorities that such non-resident holder qualifies for a reduced or preferential tax rate.

In respect of government bonds, it is possible that the issuer of the securities, the Philippine government, will assume the final withholding tax due on interest income to be paid to the investors. Such assumption of tax by the government has been recognized by the Bureau of Internal Revenue of the Philippines ("**BIR**") as not contrary to law although the BIR emphasized that the tax assumption scheme does not purport to make the bonds a tax-exempt instrument, but simply shifts the burden of the tax from the investors to the Philippine government. It is also possible that government securities may be issued by the government pursuant to certain laws (e.g., Republic Act No. 4860 or Republic Act No. 245) that give the government the discretion to exempt interest income from Philippine taxes.

The final tax on the interest income shall be withheld at source at the time the coupon payments are made. This means that the issuer of the bonds shall be responsible for withholding such tax from its interest payments and remitting such tax to the tax authorities.

#### *Taxation issues relating to secondary trading of bonds*

Where the Reference Assets are bonds issued by Philippine companies, any gain that may be derived on the secondary trading of such bonds shall be subject to the income tax of 30% if the holder is a non-resident foreign corporation; or the applicable tax treaty rate, in case the holder of the securities is a non-resident foreign corporation whose country/state has a tax treaty with the Philippines; or no Philippine tax, in case the holder of the bonds which is a non-resident foreign corporation sells the bonds offshore.

Gains realised from the sale or exchange or retirement of bonds with a maturity of more than five (5) years is exempt from income taxation.

Bonds traded in the secondary market or through an exchange are exempt from documentary stamp taxes.

### ***Singapore***

The Warrants reflect the risks of a direct investment in Singapore equity, Singapore debt or an index which references Singapore equity, as the case may be, by an investor outside Singapore ("**Foreign Investor outside Singapore**") who is subject to the same securities laws and rules and regulations of any securities regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities. Some, but not all, of these risks are described in the sections below.

Each holder of any Warrants represents and agrees, as a condition of acquiring or holding such Warrants: (i) that the Issuer is authorised to provide information regarding the holder and the Warrants to any Singapore governmental or regulatory authority or the relevant Underlying Company, or if applicable, to any Affiliate for onward transmission to any such Singapore governmental or regulatory authority or the relevant Underlying Company, if required under applicable Singapore regulations and/or as requested by any Singapore governmental or regulatory authority or the relevant Underlying Company from time to time; (ii) that such holder will provide the Issuer with such additional information that the Issuer and/or the Affiliate deems necessary or appropriate in order to comply with regulations or requests of any Singapore governmental or regulatory authority or the relevant Underlying Company from time to time; and (iii) that such holder will not, directly or indirectly, sell, transfer or otherwise dispose of any Warrants to or for the benefit or account of any person in Singapore, except in accordance with applicable Singapore law (including any applicable provision of the Securities and Futures Act, Chapter 289 of Singapore).

### ***Market Access***

There are no restrictions against non-resident corporations and individuals investing directly in Singapore equity. However, notification in writing must be given to the relevant Underlying Company and the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") within two business days after a person becomes or ceases to be a substantial shareholder (which generally refers to a person who has an "interest" in voting shares carrying 5% or more of the total votes attached to the voting shares of a company) in the relevant Underlying Company and upon any change in the percentage level of the interest of a substantial shareholder (e.g. a change from an interest in 5.xx% to 6.xx% or *vice versa*). This requirement is applicable to both resident and non-resident investors. Failure to notify either the Underlying Company or the SGX-ST of becoming or ceasing to be a substantial shareholding or a change in the percentage level of interest is an offence.

For certain entities including (but not limited to) banks, financial holding companies, securities exchanges, insurance companies, designated telecommunications licensees and newspaper companies, regulatory approval is required for the acquisition of a stake exceeding a certain percentage (depending on the legislation in question) of the shares in the relevant Underlying Company. This requirement applies to both resident and non-resident investors and failure to obtain the relevant approval is an offence. In addition, individual shareholding limits may be found in the constitutions of certain Singapore-listed companies, such as Singapore Telecommunications Limited and ST Engineering Limited.

Under current practice, an investor is required to open a direct securities account with The Central Depository (Pte) Limited or a sub-account with a depositary agent and a trading account with a stock-broking member of the SGX-ST for the purpose of making investments in Singapore listed equities. The securities account is for the settlement of trades. It maintains all the shares an investor will buy on SGX-ST, and electronically records the movements of the shares in and out of the investor's account as the investor buys and sells the shares. The trading account allows the investor to trade shares in the stock market. Both these accounts have to be linked before an investor can start trading.

### *Foreign currency risk*

The Warrants are settled in the Settlement Currency as specified in the applicable Final Terms. Prospective investors in the Warrants should understand that, where the Settlement Currency is U.S. dollars, amounts payable under the Warrants will be converted from the lawful currency of Singapore (the "**Singapore Dollar**") into U.S. dollars or calculated by reference to hedge positions that may be denominated in Singapore Dollar and will be converted into U.S. dollars, as the case may be. Therefore, the Warrants are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the Warrants.

Historical performance of the Singapore Dollar and the U.S. dollar does not indicate the future performance of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the Warrants.

Trading levels of the Singapore Dollar and the U.S. dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the Warrants.

The value of the Singapore Dollar and the U.S. dollar is a result of the supply of, and demand for, each currency and changes in the foreign exchange rate may result from the interactions of many factors including economic, financial, social and political conditions in Singapore and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and Singapore, the trade and current account balance between the United States and Singapore, market interventions by the Federal Reserve Board of the United States or the MAS, inflation, interest rate levels, the performance of the stock markets in the United States and Singapore, the stability of the United States' and Singapore's governments and banking systems, wars in which the United States and Singapore are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and Singapore, and other foreseeable and unforeseeable events.

Certain relevant information relating to Singapore may not be as well known or as rapidly or thoroughly reported in the United States as comparable to developments in the United States. Prospective purchasers of the Warrants should be aware of the possible lack of availability of important information that can affect the value of the Singapore Dollar in relation to the U.S. dollar and must be prepared to make special efforts to obtain such information on a timely basis.

Exchange rates of Singapore, are determined following a managed floating exchange rate regime, meaning the trade-weighted exchange rate is allowed to fluctuate within an undisclosed policy band. Governments, including those of the United States and Singapore use a variety of techniques, such as the imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. A special risk in purchasing the Warrants is therefore that their liquidity, trading value and amounts payable could be affected by the actions of sovereign governments which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces and the movement of currencies across borders. There may be adjustments or changes in the terms of the Warrants in the event of impositions of restrictions or delaying of the exchange of the Singapore Dollar into the U.S. dollar. Such events may also cause the Issuer to terminate the Warrants early.

There are no foreign exchange controls in Singapore. The remittance of funds in and out of Singapore and the repatriation of profits and capital out of Singapore are not subject to restrictions.

### *Timing issues concerning dividend or coupon payments*

To the extent that the Reference Assets are shares or bonds, the timing issues relating to dividend or coupon payment in connection with such Reference Assets are set out below. The investors (who owned the Warrants immediately prior to the ex-dividend/coupon date) may be entitled to receive amounts reflecting the dividend or coupon some time after the dividends or coupons are announced or paid if payment of the dividends or coupons, or the receipt thereof by a Foreign Investor outside Singapore or any other person, is delayed for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs and expenses incurred in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends or coupon may be calculated with reference to any taxation charged in respect of such dividends or coupons.

### *Certain taxation issues concerning investment in listed securities in Singapore*

To the extent that the Reference Assets are shares in, or bonds issued by, Singapore tax resident companies or interests in Singapore real estate investment trusts or business trusts, certain taxation issues concerning investment such Reference Assets are set out below.

Singapore currently does not have withholding tax on dividends paid by Singapore tax resident companies or distributions made by registered business trusts constituted in Singapore.

Interest, fees, commissions or other payments in connection with any loan or indebtedness payable by (*inter alia*) a Singapore resident or permanent establishment are generally subject to withholding taxes unless an exemption is available.

Investors should seek their own professional tax advice concerning the taxation of distributions received from a real estate investment trust constituted in Singapore.

There is no tax on gains of a capital nature in Singapore. However, whether a gain is capital or income in nature will depend on the circumstances of the investor. For example, any gains from the sale of securities derived by a person as part of a trade or business carried on in Singapore by that person is likely to be revenue in nature and taxable. The transfer of securities listed on the SGX-ST which are scripless are not subject to Singapore stamp duty.

### ***Taiwan***

The Warrants reflect the risks of a direct investment in Taiwan equity, Taiwan debt or an index which references Taiwan equities, as the case may be, by a foreign institutional investor ("**FINI**") who is subject to the same securities laws and rules and regulations of any securities regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities. Some, but not all, of these risks are described in the sections below.

Each holder of any Warrants represents and agrees that:

- (i) it is not purchasing the Warrants for the benefit or account of, or using funds of, (A) any residents of the PRC, corporations in the PRC, or corporations outside the PRC that are beneficially owned by residents of, or corporations in, the PRC or (B) any residents of Taiwan or corporations in Taiwan;
- (ii) it will not, directly or indirectly, sell, transfer, assign, novate or otherwise dispose of the Warrants to or for the benefit or account of, or in consideration of funds received from, (A) any residents of the PRC, corporations in the PRC, or corporations outside the PRC that are beneficially owned by residents of, or corporations in, the PRC or (B) any residents of Taiwan or corporations in Taiwan; and

- (iii) details of the transaction (including the identity of the parties) may, (A) upon request or order by any competent authority, regulatory or enforcement organisation, governmental or otherwise, including the stock exchange on which the underlying shares are listed, (B) as required by applicable law, rules, regulations, codes or guidelines (whether having the force of law or otherwise), be disclosed in accordance with such request, order, law, rules, regulations, codes or guidelines (whether such disclosure is to be made to third parties or otherwise). By purchasing the Warrants, each holder of any Warrants agrees to such disclosure and releases the Issuer (and its Affiliates) from any duty of confidentiality owed to it in relation to such information.

#### *Market Access*

Investment made by FINIs directly into Taiwan securities is permitted under the "Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals" and the relevant foreign exchange settlement procedures (the "**Taiwan Regulations**"). Such investments by FINIs are made under the Taiwan Regulations through a structure whereby a FINI will register with the Taiwan Stock Exchange Corporation ("**TSE**") and it may then trade in Taiwan securities. Each FINI account is given, and trades under, a "trading number". The FINI may be subject to disclosure based on all holdings under a single trading number without regard to the fact that the beneficial owners of the shares may be Affiliates or customers of the FINI or other third parties.

Investments by FINIs are subject to various limitations, restrictions and other requirements, including without limitation, limitations on engaging in securities borrowing and lending transactions, hedging transactions and similar activities.

As a general rule, FINIs are free to invest in Taiwan securities. However, there are foreign ownership limits with respect to a number of sectors such as certain public utilities, telecommunications, aviation, shipping, railways, agricultural real estate, satellite broadcasting and cable television and radio system operating businesses and ownership diversification limits (in each case without regard to nationality). Additional regulatory approval requirements may also apply where foreign ownership increases above certain limits with respect to certain businesses such as banking. In addition, foreign investment is prohibited in postal services and radio and television business.

#### *Foreign currency risk*

The Warrants are settled in the Settlement Currency as specified in the applicable Final Terms. Prospective investors in the Warrants should understand that, where the Settlement Currency is U.S. dollars, amounts payable under the Warrants will be converted from New Taiwan Dollars (the "**NT dollars**" or "**NTD**") into U.S. dollars or calculated by reference to hedge positions that may be denominated in NT dollars and will be converted into U.S. dollars, as the case may be. Therefore, there is a currency exchange rate risk involved as a result of fluctuations in exchange rates between U.S. dollars and NT dollars. In addition, foreign exchange controls in Taiwan may cause difficulties in the repatriation of funds. Prospective investors should refer to the Taiwan Regulations and the relevant foreign exchange settlement procedures in Taiwan for details and note the risks under the Taiwan Regulations and procedures, subject to any subsequent changes. Any changes to the Taiwan Regulations and procedures or the imposition of restrictions on repatriation of the invested capital and net profits may have an adverse impact on the Issuer's ability to fulfil its payment obligations towards the holders of the Warrants.

Historical performance of the NT dollar and the U.S. dollar does not indicate the future performance of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the Warrants.

Trading levels of the NT dollar and the U.S. dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the Warrants.

The value of the NT dollar and the U.S. dollar is a result of the supply of, and demand for, each currency and changes in the foreign exchange rate may result from the interactions of many factors including economic, financial, social and political conditions in or affecting Taiwan or the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and Taiwan, the trade and current account balance between the United States and Taiwan, market interventions by the Federal Reserve Board of the United States or the Central Bank of the Republic of China (Taiwan), inflation, interest rate levels, the performance of the stock markets in the United States and Taiwan, the stability of the United States' and Taiwan's governments and banking systems, wars in which the United States and Taiwan are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and Taiwan, and other foreseeable and unforeseeable events.

Certain relevant information relating to Taiwan may not be as well known or as rapidly or thoroughly reported in the United States as comparable to developments in the United States. Prospective purchasers of the Warrants should be aware of the possible lack of availability of important information that can affect the value of the NT dollar in relation to the U.S. dollar and must be prepared to make special efforts to obtain such information on a timely basis.

#### *Cross Straits Risk*

The value of the Warrants may also be affected by Taiwan's unique political and diplomatic status. Due to claims by the PRC that Taiwan is part of the PRC, Taiwan does not have diplomatic relations with most countries and is not permitted to participate in international bodies such as the United Nations and the World Bank. Such diplomatic isolation may make the Taiwan market more price sensitive to global economic and political developments than other markets. The above, together with Taiwan's increasing economic dependence on the PRC, also make the Taiwan market sensitive to political and economic developments in the PRC.

#### *Taxation Risk*

FINIs investing in Taiwan securities may be required to pay taxes. Unless reduction is available under any specific tax treaty, dividends, interest and other income derived by a FINI from investing in Taiwan securities is subject to a 20% tax on the gross amount paid and, in most cases, such tax is withheld at source. There is no tax chargeable on capital gains, but the same should be included in the alternative minimum tax calculation if the FINI has a fixed business place in Taiwan. However, any sale of shares triggers a 0.3% security transfer tax imposed on the seller. If prospective investors are in doubt as to the tax position, they should consult their own independent tax advisors. In addition, prospective investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

#### *Regulatory Change Risk*

There may be a lower level of government supervision and enforcement activity in the regulation of Taiwan securities markets and the participants in those markets than in comparable markets in the United States securities markets.

The value of the Warrants may be affected by uncertainties such as changes in the government in Taiwan or its policies regarding inward investment, taxation and the restrictions on currency repatriation and other developments in the laws and regulations of Taiwan.

#### *Timing issues concerning dividend or coupon payments*

To the extent that the Reference Assets are shares or bonds, the timing issues relating to dividend or coupon payments in connection with such Reference Assets are set out below. The investors (who owned the Warrants immediately prior to the ex-dividend/coupon date) may be entitled to receive amounts reflecting the dividend or coupon some time after the dividend or coupon is announced or paid if payment of the

dividend or coupon, or the receipt thereof by a FINI or any other person, is delayed or for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs and expenses incurred in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends or coupons may be calculated with reference to any taxation charged in respect of such dividends or coupons.

### ***Thailand***

The Warrants reflect the risks of a direct investment in Thai equity, Thai debt or an index which references Thai equity, as the case may be, by a Foreign Investor outside Thailand (as defined below) who is subject to the same securities laws and rules and regulations of any securities regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities.

### ***Market Access***

Foreign organisations and individuals ("**Foreign Investors outside Thailand**") can generally invest directly in Thai equity, subject to the foreign ownership limit.

The Thai government has had a policy for many years of welcoming foreign investment, albeit on a controlled basis in certain sectors of the economy. Investment by Foreign Investors outside Thailand in shares issued by companies in certain industries (e.g. telecommunications, airlines or the service industry) may be limited by Thai law, the Board of Investment of Thailand and/or restrictions contained in the articles of association of such companies. If the relevant foreign ownership limit is reached in respect of the Underlying Company, non-Thai persons which acquire further underlying Thai shares thereafter will not be able to be registered as shareholders in the share register of such company. Where a non-Thai person acquires shares in excess of the applicable foreign ownership limit, that person will run the risk of losing the benefit of such investment because its ownership cannot be registered. As a result, the liquidity and market price for the company's shares may be adversely affected.

The investor in the Warrants will be subjected to the effect of equivalent restrictions and controls to those imposed on Foreign Investors outside Thailand generally, as determined by the Calculation Agent. These include limitations on the number of Thai Reference Assets in respect of which the investor is expecting to receive an economic return, potential delays or even non-receipt of funds on sale of the Warrants, taxes and charges generally levied on Foreign Investors outside Thailand in buying and selling equity and limitations on the importation and withdrawal of funds. Payments to Warrant holders calculated by reference to the price of a disposal of Thai Reference Assets will not be due unless or until the proceeds of disposal would have been received by a Foreign Investor outside Thailand.

If Foreign Investors outside Thailand become unable to invest directly in or alternatively hold equities or Foreign Investors outside Thailand are not allowed to sell or receive proceeds from the sale of such equities the Warrants may, in the worst case, become worthless.

### ***Foreign currency risk***

The Warrants are settled in the Settlement Currency as specified in the applicable Final Terms. Prospective investors in the Warrants should understand that, where the Settlement Currency is U.S. dollars, amounts payable under the Warrants will be converted from the lawful currency of Thailand (the "**Thai Baht**") into U.S. dollars or calculated by reference to hedge positions that may be denominated in Thai Baht and will be converted into U.S. dollars, as the case may be. Therefore, the Warrants are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the Warrants.

Historical performance of the Thai Baht and the U.S. dollar does not indicate the future performance of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the Warrants.

Trading levels of the Thai Baht and the U.S. dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the Warrants.

The value of the Thai Baht and the U.S. dollar is a result of the supply of, and demand for, each currency and changes in the foreign exchange rate may result from the interactions of many factors including economic, financial, social and political conditions in Thailand and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and Thailand, the trade and current account balance between the United States and Thailand, market interventions by the Federal Reserve Board of the United States or the Bank of Thailand, inflation, interest rate levels, the performance of the stock markets in the United States and Thailand, the stability of the United States' and Thailand's governments and banking systems, wars in which the United States and Thailand are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and Thailand, and other foreseeable and unforeseeable events.

Certain relevant information relating to Thailand may not be as well known or as rapidly or thoroughly reported in the United States as comparable to developments in the United States. Prospective purchasers of the Warrants should be aware of the possible lack of availability of important information that can affect the value of the Thai Baht in relation to the U.S. dollar and must be prepared to make special efforts to obtain such information on a timely basis.

Currently the exchange of the Thai Baht into other foreign currencies for the purposes of repatriation is subject to foreign exchange control in Thailand that includes certain formalities to be fulfilled.

#### *Timing issues concerning dividend or coupon payments*

To the extent that the Reference Assets are shares, the timing issues relating to dividend payments in connection with such Reference Assets are set out below. Dividends are generally declared as a percentage of the par value. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders. In addition, the Board may declare and pay interim dividends. Under Thai law, dividends can only be paid in cash (or stock, to the extent that the corporate documents of the relevant company so provide) to shareholders listed on the register of shareholders on the date which is specified as the "book closure date".

Dividends must be paid to the shareholders within one month of the date of the declaration.

To the extent that the Reference Assets are shares or bonds, the timing issues concerning dividend or coupon payments in connection with such Reference Assets are set out below. The investors (who owned the Warrants immediately prior to the ex-dividend/coupon date) may be entitled to receive amounts reflecting the dividends or coupons some time after the dividend or coupon is announced or paid if payment of the dividend or coupon, or the receipt thereof by a Foreign Investor outside Thailand or any other person, is delayed for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs and expenses incurred in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends or coupons may be calculated with reference to any taxation charged in respect of such dividends or coupons.

#### *Taxation issues concerning investment in listed securities in Thailand by a foreigner*

To the extent that the Reference Assets are shares, the taxation issues concerning investment in listed securities in Thailand by a foreigner in connection with such Reference Assets are set out below. Dividends



received from Thai underlying shares and capital gains derived from the transfer of Thai underlying shares by a Foreign Investor outside Thailand not having a permanent establishment or carrying on business in Thailand would be taxed as described below.

(A) Dividends

Dividends payable to a non-Thai person in respect of Thai underlying shares are generally subject to Thai withholding tax at a rate of 10%. However, this should be a final tax as dividends declared out of after tax profits are not subject to further corporate income tax in Thailand in the hands of a Foreign Investor outside Thailand. An exemption from the withholding tax on dividend will be available if the Underlying Company paying the dividend has received promotion privileges from the Board of Investment of Thailand, pursuant to which such Underlying Company enjoys related corporate tax exemption benefits.

(B) Capital Gains

Gains realised by a Foreign Investor outside Thailand from the sale or other disposition of Thai underlying shares outside Thailand are not subject to Thai withholding tax, *provided that* the related payment is made neither from nor within Thailand, and that neither the purchaser nor the seller resides or does business in Thailand.

A Foreign Investor outside Thailand will be subject to withholding tax of 15% on gains realised on any sale or other disposition of shares (including a sale through The Stock Exchange of Thailand (the "SET")) within Thailand, unless the Foreign Investor outside Thailand is entitled to an exemption under an applicable tax treaty.

Where Thai income withholding tax applies, the payer of the capital gains is obliged under Thai law to withhold the applicable amount of tax from the gains realised, and to report and remit the tax withheld to the relevant Thai tax authority. There is a tax ruling on this, under which the broker is obliged to withhold the applicable amount of tax from the gains realised, and to report and remit the tax withheld to the relevant Thai tax authority. However, in practice, the seller would assign its custodian to withhold the applicable amount of tax from the gains realised, then the custodian (and not the broker) withhold such tax from the gains and report and remit the tax withheld to the relevant Thai tax authority.

To the extent that the Reference Assets are Thai underlying bonds, the taxation issues concerning investment in bonds issued in Thailand by a Foreign Investor outside Thailand in connection with such Reference Assets are set out below. Interest received from Thai underlying bonds and capital gains derived from the transfer of Thai underlying bonds by a Foreign Investor outside Thailand not having a permanent establishment or carrying on business in Thailand would be taxed as described below.

(A) Interest

Interest income that the Foreign Investor outside Thailand receives shall be subject to 15% withholding tax deducted at source unless the Foreign Investor outside Thailand is entitled to a reduction under an applicable tax treaty. Where Thai income withholding tax applies, the payer of the interest is obliged under Thai law to withhold the applicable amount of tax from the interest and to report and remit the tax withheld to the relevant Thai tax authority.

(B) Capital Gains

Any gain derived from a transfer of bonds which exceeds the original investment amount shall be subject to 15% withholding tax deducted at source unless the Foreign Investor outside Thailand is entitled to an exemption or reduction under an applicable tax treaty. Where Thai income withholding tax applies, the payer of the capital gains (i.e., the buyer of the bonds) is obliged under Thai law to withhold the applicable amount of tax from the gains realised, and to report and remit the tax withheld to the relevant Thai tax authority.

## ***Vietnam***

The Warrants reflect the risks of a direct investment in Vietnamese equity, Vietnamese debt or an index which references Vietnamese equities, as the case may be, by an investor outside Vietnam ("**Foreign Investor outside Vietnam**") who is subject to the same securities laws and rules and regulations of any securities regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities. Some, but not all, of these risks are described in the sections below.

### *Market Access*

Foreign organisations and individuals can generally invest directly in Vietnamese equity. A foreigner organisation or individual must procure a securities trading code from the Vietnam Securities Depository in order to trade listed and unlisted securities in Vietnamese equity markets.

Pursuant to Decision No. 121/2008/QĐ-BTC dated 2 December 2008 on foreign participation in the Vietnamese securities markets of the Ministry of Finance, foreign investors are required to apply to the Vietnam Securities Depository for a securities trading code in order to invest in Vietnamese equities. However, a foreign investor is not required to obtain such securities trading code if he invests in Vietnam securities by way of entrusting the management of investment capital to a fund management company pursuant to an investment management agreement with that fund management company.

Under current practice, a Foreign Investor outside Vietnam is required to open an indirect investment capital account in Vietnamese Dong (as defined below) with a commercial bank licensed to operate in Vietnam for the purpose of making investments in Vietnamese listed and unlisted securities. All funds paid or received in respect of its investments must be channelled through this account. The account bank has the statutory duty to monitor the operation of the capital account and it may not give effect to any transfer of funds out of Vietnam in the event the Foreign Investor outside Vietnam fails to submit necessary documents for the bank's examination.

Foreign Investor outside Vietnam investments are substantially restricted and controlled in respect of some industries such as telecommunications, airlines or banking sector. In addition, the existing law also imposes a restriction on the maximum percentage holding of shares in listed companies or public companies (maximum foreign holding of 49 per cent. of the outstanding shares of a listed and/or public company). A Foreign Investor outside Vietnam may be required to hold its investment in a privatised State owned company for a period of at least 3 years if it invests in that company as a strategic partner. Similarly, if such Foreign Investor outside Vietnam is permitted to hold up to 10 per cent. of the share capital of a commercial bank, its purchased shares will be subject to a 3-year lock-up period. However, this lock-up period will be of 5 years if the Foreign Investor outside Vietnam invests in such commercial bank as a strategic partner (i.e. when it is permitted to hold 15 per cent. of share capital of the commercial bank). In addition, when investing in a new shares issued by a Vietnamese companies by way of private placement, a foreign investor must hold its purchased shares for a period of 1 year. These restrictions may change from time to time, sometimes without notice.

Pursuant to the State Bank of Vietnam's regulatory guidelines (Official Letter No. 5647/NHNN-CSTT dated 29 May 2007, "**Official Letter 5647**"), Foreign Investors outside Vietnam may not hold more than 50 per cent. of a commercial bank's the aggregate outstanding principal amount of Vietnamese Dong denominated debt securities. It is unclear whether the foreign holding restrictions under Official Letter 5647 still apply in secondary market and therefore no assurance can be given that the foreign bondholders' right to transfer debt securities issued by a specific commercial bank will not be affected by operation of Official Letter 5647.

The investor in these Warrants will be subjected to the effect of equivalent restrictions and controls to those imposed on Foreign Investors outside Vietnam generally, as determined by the Calculation Agent. These include limitations on the number of Reference Assets and other investments linked to the Reference Assets, and in the case of an Index, its constituents, in respect of which the investor is expecting to receive an

economic return, potential delays or even non-receipt of funds on sale of the Warrants, taxes and charges generally levied on Foreign Investors outside Vietnam in buying and selling equity and limitations on the importation and withdrawal of funds. Payments to Warrantholders calculated by reference to the price of a disposal of Vietnamese Reference Assets will not be due unless or until the proceeds of disposal would have been received by a Foreign Investor outside Vietnam.

If Foreign Investors outside Vietnam become unable to invest directly in or alternatively hold equities or Foreign Investors outside Vietnam are not allowed to sell or receive proceeds from the sale of such equities the Warrants may, in the worst case, become worthless.

#### *Foreign currency risk*

The Warrants are settled in the Settlement Currency as specified in the applicable Final Terms. Potential investors in the Warrants should understand that, where the Settlement Currency is U.S. dollars, amounts payable under the Warrants will be converted from the lawful currency of Vietnam (the "**Vietnamese Dong**") into U.S. dollars. Therefore, the Warrants are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the Warrants.

Historical performance of the Vietnamese Dong and the U.S. dollar does not indicate the future performance of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the Warrants.

Trading levels of the Vietnamese Dong and the U.S. dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the Warrants.

The value of the Vietnamese Dong and the U.S. dollar is a result of the supply of, and demand for, each currency and changes in the foreign exchange rate may result from the interactions of many factors including economic, financial, social and political conditions in Vietnam and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and Vietnam, the trade and current account balance between the United States and Vietnam, market interventions by the Federal Reserve Board of the United States or the State Bank of Vietnam, inflation, interest rate levels, the performance of the stock markets in the United States and Vietnam, the stability of the United States and Vietnam's governments and banking systems, wars in which the United States' and Vietnam are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and Vietnam, and other foreseeable and unforeseeable events.

Certain relevant information relating to Vietnam may not be as well known or as rapidly or thoroughly reported in the United States as comparable to developments in the United States. Prospective purchasers of the Warrants should be aware of the possible lack of availability of important information that can affect the value of the Vietnamese Dong in relation to the U.S. dollar and must be prepared to make special efforts to obtain such information on a timely basis.

Exchange rates of Vietnam, are determined following a "crawling peg" regime, meaning they are permitted to fluctuate within a band of rates. Governments, including those of the United States and Vietnam use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. A special risk in purchasing the Warrants is therefore that their liquidity, trading value and amounts payable could be affected by the actions of sovereign governments which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces and the movement of currencies across borders. There may be adjustments or changes in the terms of the Warrants in the event of impositions of restrictions, prohibition (such as exchange controls) or delaying

of the exchange of the Vietnamese Dong into the U.S. dollar. Such events may also cause the Issuer to terminate the Warrants early.

As discussed under *Market Access* above, currently the exchange of the Vietnamese Dong into other foreign currencies for the purposes of repatriation is subject to foreign exchange control in Vietnam that includes certain formalities to be fulfilled.

*Timing issues concerning dividend or coupon payments*

Under the 2005 Law on Enterprises under the laws of Vietnam, (the "**Enterprises Law**") unless the Board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Pursuant to Article 93 of the Enterprises Law, a company may declare and paid dividends out of net profits after setting aside amounts for tax and reserves as well as offsetting any losses. In addition, the company must ensure that after distribution of any dividend, it is still capable of discharging all monetary obligations due. Pursuant to Article 94 of the Enterprises Law, the shareholders are required to refund to the company any dividends they received in the event such dividends have not been distributed in accordance with the principles as laid down by Article 93 of the Enterprises Law.

Dividends are generally declared as a percentage of the par value. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their shares as of the book closure date. In addition, the Board may declare and pay interim dividends. Under the Enterprises Law, dividends can only be paid in cash (or stock) to shareholders listed on the register of shareholders on the date which is specified as the "book closure date".

Dividends must be paid to the shareholders within 30 days from the date of the declaration.

Where the Reference Asset(s) are shares or bonds, the investors (who owned the Warrants immediately prior to the ex-dividend date) may be entitled to receive amounts reflecting the dividends or coupons declared some time after the dividend or coupon is announced or paid if payment of the dividend or coupon, or the receipt thereof by a Foreign Investor outside Vietnam or any other person, is delayed for whatever reason. The amount paid to the investors shall be the net dividend or coupon amount after conversion of such amount into the relevant Settlement Currency and after the deduction of all conversion, transfer and other costs, taxes and expenses incurred in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends or coupons may be calculated with reference to any taxation charged in respect of such dividends or coupons. Where the amount of fees or taxes or the basis on which they are to be determined is not confirmed before payment to investors of an amount reflecting a dividend or coupon and/or is subject to change in the future, and such fees or taxes affect or relate to such payment and were not taken into account by way of deduction in calculating such payment, then the investors are obliged to pay to the Issuer an amount equal to such fees or taxes upon notification from the Issuer.

Dividends are occasionally announced but then subsequently not paid by Vietnamese companies. Further there can be a significant delay (sometimes a number of months) between the marking of a share as ex-dividend at the relevant stock exchange and the payment of that dividend. Occasionally the dividends are of such modest magnitude that the costs of converting Vietnamese Dong and transferring the payment offshore are significant relative to the dividend.

*Taxation issues concerning investment in listed securities in Vietnam*

Any income derived from a Foreign Investor outside Vietnam's investment in securities in Vietnam is subject to corporate income tax specially provided for by Circular No. 134/2008/TT-BTC dated 31 December 2008 of the Ministry of Finance (as amended by Circular No. 197/2009/TT-BTC dated 9 October 2009 and Circular No. 64/2010/TT-BTC dated 22 April 2010 of the Ministry of Finance, collectively referred to as "**Circular 134**").

In light of this regulation, a Foreign Investor outside Vietnam is treated as a foreign investor having no resident establishment in Vietnam and therefore it would be taxed on a deemed tax basis as described below.

Pursuant to Circular 134, corporate income tax is imposed on the gross value of securities sold by a Foreign Investor outside Vietnam on each transaction. This is a "deemed profit" tax, equivalent to 0.1 per cent. of the value of the sale transaction. No relief is allowed for transaction costs, and no allowance is taken for the cost of investments.

However, dividends received from tax paid profits are not subject to further corporate income tax in the hands of the Foreign Investor outside Vietnam. Interest on the debt securities is subject to a withholding tax imposed at a rate of 10 per cent.

Corporate income tax is withheld and paid to the State Budget by the securities broker. Then, the Foreign Investor outside Vietnam can remit its profits out of Vietnam as long as the securities broker has already fully withheld and paid the tax obligations to the State Budget.

It is however noteworthy that the Vietnamese tax rules are characterised by uncertainty and by a lack of interpretative guidelines. Both the substantive provisions of the tax laws of Vietnam and the interpretation and application of such laws by the Vietnamese tax authorities may be subject to unpredictable change.

#### *Settlement*

The settlement of transactions (either for the Ho Chi Minh City Stock Exchange or the Hanoi Stock Exchange) is carried out by the Vietnam Securities Depository. A further risk exists in DVP settlement that settlement simply fails as the counterparty to an equity trade does not deliver the Vietnamese Reference Assets or any financial instruments linked to such Reference Assets, or in the case of an Index, its constituents. However, under the existing trading rules, an order for sale placed by an investor may be revoked if there are not sufficient securities on the investor's securities account in order to settle the proposed trade. Similarly, a broker may not execute an order for purchase in the event the credit balance on the investor's cash account is not sufficient to pay for securities to be purchased.

**EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN FINANCIAL, LEGAL AND TAX ADVISERS AS TO THE RISKS ENTAILED BY AN INVESTMENT IN THE WARRANTS.**

## INCORPORATION BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Base Prospectus, save that any documents incorporated by reference in any of the documents set forth below do not form part of this Base Prospectus:

- (a) the registration document relating to the Issuer dated 28 May 2010 and filed with the UK Listing Authority pursuant to Article 11 of the Prospectus Directive (the "**Registration Document**");
- (b) the prospectus supplements dated 4 August 2010 (the "**August 2010 Supplement**"), 1 October 2010 (the "**October 2010 Supplement**"), 24 November 2010 (the "**November 2010 Supplement**"), 30 December 2010 (the "**December 2010 Supplement**") and 11 January 2011 (the "**January 2011 Supplement**"), together with the August 2010 Supplement, the October 2010 Supplement, the November 2010 Supplement and the December 2010 Supplement, each a "**Supplement**";
- (c) the audited consolidated financial statements of the Issuer and its subsidiary undertakings (including the auditors' report thereon) for the year ended 31 December 2008 and for the year ended 31 December 2009 (the "**Financial Information**") submitted to and filed with the FSA;
- (d) the unaudited consolidated Interim Report of the Issuer and its subsidiary undertakings for the six months ended 30 June 2010 (the "**Interim Financial Information**") submitted to and filed with the FSA; and
- (e) the terms and conditions of the Warrants as set out on page 37 to 80 of the base prospectus dated 3 September 2007, pages 40 to 83 of the base prospectus dated 3 September 2008, pages 40 to 83 of the base prospectus dated 2 September 2009 and pages 41 to 84 of the base prospectus dated 5 February 2010 (the "**Base Conditions**"),

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference and in respect of which a supplement to this Base Prospectus is prepared modifies or supersedes such statement. Any documents incorporated by reference in the Registration Document, each Supplement, the Financial Information, the Interim Financial Information or the Base Conditions do not form part of the Base Prospectus.

The purpose of the August 2010 Supplement is to disclose that on 2 August 2010 the Issuer published its unaudited consolidated interim report for the six months ended 30 June 2010, a copy of which is annexed to the August 2010 Supplement, and to make the relevant amendments to the Registration Document dated 28 May 2010. The purpose of the October 2010 Supplement is to disclose that, on 24 September 2010, HSBC Holdings plc, being the direct parent of the Issuer, issued a press release via the Regulatory News Service headed "HSBC Announces New Leadership Team", a copy of which is attached to the October 2010 Supplement. The purpose of the November 2010 Supplement is to disclose the subordinated loan agreement between HSBC Holdings plc and the Issuer, the adoption of the new articles of association of the Issuer, the resignation of M F Geoghegan as a Director of the Issuer, the appointment of P F C Houze and J W Leung as independent non-executive Director and non-executive Director respectively of the Issuer and to make the relevant amendments to the Registration Document to reflect the above changes. The purpose of the December 2010 Supplement is to disclose the appointment of B Robertson and J D Garner as executive Directors of the Issuer and the resignation of S K Green and S T Gulliver as Directors of the Issuer, and to make the relevant amendments to the Registration Document dated 28 May 2010. The purpose of the January 2011 Supplement is to disclose additional information regarding the Bernard L. Madoff and Madoff Securities litigation.

The Issuer will at its registered office and at the offices of the Principal Warrant Agent make available for inspection during normal business hours, upon reasonable notice, and free of charge, upon oral or written request, a copy of this Base Prospectus (or any document incorporated by reference in this Base Prospectus and any future filings or financial statements published by the Issuer). Written or oral requests for inspection of such documents should be directed to the specified office of the Principal Warrant Agent.

## CLEARING AND SETTLEMENT

Custodial and depository or safekeeping links have been established with Euroclear, Clearstream, Luxembourg and DTC to facilitate the initial issuance of Warrants and cross-market transfers of Warrants between investors associated with secondary market trading. Transfers within Euroclear, Clearstream, Luxembourg and DTC 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 (if any) with respect to book-entry interests in the Warrants held through Euroclear and/or Clearstream, Luxembourg will be credited, to the extent received by the Principal Warrant Agent, to the cash accounts of Euroclear and/or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

### **DTC**

DTC is a limited-purpose trust company organised under the laws of the State of New York and a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of securities transactions between DTC participants through electronic book-entry changes in accounts of DTC participants. DTC participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organisations. Indirect access to DTC is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Holders of book-entry interests in the Warrants holding through DTC will receive, to the extent received by the Principal Warrant Agent, all distributions (if any) with respect to book-entry interests in the Warrants from the Principal Warrant Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

### **Interests in Global Registered Warrants held through DTC, Euroclear and Clearstream, Luxembourg**

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Warrants. Consequently, the ability to transfer interests in a Global Registered Warrant to such persons may be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Registered Warrant to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.



The aggregate holdings of book-entry interests in the Warrants in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution.

As necessary, the Registrar will adjust the amounts of Warrants on the Register for the accounts of (i) Euroclear and/or Clearstream, Luxembourg and (ii) DTC to reflect the amounts of Warrants held through Euroclear and/or Clearstream, Luxembourg and DTC, respectively. Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Warrants will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Warrants. The Registrar will be responsible for maintaining a record of the aggregate holdings of Warrants registered in the name of the common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg, a nominee for DTC and/or Holders of Warrants represented by Definitive Registered Warrants. The Principal Warrant Agent will be responsible for ensuring that payments received by it from the Issuer for Holders of interests in the Warrants holding through Euroclear and/or Clearstream, Luxembourg are credited to Euroclear and/or Clearstream, Luxembourg, as the case may be. The Principal Warrant Agent will also be responsible for ensuring that payments received by it from the Issuer for Holders of interests in the Warrants holding through DTC are credited to DTC.

The Issuer will not impose any fees in respect of the book-entry interests in the Warrants; however, Holders of book-entry interests in the Warrants may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream, Luxembourg or DTC.

Interests in an Unrestricted Global Registered Warrant, a Restricted Global Registered Warrant and a Combined Global Registered Warrant will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Warrants through Euroclear and/or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional eurobonds. Book-entry interests in the Global Registered Warrants will be credited to Euroclear participants' securities clearance accounts on the business day following the relevant issue date against payment (value such issue date), and to Clearstream, Luxembourg participants' securities custody accounts on the relevant issue date against payment in same day funds. DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Warrants through DTC will follow the delivery practices applicable to securities eligible for DTC's Same-Day Funds Settlement ("**SDFS**") system. DTC participant securities accounts will be credited with book-entry interests in the Warrants following confirmation of receipt of payment to the Issuer on the relevant issue date.

### **Secondary Market Trading in relation to Global Registered Warrants**

*Trading between Euroclear and/or Clearstream, Luxembourg participants:* Secondary market sales of book-entry interests in the Warrants held through Euroclear and/or Clearstream, Luxembourg to purchasers of book-entry interests in the Warrants through Euroclear and/or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and/or Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds (subject, in the case of (a) a transfer of an interest in the Warrants from accountholders of a beneficial interest in an Unrestricted Global Registered Warrant to an accountholder wishing to purchase a beneficial interest in a Restricted Global Registered Warrant (and vice versa) or (b) a transfer of an interest in the Warrants from accountholders of a beneficial interest in a Combined Global Registered Warrant to an accountholder wishing to purchase a beneficial interest in a Combined Global Registered Warrant, to the certification procedure provided in the Warrant Agency Agreement).

*Trading between DTC participants:* Secondary market sales of book-entry interests in the Warrants between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's SDFS system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made with the DTC participants.

*Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser:* When book-entry interests in Warrants are to be transferred from the account of a DTC participant holding a beneficial interest in a Restricted Global Registered Warrant to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in an Unrestricted Global Registered Warrant (subject to the certification procedures provided in the Warrant Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the Custodian will instruct the Registrar to (i) decrease the amount of Warrants registered in the name of Cede & Co. and evidenced by the Restricted Global Registered Warrant and (ii) increase the amount of Warrants registered in the name of the common depository (or its nominee) for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Registered Warrant. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

*Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser:* When book-entry interests in the Warrants are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Restricted Global Registered Warrant (subject to the certification procedures provided in the Warrant Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the Custodian who will in turn deliver such book-entry interests in the Warrants free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Warrants registered in the name of the common depository (or its nominee) for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Registered Warrant and (ii) increase the amount of Warrants registered in the name of Cede & Co. and evidenced by the Restricted Global Registered Warrant.

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Warrants among participants of Euroclear, Clearstream, Luxembourg and DTC, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Principal Warrant Agent, the Registrar, any Warrant Agent, any Transfer Agent, any Manager 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 for the performance by Euroclear, Clearstream, Luxembourg and DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

## TAXATION

**Transactions involving the Warrants may have tax consequences for potential purchasers which may depend, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. Potential purchasers who are in any doubt about the tax position of any aspect of transactions involving the Warrants should consult their own tax advisers.**

### UNITED KINGDOM TAXATION

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

#### (A) Withholding Tax

Payments under the Warrants which payments do not amount to interest, rent or annual payments (and are not treated as, or as if they were, interest, rent or annual payments for United Kingdom tax purposes) may be made without any withholding or deduction for or on account of United Kingdom tax.

#### (B) Stamp Duty and Related Taxes

United Kingdom stamp duty or stamp duty reserve tax may be payable on any issue, transfer or agreement to transfer the Warrants or any interest in the Warrants or the delivery of any asset on the exercise of Warrants.

### EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. **UNITED STATES TAXATION**

**THIS BASE PROSPECTUS AND FINAL TERMS ARE NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL, STATE OR LOCAL TAX PENALTIES. THIS BASE PROSPECTUS WAS WRITTEN AND PROVIDED BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE SECURITIES ADDRESSED HEREIN BY THE ISSUER AND/OR THE MANAGER. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

The following is a summary of certain of the principal U.S. federal income tax consequences resulting from the ownership, exercise and disposition of Warrants by a purchaser that holds such Warrants as capital assets. The U.S. federal income tax consequences of the ownership, exercise and disposition of certain Warrants also could differ from that described below depending on the particular terms of the Warrants and the applicable Final Terms may contain additional or modified disclosure concerning the U.S. federal income tax consequences relevant to such type of Warrant.

The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the ownership, exercise or disposition of Warrants by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent. or more of the voting stock of the Issuer or of the issuer of any Reference Asset, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as banks, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Warrants as part of straddles, hedging transactions, conversion transactions or other integrated transactions for U.S. federal income tax purpose or investors whose functional currency is not the U.S. dollar). This summary also does not address Non-U.S. Holders (as defined below) who hold Warrants linked to Reference Assets (or Reference Asset Components) that are securities issued by U.S. issuers.

The summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

Prospective purchasers of a Warrant should consult their own tax advisers concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of a Warrant arising under the laws of any other taxing jurisdiction.

As used herein, the term "**U.S. Holder**" means a beneficial owner of Warrants that is for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation, created or organised under the laws of the United States or any state thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or that has validly elected to be treated as a U.S. person. A "**Non-U.S. Holder**" is a beneficial owner of Warrants that is not a U.S. Holder.

### **Taxation of U.S. Holders of LEPOs**

The discussion below addresses Warrants with a nominal exercise price that are cash-settled ("**LEPOs**"). This discussion does not address, among other things, Warrants requiring the payment of a substantial exercise price ("**Non-LEPOs**"). For a discussion on the U.S. federal income tax treatment of Non-LEPOs, see "Taxation of U.S. Holders of Non-LEPOs" below.

#### *Characterisation*

Currently, there are no statutory provisions, regulations, published rulings or judicial decisions addressing or involving the characterisation and treatment, for U.S. federal income tax purposes, of securities with terms substantially the same as the terms of the LEPOs. Accordingly, the proper U.S. federal income tax characterisation and treatment of a LEPO is at present uncertain. Prospective purchasers are urged to consult their tax advisors regarding the U.S. federal income tax consequences of an investment in a LEPO (including alternative characterisations of a LEPO) and with respect to any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

Ownership of a LEPO might represent tax ownership of the Reference Asset. If such characterisation were respected, a U.S. Holder would be deemed to have purchased the Reference Asset. U.S. Holders are advised that the Issuer will not investigate nor will it have access to information that would permit it to ascertain whether the issuer of a Reference Asset to which a particular LEPO may relate is a "passive foreign investment company" for U.S. federal income tax purposes. Alternatively, a LEPO may be classified as a financial contract such as a prepaid forward contract, a cash-settled option, or an equity swap. The timing of recognition of income and the amount and character of income recognised by a U.S. Holder that owns a LEPO may vary significantly depending on the tax characterisation of the LEPO.

On 7 December 2007, the U.S. Internal Revenue Service (the "**IRS**") released a notice that may affect the taxation of holders of LEPOs. According to the notice, the IRS and the U.S. Treasury Department are actively considering whether the holder of instruments such as LEPOs should be required to accrue ordinary income on a current basis, and they are seeking taxpayer comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of LEPOs will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The IRS and the U.S. Treasury Department are also considering other relevant issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital, whether foreign holders of such instruments should be subject to withholding tax on any deemed income accruals, and whether the special "constructive ownership rules" of Section 1260 of the Code might be applied to such instruments. The Issuer intends to continue treating LEPOs for U.S. federal income tax purposes in accordance with the treatment described in this Base Prospectus unless and until such time as the IRS and the U.S. Treasury Department determine that some alternative treatment is more appropriate. **Prospective investors are urged to consult their own tax advisers concerning the significance, and the potential impact, of the above considerations.**

#### *Treatment of Dividend Related Payments*

If the ownership of a LEPO were properly characterised as tax ownership of the Reference Asset, a U.S. Holder would be required to include an amount equal to the underlying periodic distributions on the Reference Asset as ordinary income even though the dividend payment is accrued and not paid to the U.S. Holder of the LEPO until the LEPO is exercised. In that case, such amounts should be treated as dividends for U.S. federal income tax purposes to the extent the underlying distributions are considered to be paid out of the relevant issuer's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). For U.S. federal income tax purposes, the amount of any distribution deemed paid in a non-U.S. currency will be the U.S. dollar value of the distribution, based on the exchange rate in effect on the date the distribution is treated as received by the U.S. Holder, whether or not the non-U.S. currency is in fact converted into U.S. dollars at that time.

If the ownership of a LEPO were properly characterised as tax ownership of the Reference Asset, a U.S. Holder could claim any foreign withholding taxes that are withheld from payments on the LEPO as a credit or deduction for U.S. federal income tax purposes (subject to limitations). No assurance can be given that the Issuer (or any Affiliate) will not take a position with respect to credits or deductions arising from any foreign withholding taxes for U.S. federal income tax or other taxing jurisdiction purposes that is inconsistent with the position taken by the U.S. Holder.

#### *Exercise of a LEPO*

Upon an exercise of a LEPO, a U.S. Holder generally will be required to recognise gain or loss equal to the difference between the amount realised and the sum of the holder's adjusted tax basis for the LEPO and the exercise price. In general, a U.S. Holder's tax basis for a LEPO is the U.S. dollar value of the amount paid for the LEPO. It is unclear whether such income or loss is properly classified as ordinary income or loss, or capital gain or loss.

#### *Sale or Exchange of a LEPO*

Upon the sale or exchange of a LEPO to a person other than the Issuer, a U.S. Holder will be required to recognise taxable gain or loss in an amount equal to the difference between the amount realised upon the sale or exchange and the U.S. Holder's adjusted tax basis in the LEPO. Such gain or loss would generally be treated as short-term or long-term capital gain or loss, depending on the U.S. Holder's holding period for the LEPO.

#### **Taxation of U.S. Holders of Non-LEPOs**

The discussion below addresses Non-LEPOs that are cash-settled.

#### *Characterisation*

Currently, there are no statutory provisions, regulations, published rulings or judicial decisions addressing or involving the characterisation and treatment, for U.S. federal income tax purposes, of securities with terms substantially the same as the terms of the Non-LEPOs. Accordingly, the proper U.S. federal income tax characterisation and treatment of a Non-LEPO is at present uncertain. Prospective purchasers are urged to consult their tax advisors regarding the U.S. federal income tax consequences of an investment in a Non-LEPO (including alternative characterisations of a Non-LEPO) and with respect to any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. The Issuer intends to treat the Non-LEPOs as cash-settled options for U.S. federal income tax purposes. Alternatively, a Non-LEPO may be classified as a financial contract such as a prepaid forward contract or an equity swap, or as ownership of the Reference Assets. The timing of recognition of income and the amount and character of income recognised by a U.S. Holder that owns a Non-LEPO may vary significantly depending on the tax characterisation of the Non-LEPO.

On 7 December 2007, the IRS released a notice that may affect the taxation of holders of Non-LEPOs. According to the notice, the IRS and the U.S. Treasury Department are actively considering whether the holder of instruments such as Non-LEPOs should be required to accrue ordinary income on a current basis, and they are seeking taxpayer comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of Non-LEPOs will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The IRS and the U.S. Treasury Department are also considering other relevant issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital, whether foreign holders of such instruments should be subject to withholding tax on any deemed income accruals, and whether the special "constructive ownership rules" of Section 1260 of the Code might be applied to such instruments. The Issuer intends to continue treating Non-LEPOs for U.S. federal income tax purposes in accordance with the treatment described in this Base Prospectus unless and until such time as the IRS and the U.S. Treasury Department determine that some alternative treatment is more appropriate. **Prospective investors are urged to consult their own tax advisers concerning the significance, and the potential impact, of the above considerations.**

#### *Sale, Exchange or Exercise of a Non-LEPO*

Upon the sale or exchange of a Non-LEPO to a person other than the Issuer, or upon an exercise of a Non-LEPO, a U.S. Holder will be required to recognise taxable gain or loss in an amount equal to the difference between the amount realised upon the sale, exchange or exercise and the U.S. Holder's adjusted tax basis in the Non-LEPO. In general, a U.S. Holder's tax basis for a Non-LEPO is the U.S. dollar value of the amount

paid for the Non-LEPO. Such gain or loss would generally be treated as short-term or long-term capital gain or loss, depending on the U.S. Holder's holding period for the Non-LEPO.

### **Taxation of Non-U.S. Holders**

Subject to the discussion below of backup withholding, a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax with respect to amounts received, if any, with respect to a Warrant assuming that: (i) the Warrant is not held in connection with a U.S. trade or business or, in the case of a resident of a country that has an income tax treaty with the United States, such Warrant is not attributable to a permanent establishment (or, in the case of an individual, a fixed place of business) in the United States; (ii) in the case of an individual, the Non-U.S. Holder is not present in the United States for 183 days during the taxable year and certain other conditions are met; and (iii) such Non-U.S. Holder is not subject to the rules applicable to certain former citizens and residents of the United States.

### **Backup Withholding and Information Reporting**

In general, the proceeds of a taxable exercise or a sale or other disposition of Warrants payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary may be reported to the IRS, as appropriate under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding and information reporting. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and information reporting and the procedure for obtaining an exemption.

Beginning in 2011, recently enacted legislation may require individual U.S. Holders to report to the IRS certain information with respect to their beneficial ownership of the Warrants not held through an account with a financial institution. Investors who fail to report required information could be subject to substantial penalties.

## **AUSTRALIAN TAXATION**

The following is a summary of the Australian taxation treatment at the date of this Base Prospectus, of payments in respect of Warrants to be issued by the Issuer and of the treatment of Warrants for the purposes of Australian stamp duty. This summary is not exhaustive and does not deal with certain Australian tax aspects of acquiring, exercising, holding or disposing of the Warrants, or deal with the position of certain classes of Warrantholders. Prospective Warrantholders should also be aware that particular terms of issue of any Series of Warrants may affect the tax treatment of that and other Series of Warrants.

This summary is a general guide and should be treated with appropriate caution. Prospective Warrantholders who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the Warrants for their particular circumstances.

### **1. Australian income tax treatment of Warrantholders**

#### **(A) Warrantholders that are Australian residents**

A Warrantholder that is an Australian resident ("**Australian Holder**") would be taxable in respect of any Additional Amounts (or other cash payment representing income in respect of the Reference Asset) received in respect of a Warrant. A recipient of an Additional Amount is not able to benefit from any imputation credits that are attached to any distribution to which the Additional Amount relates.

Upon cash settlement or disposal of a Warrant, an Australian Holder would be taxable in respect of any gain in respect of the Warrant. An Australian Holder that is a trust, superfund or individual, and who holds the Warrant on capital account (e.g. holds a Warrant over Reference Assets that are equities for the purposes of

exercising the Warrant and acquiring the Reference Assets to be held as part of a long-term investment portfolio) may be eligible for concessional treatment as a 'discount capital gain' where the Warrant has been held for greater than 12 months. This concessional treatment would not be available for an Australian Holder that holds the Warrant on revenue account (e.g. for the purpose of cash settling or disposing of the Warrant in order to make a profit, or where the Warrant is automatically cash-settlable, or over Reference Assets that are bonds).

Where an Australian Holder exercises a Warrant and acquires the Reference Asset, the Holder may become subject to tax in respect of income derived from the Reference Asset, and/or any gain on subsequent disposal. Australian Holders should seek independent tax advice in respect of the tax consequences of holding the Reference Assets.

Certain Australian Holders may be subject to the Taxation of Financial Arrangements regime, which operates to tax financial arrangements on revenue account, and in some cases on a compounding accruals basis. Australian Holders should seek their own independent advice in respect of the applicability of the new provisions to their individual circumstances.

#### **(B) Non-Australian Warrantholders**

Warrantholders that are not Australian residents and do not hold the Warrants in carrying on a business at or through a permanent establishment in Australia will not be subject to Australian income tax in respect of any Additional Amount or any gain made in respect of cash settlement or disposal of a Warrant where they are residents of a country with which Australia has a double taxation agreement providing for exemption from Australian tax for business profits. Residents of other countries should also not be taxable in Australia, provided the Warrants are executed outside of Australia.

Where a Warrantholder exercises a Warrant and acquires the Reference Asset, the Warrantholder may become subject to tax in respect of income derived from the Reference Asset, and/or any gain on subsequent disposal. Warrantholders should seek independent tax advice in respect to the tax consequences of holding the Reference Assets.

Payments made in respect of the Warrants which are not "interest", or amounts in the nature of, or in substitution for, interest should not be subject to Australian interest withholding tax.

## **2. Australian income tax treatment of Foreign Investors outside Australia**

Under the terms of the Warrants, the amount of a payment to the Warrantholder under the Warrants may be adjusted to take into account the effect of Australian taxes on an investment by a Foreign Investor outside Australia in the Reference Assets.

### *Australian tax which may affect any Additional Amount*

To the extent that the Reference Assets are shares, Australia may impose dividend withholding tax at a rate of, currently, up to 30% on dividends paid by the Underlying Companies to a non-resident Foreign Investor outside Australia not holding the Reference Assets at or through an Australian permanent establishment. The withholding rate may be reduced, generally to 15%, 10%, 5% or nil, if the Foreign Investor outside Australia receiving the dividend is a resident in a country with which Australia has signed a double taxation agreement.

An exemption from dividend withholding tax is available for certain "franked" dividends (broadly, dividends paid out of after-tax profits of the Underlying Companies) and "unfranked" dividends that the Underlying Company declares to be "conduit foreign income" (broadly, untaxed foreign income that would not be taxable to a foreign resident deriving that income directly).



To the extent that the Reference Assets are bonds, Australia may impose interest withholding tax at a rate of, currently, 10% on interest paid to a non-resident Foreign Investor outside Australia not holding the Reference Assets at or through an Australian permanent establishment. The withholding rate may be reduced to nil if the Foreign Investor outside Australia receiving the interest is a resident in a country with which Australia has signed a double taxation agreement that provides for an exemption from interest withholding tax for financial institutions, and the requirements of that exemption are satisfied.

An exemption from interest withholding tax may also be available where the interest is paid in respect of a bond that satisfied the "public offer test" at the time of its issue (broadly, where the bond was a widely publicly offered bond).

#### *Australian tax which may affect the Cash Settlement Amount*

To the extent that the Reference Assets are shares, a Foreign Investor outside Australia who is a non-resident of Australia and who, during the taxable year, does not hold the Reference Asset in the course of carrying on business at or through a permanent establishment in Australia, should include in their assessable income any gain arising from the disposal of the Reference Asset which has an Australian source. A gain arising on the disposal of a Reference Asset from the Foreign Investor outside Australia to another non-resident may not have an Australian source if the Reference Asset is disposed of outside Australia and negotiations are conducted, and documentation is executed, outside Australia.

A Foreign Investor outside Australia should not be subject to any Australian capital gains tax arising from the disposal of a Reference Asset so long as the relevant Reference Asset is not "taxable Australian property" (broadly, a non-portfolio interest (i.e. >10%) in a company with more than 50% of its value attributable to Australian land interests).

## **HONG KONG TAXATION**

The comments below are of a general nature and are only a summary of the law and practice currently applicable under the laws of Hong Kong at the date of this Base Prospectus. The comments relate to the position of persons who are the absolute beneficial owners of the Warrants and may not apply equally to all persons. The following summary is a general guide and should be treated with appropriate caution. It is not complete and the Issuer is not giving any tax advice. Prospective investors in the Warrants who are in any doubt as to their tax position on purchase, ownership, transfer or exercise of any Warrant should consult their own tax advisers. Warrant holders may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price of each Warrant. Warrant holders who may be liable to taxation in jurisdictions other than Hong Kong in respect of their purchase, ownership, transfer or exercise of the Warrants are particularly advised to consult their own tax advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following summary relates only to certain Hong Kong taxation aspects in respect of the Warrants. In particular, Warrant holders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Warrants even if such payments may be made without withholding or deduction for or on account of taxation under the laws of Hong Kong.

### **(A) Withholding tax**

No tax is payable in Hong Kong by way of withholding in respect of payments of the Cash Settlement Amount or the Strike Price or any other amount payable in respect of the Warrants.

### **(B) Stamp duty**

No stamp duty is payable in Hong Kong in respect of the issue of the Warrants *provided that*, in the case of Warrants in bearer form, the Warrants are not issued in Hong Kong.

No stamp duty is payable in Hong Kong in respect of the transfer of cash-settled Warrants.

No stamp duty is payable in Hong Kong in respect of the transfer of physically settled Warrants *provided that*, in the case of such Warrants in registered form, the transfer of such Warrants is not required to be registered in Hong Kong.

## **SINGAPORE TAXATION**

The comments below are of a general nature and are only a summary of the law and practice currently applicable in Singapore as at the date of this Base Prospectus and are subject to any changes in such laws or administrative guidelines, or the interpretation of those laws, or guidelines, occurring after such date, which changes could be made on a retrospective basis. The comments relate to the position of persons who are the absolute beneficial owners of the Warrants and may not apply equally to all persons. Neither these statements nor any other statements in this Base Prospectus are to be regarded as advice on the tax position of any holder of the Warrants or of any person acquiring, selling or otherwise dealing with the Warrants or on any tax implications arising from the acquisition, sale or other dealings in respect of the Warrants. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Warrants and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Holders or prospective holders of the Warrants who are in doubt about their respective tax positions or any such tax implications of the acquisition, ownership or transfer of Warrants should consult their own professional advisers. In particular, this general summary does not consider any specific facts or circumstances that may apply to any particular purchaser.

Investors are therefore urged to consult their tax advisers regarding income and other tax consequences of owning and disposing of the Warrants under Singapore law and under the laws of any other country to which they may be subject.

### **(A) Income Tax and Capital Gains**

Singapore imposes a tax on income but does not impose tax on gains which are considered non-income (i.e., gains which are considered to be capital in nature). There are no specific laws or regulations which deal with the characterisation of whether a gain is income or capital. However, any gain from the sale of Warrants derived by a person as part of a trade or business carried on in Singapore by that person is likely to be revenue in nature and taxable. The question of whether a gain is income or capital ultimately remains a matter of fact based on the Warrantholder's personal circumstances. Warrantholders should therefore consult their own tax advisers if they are in any doubt as to the treatment that would be applicable to them.

A Warrantholder which is a company in Singapore is, subject to certain "opt-out" provisions, required to apply Singapore Financial Reporting Standards 39 for Singapore income tax purposes subject to certain modifications prescribed under the Singapore Income Tax Act, Chapter 134 of Singapore, and regulations thereunder ("**FRS 39 Tax Treatment**"). In such case, the Warrantholder may be required for Singapore tax purposes to recognise gains or losses on the Warrants, irrespective of disposal, in accordance with the FRS 39 Tax Treatment. Holders of the Warrant who may be subject to the FRS 39 Tax Treatment should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Warrants.

Subject to certain exceptions, income tax is generally payable in Singapore on income accruing in or derived from Singapore and on foreign-sourced income received or deemed received under the Warrants in Singapore, notwithstanding the tax resident status of the investors.

However, all foreign-sourced income received under the Warrants in Singapore by:

- (a) a non-resident individual; and

- (b) any Singapore tax resident individual, where the Comptroller is satisfied that the tax exemption would be beneficial to the individual, but excluding such income received through a partnership in Singapore,

will be exempt from income tax.

## **(B) Goods and Service Tax**

Under the Singapore Goods and Services Tax Act, Chapter 117A of Singapore (the "**Singapore GST Act**"), the:

- (a) issue, allotment or transfer of ownership of an equity security (i.e., any interest in or right to a share in the capital of a body corporate or any option to acquire any such interest or right but excludes a contract of insurance and an estate or interest in land, other than an estate or interest as mortgagee or chargeholder);
- (b) issue, allotment, transfer of ownership, drawing, acceptance or endorsement of a debt security (i.e. any interest in or right to be paid money that is, or is to be, owing by any person or any option to acquire any such interest or right but excludes a contract of insurance and an estate or interest in land, other than an estate or interest as mortgagee or chargeholder);
- (c) the issue or transfer of ownership of a unit under any unit trust or business trust; and
- (d) the renewal or variation of an equity security or debt security,

by a person who is or is required to be registered under the Singapore GST Act are exempt supplies not subject to Goods and Services Tax ("**Singapore GST**") under the Fourth Schedule to the Singapore GST Act.

The Singapore GST Act does not, however, contain any specific provision relating to the Singapore GST treatment of all kinds of warrants. Nevertheless, the issue, allotment, transfer of ownership, renewal or variation of Warrants has in practice generally not be treated as subject to Singapore GST.

Notwithstanding the above, Warrant holders should consult their own tax advisers if they are in any doubt of the Singapore GST treatment that would be applicable.

## **(C) Stamp Duty**

Stamp duty in Singapore is imposed only on instruments relating to stocks and shares and immovable properties.

However, no Singapore stamp duty would be payable on any instrument or agreement for the issue or sale of the Warrants where such instrument or agreement is:

- (a) executed outside, and not received in, Singapore; or
- (b) in respect of a cash-settled warrant which does not involve a conveyance of any stocks or shares (or any interests therein):
  - (i) in a company incorporated in Singapore; or
  - (ii) which is registered on a register kept in Singapore.

Notwithstanding the above, Warrantholders should consult their own tax advisers if they are in any doubt of the Singapore stamp duty treatment that would be applicable.

Transfers of securities which are held on a scripless basis through the Central Depository (Pte) Limited are generally not subject to stamp duty.

## CERTAIN ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain restrictions on employee benefit plans that are subject to ERISA ("**ERISA Plans**") and on persons who are fiduciaries with respect to such ERISA Plans. In accordance with the ERISA's general fiduciary requirements, a fiduciary with respect to any such ERISA Plan who is considering the purchase of Warrants on behalf of such ERISA Plan should determine whether such purchase is permitted under their governing ERISA Plan documents and is prudent and appropriate for the ERISA Plan in view of its overall investment policy and the composition and diversification of its portfolio. Other provisions of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**") prohibit certain transactions between an ERISA Plan or other plan subject to Section 4975 of the Code (such plans and ERISA Plans, together "**Plans**") and persons who have certain specified relationships to the Plan ("parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of Section 4975 of the Code). Thus, a Plan fiduciary, to the extent permitted, considering the purchase of Warrants should consider whether such a purchase might constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code.

The Issuer or dealers selling Warrants may each be considered a "party in interest" or a "disqualified person" (collectively, "**Parties in Interest**") with respect to many Plans. If permitted, the purchase of Warrants by a Plan with respect to which the Issuer or the dealers selling Warrants is a party in interest or a disqualified person may constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code. The types of transactions between the Plans and Parties in Interest that are prohibited include: (a) sales, exchanges or leases of property, (b) loans or other extensions of credit and (c) the furnishing of goods and services. Certain Parties in Interest that participate in a non-exempt prohibited transaction may be subject to an excise tax under ERISA or the Code. In addition, the persons involved in the prohibited transaction may have to rescind the transaction and pay an amount to the Plan for any losses realized by the Plan or profits realized by such persons and certain other liabilities could result that have a significant adverse effect on such persons. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, depending in part on the type of Plan fiduciary making the decision to acquire Warrants and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA (relating to certain transactions between a plan and a non-fiduciary service provider), Prohibited Transaction Class Exemption ("**PTCE**") 95-60 (relating to investments by insurance company general accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). There can be no assurance that any exception or exemption from the prohibited transaction rules will be available with respect to any particular transaction involving Warrants, or that, if an exemption is available, it will cover all aspects of any particular transaction. Any purchaser that is a Plan (to the extent Plans are permitted to purchase Warrants) should consult with counsel regarding the application of the exemption or any other statutory or administrative exemption.

Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), are not subject to Section 406 of ERISA or Section 4975 of the Code. However, such plans may be subject to the provisions of applicable federal, state or local or other laws, rules or regulations ("**Similar Law**") similar to the foregoing provisions of ERISA or the Code. Fiduciaries of such plans ("**Similar Law Plans**") should consider applicable Similar Law when investing in Warrants.

Unless otherwise provided in a prospectus supplement or the Final terms, each purchaser or transferee by its purchase of any offered Warrant (or any interest therein) will be deemed to represent, on each day from the date on which the purchaser or transferee acquires an offered Warrant through and including the date on which the purchaser or transferee disposes of its interest in such offered Warrant, either that (a) it is not a

Plan or a Similar Law Plan, including any entity whose underlying assets include the assets of any Plan or Similar Law Plan, the inclusion of which for purposes of ERISA or any Similar Law, as the case may be, would result in such entity being deemed a Plan or a Similar Law Plan; or (b) its purchase, holding and disposition of such Warrant (or any interest therein) will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Law.

The sale of Warrants to a Plan or a Similar Law Plan is in no respect a representation by the Issuer or any of its Affiliates that such an investment meets all relevant legal requirements with respect to investments by Plans or Similar Law Plans generally or any particular Plan or Similar Law Plan, or that such an investment is appropriate for a Plan or a Similar Law Plan generally or any particular Plan or Similar Law Plan.

The above discussion may be modified or supplemented with respect to a particular offering of Warrants, including the addition of further ERISA restrictions on purchase and transfer. In addition, the purchaser or transferee of a Warrant may be required to deliver to the Issuer and the relevant dealers a letter, in the form available from the Issuer and dealers, containing certain representations, including those contained in the preceding paragraph.

## GENERAL INFORMATION

1. The establishment of the Programme and the issue of Warrants under the Programme have been duly authorised by and pursuant to resolutions of the board of directors of the Issuer dated 20 July 2007 and the continuation of the Programme and the issue of Warrants under the Programme have been duly authorised by and pursuant to resolutions of a committee of the board of directors of the Issuer dated 26 August 2008, 27 August 2009, 3 February 2010 and 13 January 2011.
2. The Warrants will be accepted for clearance through Euroclear and Clearstream, Luxembourg and DTC. The appropriate common code and the International Securities Identification Number in relation to the Warrants of each Series will be set out in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system which shall have accepted the relevant Warrants for clearance together with any further appropriate information. The address of Euroclear Bank S.A./N.V. is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium. The address of Clearstream Banking, *société anonyme* is 42 Avenue JF Kennedy, L-1855 Luxembourg.
3. Settlement arrangements will be agreed between the Issuer, the relevant Manager(s) and the Registrar or Principal Warrant Agent in relation to each Tranche of Warrants.
4. In the case of unlisted warrants, Definitive Warrants 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 Final Terms.
5. In relation to the Issuer, any transfer of, or payment in respect of, a Warrant involving the government of any country which is at the relevant time the subject of United Nations sanctions, any person or body resident in, incorporated in or constituted under the laws of any such country or exercising public functions in any such country, or any person or body controlled by any of the foregoing or by any person acting on behalf of the foregoing, may be subject to restrictions pursuant to such sanctions.
6. The Issuer will, at its registered office and at the specified offices of the Warrant Agents, make available for inspection during normal office hours, upon reasonable notice, and free of charge, upon oral or written request, a copy of this Base Prospectus and any document incorporated by reference in this Base Prospectus. Written or oral requests for such documents should be directed to the specified office of any Warrant Agent.
7. For so long as Warrants are capable of being issued under the Programme, the following documents may be inspected during normal business hours at the registered office of the Issuer:
  - (a) the Warrant Issuance Agreement and the Warrant Agency Agreement (to which is scheduled the form of Global Warrant, Registered Global Warrant and Definitive Warrants); and
  - (b) any Final Terms, save that Final Terms relating to a Series of Warrants that is not listed will only be available for inspection by a holder of such Warrant and such holder must provide evidence satisfactory to the Issuer as to the identity of such Holder.
8. Any instrument effecting or evidencing the transfer of a Warrant and executed in the United Kingdom will be inadmissible as evidence in United Kingdom civil proceedings unless duly stamped. An instrument of transfer executed outside the United Kingdom may also be inadmissible in United Kingdom civil proceedings unless duly stamped after it has been first received in the United Kingdom.
9. There has been no significant change in the financial or trading position of the Issuer and its subsidiary undertakings, taken as a whole, since 30 June 2010.

10. Neither the Issuer nor any of the Issuer's subsidiary undertakings, save as disclosed in the first eight paragraphs of Note 40 Litigation on page 175 to page 176 of the Issuer's audited consolidated financial statements for the year ended 31 December 2009, Note 10 Litigation on page 32 of the Issuer's unaudited consolidated Interim Report for the six months ended 30 June 2010 and the January 2011 Supplement, taken as a whole, 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 of which the Issuer is aware), during the 12-month period before the date of this Base Prospectus 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 taken as a whole.



## TERMS AND CONDITIONS OF THE WARRANTS

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

This Warrant is one of a series (each, a "**Series**") of warrants (the "**Warrants**") issued by HSBC Bank plc in its capacity as issuer (the "**Issuer**") pursuant to a warrant and certificate agency agreement dated 3 September 2007 as amended and restated on 3 September 2008, 2 September 2009, 5 February 2010 and 17 January 2011 (as further modified and/or amended from time to time, the "**Warrant Agency Agreement**") made between the Issuer, HSBC Bank plc in its capacity as calculation agent (the "**Calculation Agent**", which expression shall include any successor calculation agent appointed in accordance with the Warrant Agency Agreement or, in respect of any Series of Warrants, such other calculation agent as may be specified in the relevant Final Terms (as defined below)), HSBC Bank plc as principal warrant agent (the "**Principal Warrant Agent**", which expression includes any successor or substitute principal warrant agent appointed in accordance with the Warrant Agency Agreement, and together with any additional warrant agent specified in the relevant Final Terms or appointed pursuant to the Warrant Agency Agreement, the "**Warrant Agents**"), HSBC Bank plc in its capacity as authentication agent (the "**Authentication Agent**", which expression includes any successor or substitute authentication agent appointed in accordance with the Warrant Agency Agreement), HSBC Bank USA, National Association as transfer agent (the "**Transfer Agent**", which expression includes any successor or substitute transfer agent appointed in accordance with the Warrant Agency Agreement) and HSBC Bank USA, National Association as registrar (the "**Registrar**", which expression includes any additional or successor or substitute or other warrant registrar specified in the relevant Final Terms appointed in accordance with the Warrant Agency Agreement). The Warrants also have the benefit of a warrant and certificate issuance agreement dated 3 September 2007 as amended and restated on 3 September 2008, 2 September 2009, 5 February 2010 and 17 January 2011 (as further modified and/or amended from time to time, the "**Warrant Issuance Agreement**") and made between the Issuer and HSBC Bank plc and The Hongkong and Shanghai Banking Corporation Limited as managers (the "**Managers**", which expression shall include any successor Manager specified in the relevant Final Terms). The following terms and conditions (the "**Conditions**") include brief summaries of, and are subject to, certain provisions of the Warrant Agency Agreement, a copy of which will be available for inspection at the specified office of the Principal Warrant Agent. The Warrantholders (as defined in Condition 1 (*Form and Transfer*)) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions (including the form of Exercise Notice referred to in Condition 4 (*Exercise Procedure*)) of the Warrant Agency Agreement.

Each Series of Warrants may comprise one or more tranches ("**Tranches**" and each, the "**Tranche**") of Warrants. Each Tranche will be the subject of final terms hereto (each, the "**Final Terms**"), a copy of which will, in the case of a Tranche in relation to which application has been made to admit to listing on the Official List of the UK Listing Authority (the "**UKLA**") and to trading on the Regulated Market (the "**Regulated Market**") of the London Stock Exchange plc (the "**London Stock Exchange**"), be lodged with the UKLA and with the London Stock Exchange and will be available at the specified office of each of the Warrant Agents. In the case of a Tranche of Warrants in relation to which application has not been made to admit to listing on the Official List of the UKLA or to trading on the London Stock Exchange or for admission to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available to a Holder (as defined in Condition 1 (*Form and Transfer*)) of such Warrants.

References in the Conditions to Warrants are to the Warrants of the relevant Series and references to the Issuer, a Warrant Agent, the Calculation Agent, any Holder or the Warrantholders are to those persons in relation to the Warrants of the relevant Series. Capitalised terms used but not defined in these Conditions

will have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Warrants of the relevant Series.

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

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

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

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

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

**"Cash Settlement"** has the meaning ascribed thereto in Condition 3 (*Rights on Exercise*).

**"Cash Settlement Amount"** has the meaning ascribed thereto in Condition 3 (*Rights on Exercise*).

**"Cash Settlement Payment Date"** has, subject to Condition 3(i) (*Automatic Exercise*) the meaning ascribed thereto in the relevant Final Terms.

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

**"Clearing System"** means Euroclear, Clearstream, Luxembourg, DTC and/or any other clearing system specified in the relevant Final Terms in which Warrants of the relevant Series are held, or in relation to an individual Warrant, that Warrant is held, for the time being.

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

**"Costs"** means, unless specified otherwise in the relevant Final Terms, all costs, expenses, fees and levies in respect thereof, including but not limited to brokers' fees, bank and custody charges, transaction processing fees and expenses, and all other taxes (including potential taxes which the Issuer considers may arise) and other duties (such as capital gain taxes) whether such levies are withheld at source or otherwise required to be paid as determined by the Issuer in its sole and absolute discretion (and in respect of an Index, the Calculation Agent may but is not obliged to take into account the applicable tax rate as specified in the relevant index calculation methodology in making such determination).

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

**"DTC"** means The Depository Trust Company.

**"Determination Date"** means a day on which the Issuer notifies the Clearing System that it has elected for Physical Settlement or Cash Settlement in accordance with Condition 3(f) (*Optional Physical Settlement*) or 3(g) (*Optional Cash Settlement*), as specified in the relevant Final Terms.

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

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

"**Exercise Date**" means, in respect of any Warrant:

- (i) if Automatic Exercise is specified as applying in the applicable Final Terms:
  - (A) the day on which the Warrant is deemed exercised; or
  - (B) the day on which an Exercise Notice relating to that Warrant is delivered in accordance with the provisions of Condition 4(a) (*Exercise*) provided that:
    - (a) if the Exercise Notice is delivered (I) on any day which is not a Business Day or (II) after 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on any Business Day, then, in either such case, the Exercise Date shall be the next succeeding day which is a Business Day; and
    - (b) the Exercise Date may not be later than the Expiry Date; and
- (ii) if Automatic Exercise is not specified as applying in the applicable Final Terms, the day on which an Exercise Notice relating to that Warrant is delivered in accordance with the provisions of Condition 4(a) (*Exercise*) provided that:
  - (A) if the Exercise Notice is delivered (a) on any day which is not a Business Day or (b) after 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on any Business Day, then, in either such case, the Exercise Date shall be the next succeeding day which is a Business Day; and
  - (B) the Exercise Date may not be later than the Expiry Date.

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

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

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

"**Holder**" has the meaning ascribed thereto in Condition 1 (*Form and Transfer*).

"**Issue Date**" has the meaning ascribed thereto in Condition 1 (*Form and Transfer*).

"**Minimum Exercise Number**" has the meaning ascribed thereto in Condition 5 (*Minimum Number of Warrants Exercisable*).

"**New Issuer**" has the meaning ascribed thereto in Condition 14 (*Substitution*).

"**Permitted Multiple**" has the meaning ascribed thereto in Condition 5 (*Minimum Number of Warrants Exercisable*).

"**Physical Settlement**" has the meaning ascribed thereto in Condition 3 (*Rights on Exercise*).

"**Put Warrant**" means a Warrant entitling, but not obligating, the Warrantholder upon exercise to receive the relevant Cash Settlement Amount subject to and in accordance with these Conditions.

"**Securities**" means, in relation to a Series of Warrants, the equity securities, debt securities, Depositary Receipts (as defined in Condition 17 (*Additional provisions relating to equity-linked Security Warrants, equity-linked Security Basket Warrants, Index Warrants and Index Basket Warrants*)) or other securities or property to which such Warrants relate, as specified in the relevant Final Terms, as adjusted pursuant to Condition 17 (*Additional provisions relating to equity-linked Security Warrants, equity-linked Security Basket Warrants, Index Warrants and Index Basket Warrants*) and "**Security**" shall be construed accordingly.

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

"**Security Basket Warrants**" means a Series of Warrants relating to a basket of Securities, as specified in the relevant Final Terms and "**Security Basket Warrant**" shall be construed accordingly.

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

"**Security Warrants**" means a Series of Warrants relating to a single Security, as specified in the relevant Final Terms and "**Security Warrant**" shall be construed accordingly.

"**Settlement Currency**" has the meaning ascribed thereto in Condition 3 (*Rights on Exercise*).

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

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

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

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

"**Taxes**" has the meaning ascribed thereto in Condition 4(b)(vii) (*Exercise Notice*).

"**Transfer Expenses**" means with respect to any Warrants, 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 Warrantholders of any Securities.

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

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

"**Warrantholder**" has the meaning ascribed thereto in Condition 1 (*Form and Transfer*).

## 1. **Form and Transfer**

### (a) *Form*

Each Tranche of Warrants will be (unless so specified in the relevant Final Terms) either (i) in book-entry form ("**Book-Entry Form Warrants**") offered in reliance on Regulation S under the Securities Act

("Regulation S") and be represented by a global warrant (the "**Global Warrant**") or (ii) in registered form ("**Registered Warrants**") offered in reliance on (A) Regulation S and represented by an unrestricted global registered warrant (the "**Unrestricted Global Registered Warrant**"), and/or (B) Rule 144A under the Securities Act ("**Rule 144A**") and represented by a restricted global registered warrant (the "**Restricted Global Registered Warrant**") and/or (C) either Regulation S or Rule 144A and represented by a combined global registered warrant (the "**Combined Global Registered Warrant**", and together with the Unrestricted Global Registered Warrant and the Restricted Global Registered Warrant, the "**Global Registered Warrants**").

The Warrants have not been and will not be registered under the Securities Act, the state securities laws of any state of the United States or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction subject to, the registration requirements of the Securities Act.

Transfers of the Warrants may be conditional upon delivery of certain certifications and are subject to significant restrictions, including the right of the Issuer to refuse the recognition of transfers of the Warrants. Exercise of a Warrant offered in reliance on Regulation S will be conditional upon delivery of certain certifications, details of such certifications may be obtained from any of the Warrant Agents.

(b) *Book-Entry Form Warrants*

(i) *General; Title*

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

(ii) *Transfer of Book-Entry Form Warrants*

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

(c) *Registered Warrants*

(i) *General; Title*

In the case of Registered Warrants, a certificate will be issued to each Warrantholder in respect of its registered holding. Each such certificate will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") maintained by the Warrant Registrar in respect of the Registered Warrants. No single Tranche or Series of Warrants offered in reliance on Rule 144A may include Book-Entry Form Warrants. In the case of Registered Warrants, the person for the time being in whose name such Registered Warrant is so registered in the Register shall be the

"Warrantholder" or "Holder" of the Warrants represented thereby and shall be treated for all purposes by the Issuer, the Warrant Agent, the relevant Clearing System(s) and all other persons dealing with such person as the holder thereof, provided however that, for so long as the Registered Warrants are represented by a Global Registered Warrant held on behalf of a Clearing System, for all purposes other than payment, the persons for the time being appearing in the books of the relevant Clearing System as the holder of such Registered Warrant shall be treated as the Warrantholders and these Conditions shall be construed accordingly.

(ii) *Transfer of Registered Warrants*

Title to Registered Warrants pass by registration in the Register.

(iii) *Regulations concerning transfer and registration of Registered Warrants*

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

(iv) *Rule 144A Legends*

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

## 2. **Status of the Warrants**

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

## 3. **Rights on Exercise**

(a) *"American Style" Exercise*

If the Warrants are specified in the relevant Final Terms as being American Style Warrants, then this Condition 3(a) is applicable and the Warrants are exercisable on any Business Day during the Exercise Period prior to termination of the Warrants as provided in Condition 9 (*Illegality*), *provided that* any American Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*) shall become void in accordance with Condition 3(h) (*Warrants Void on Expiry*).

(b) *"European Style" Exercise*

If the Warrants are specified in the relevant Final Terms as being European Style Warrants, then this Condition 3(b) is applicable and the Warrants are exercisable only on the Expiry Date, or if that is not a Business Day, the next succeeding Business Day (unless otherwise specified in the relevant Final Terms) prior to termination of the Warrants as provided in Condition 9 (*Illegality*), *provided that* any European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*) shall become void in accordance with Condition 3(h) (*Warrants Void on Expiry*).

(c) *"Bermudan Style" Exercise*

If the Warrants are specified in the relevant Final Terms as being Bermudan Style Warrants, then this Condition 3(c) is applicable and the Warrants are exercisable on each date as specified in the relevant Final Terms (each a "**Potential Exercise Date**") and on the Expiry Date, or if each such date is not a Business Day, the next succeeding Business Day (unless otherwise specified in the relevant Final Terms) prior to termination of the Warrants as provided in Condition 9 (*Illegality*), *provided that* any Bermudan Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*) shall become void in accordance with Condition 3(h) (*Warrants Void on Expiry*).

(d) *Cash Settlement*

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

(e) *Physical Settlement*

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

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

in each case less any applicable Transfer Expenses ("**Physical Settlement**") all as more fully described in Condition 4 (*Exercise Procedure*). In each case, the number of Securities so debited and credited will be rounded down to the nearest whole number of such Securities that may be separately transferred, with Warrants exercised at the same time by the same Warrantholder being aggregated for the purpose of determining the aggregate number of Securities applicable.

(f) *Optional Physical Settlement*

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

(g) *Optional Cash Settlement*

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

(h) *Warrants void on Expiry*

Warrants which are not deemed automatically exercised in accordance with Condition 3(i) (*Automatic Exercise*) below and with respect to which an Exercise Notice has not been duly completed and delivered to the relevant Clearing System and to the Principal Warrant Agent, in the manner set out in Condition 4 (*Exercise Procedure*), before 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on the Expiry Date, shall become void.

(i) *Automatic Exercise*

Notwithstanding Condition 3(h) (*Warrants Void on Expiry*):

- (i) if the Warrants are Cash Settlement Warrants, unless Automatic Exercise is specified as "Not Applicable" in the relevant Final Terms, any such Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*) by the Expiry Date shall be deemed to be automatically exercised on the Expiry Date and the provisions of Condition 4(g) (*Exercise Risk*) shall apply; and
- (ii) if the Warrants are Physical Settlement Warrants in respect of which, upon the Expiry Date (A) such Warrant is in the money in favour of the Warrantholder and (B) no Exercise Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*), unless Automatic Exercise is specified as "Not Applicable" in the relevant Final Terms, such Warrant shall be deemed to be automatically exercised on the Expiry Date, *provided that* such Warrant shall be settled as a Cash Settlement Warrant and the provisions of Condition 3(d) (*Cash Settlement*) and Condition 4(g) (*Exercise Risk*) shall apply,

and in these Conditions the expression "exercise" and any related expressions shall be construed to apply to any such Warrants which are deemed to be automatically exercised in accordance with this Condition 3(i).

(j) *Settlement within the United States*

Notwithstanding the foregoing, with respect to any Warrants that are Physical Settlement Warrants, no cash, securities or other property shall be delivered in the United States (as this term is defined in Regulation S) in connection with the settlement of such Warrants unless the holder thereof shall have delivered any required certifications (including an Exercise Notice) and other documentation (which may include legal opinions) in conjunction with any exercise of such Warrants.

#### **4. Exercise Procedure**



(a) Exercise

- (i) Subject to prior termination of the Warrants as provided in Condition 9 (*Illegality*), if Automatic Exercise is not specified as applying in the applicable Final Terms:

Warrants may be exercised on the Exercise Date by the sending of a fax, confirmed in writing, of a duly completed Exercise Notice (copies of which may be obtained from the relevant Clearing System, or the Principal Warrant Agent) in accordance with Condition 4(b) (*Exercise Notice*) to the Principal Warrant Agent, not later than 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located):

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

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

- (ii) Subject to prior termination of the Warrants as provided in Condition 9 (*Illegality*), if Automatic Exercise is specified as applying in the applicable Final Terms, Warrants with respect to which no Exercise Notice has been delivered in the manner set out in Condition 4(a)(i) and in accordance with Condition 4(b) (*Exercise Notice*) shall be automatically exercised on the Expiry Date and the provisions of Condition 3(i) (*Automatic Exercise*) shall apply.

(b) Exercise Notice

Each Exercise Notice shall:

- (i) specify the name, address, telephone and facsimile details of the Warrantholder in respect of the Warrants being exercised;
- (ii) specify the number of Warrants of each Tranche being exercised (which must be not less than the Minimum Exercise Number (as defined in Condition 5 (*Minimum Number of Warrants Exercisable*)));
- (iii) specify the number of the Warrantholder's account at the relevant Clearing System to be debited with the Warrants being exercised and irrevocably instruct, or, as the case may be, confirm that the Warrantholder has irrevocably instructed, the relevant Clearing System to debit the Warrantholder's account with the Warrants being exercised and to credit the same to the account of the Principal Warrant Agent;
- (iv) where applicable, specify the number of the Warrantholder's account at the relevant Clearing System to be credited with the Cash Settlement Amount for the Warrants being exercised;

- (v) in the case of Warrants offered and sold in reliance on Regulation S, certify that (i) each person exercising such Warrants is not a U.S. person, that such Warrants are not beneficially owned by or on behalf of U.S. persons or persons within the United States, that such Warrants are not being exercised within the U.S. or by or on behalf of U.S. persons or persons within the United States, and that no cash, securities or other property have been or will be delivered within the United States or to or for the account or benefit of a U.S. person in connection with the exercise of the Warrants and authorise the production of such certification in applicable administrative or legal proceedings (the terms "United States" and "U.S. person" used in this paragraph having the meaning given to them in Regulation S); or (ii) the Warrant and the securities delivered upon exercise thereof have been registered under the Securities Act or are exempt from registration thereunder;
- (vi) in the case of Warrants offered and sold in reliance on Rule 144A, certify that each person exercising such Warrants is a "qualified institutional buyer" (as defined in Rule 144A); and
- (vii) include an irrevocable undertaking to pay any applicable stamp duty, stamp duty reserve tax and/or other taxes or duties ("**Taxes**") and/or Transfer Expenses due by reason of the exercise of the Warrants and an authorisation to the Issuer and the relevant Clearing System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Warrantholder or otherwise (on, or at any time after, the Cash Settlement Payment Date) to debit a specified account of the Warrantholder at the relevant Clearing System with an amount or amounts in respect thereof, all as provided in the Warrant Agency Agreement.

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

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

(c) Verification of Warrantholder

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

Notice will be treated as null and void and a new duly completed Exercise Notice must be submitted if exercise of the Holder's Warrants is still desired.

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

(d) Notification to Principal Warrant Agent

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

(e) Debit of Warrantholder's Account

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

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

(f) Payment

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

Unless the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants (and the Issuer has not elected for optional Cash Settlement in accordance with Condition 3(g) (*Optional Cash Settlement*)) or the Issuer shall have elected for optional Physical Settlement in accordance with Condition 3(f) (*Optional Physical Settlement*), the Issuer will transfer to the Principal Warrant Agent the Cash Settlement Amount in respect of the Warrants being exercised, less any amount in respect of Taxes which the Issuer is authorised to deduct therefrom, for value on the Cash Settlement Payment Date, and the

Principal Warrant Agent will cause the Warrantholder's account with the relevant Clearing System to be credited with such amount for value on the Cash Settlement Payment Date.

If, however, the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants (and the Issuer has not elected for optional Cash Settlement in accordance with Condition 3(g) (*Optional Physical Settlement*)) or if the Issuer elects for optional Physical Settlement in accordance with Condition 3(f) (*Optional Physical Settlement*), then:

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

(g) Exercise Risk

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

(h) Determinations

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

**If Automatic Exercise is not specified as applying in the applicable Final Terms, any Warrant with respect to which the Exercise Notice has not been duly completed and delivered in the manner set out above by the cut-off time specified in Condition 4(a)(i) shall become void.**

(i) Effect of Exercise Notice

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Warrantholder to exercise the Warrants specified therein, *provided that* the person exercising and delivering such Exercise Notice is the person then appearing in the books of the relevant Clearing System as the Holder of the relevant Warrants. If the person exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become null and void and shall be deemed not to have been so delivered.

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

(j) Fractions

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

## 5. Minimum Number of Warrants Exercisable

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

## 6. Effects of European Economic and Monetary Union

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

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

## 7. **Warrant Agents and Calculation Agent**

### (a) *Appointment of Agents*

The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Warrant Agent or the Calculation Agent or the Authentication Agent or the Registrar or the Transfer Agent and to appoint another Principal Warrant Agent or a substitute Calculation Agent or a substitute Authentication Agent or a substitute Registrar or a substitute Transfer Agent, provided that (i) so long as any Warrant is outstanding, the Issuer will maintain a Principal Warrant Agent and a Calculation Agent and an Authentication Agent, (ii) so long as the Warrants have been admitted to the Official List of the UKLA and admitted to trading on the London Stock Exchange (or have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system), there will be a Warrant Agent with a specified office in London (or in such other place as may be required by such other listing authority, stock exchange and/or quotation system by which the Warrants have then been admitted to listing, trading and/or quotation), and (iii) there will at all times be a Warrant Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any termination of appointment and of any change in the specified office of the Principal Warrant Agent or a Calculation Agent or an Authentication Agent or a Registrar or a Transfer Agent and of any appointment of a Warrant Agent or a Calculation Agent or an Authentication Agent or a Registrar or a Transfer Agent will be given to Warrantholders in accordance with Condition 10 (*Notices*). In acting under the Warrant Agency Agreement, the Principal Warrant Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrantholders.

### (b) *Calculation Agent*

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

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

(c) *Notifications*

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

**8. Taxes**

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

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

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

**9. Illegality**

The Issuer shall have the right to terminate its obligations under the Warrants if the Calculation Agent shall have determined in its absolute discretion, that the performance of such obligations (or the Issuer's or the Issuer's Affiliates' obligations under any hedging or funding arrangement established in connection therewith) shall have become unlawful or impracticable 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 authority or power. In such circumstances the Issuer will pay to each Warranholder in respect of each Warrant held by it an amount determined by the Calculation Agent representing the fair market value of such Warrant upon or immediately after such termination adjusted to account fully for any reasonable expenses and costs incurred by the Issuer and/or its Affiliates in connection with the Issuer's obligations under the Warrants or any related hedging or funding arrangements (including, without limitation, the holding of any underlying assets and/or any swaps or other instruments of any type whatsoever hedging the Issuer's obligations under the Warrants) as a result of such events, including, without limitation, the costs of unwinding any such related hedging and funding arrangements. Payment will be made in such manner as shall be notified to the Warranholders in accordance with Condition 10 (*Notices*).

**10. Notices**

All notices to Warranholders will be given as soon as practicable after the Issuer has become aware of the relevant event to which a particular notice relates, and will, save where another means of communication has been specified in the relevant Final Terms, be deemed to have been duly given if notified to the relevant Clearing System and, in the case of Warrants admitted to the Official List of the UKLA and admitted to trading on the London Stock Exchange (or which have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system), if copies of such notifications are forwarded

in final form to the London Stock Exchange no later than the date of dispatch (or, in the case of Warrants admitted to listing, trading and/or quotation by any other listing authority, stock exchange, and/or quotation system published in any publication required by such other listing authority, stock exchange and/or quotation system). Any such notice shall be deemed to have been given on the date of such notification or, in the case of any of Warrants listed on any other listing authority, stock exchange and/or quotation system, the date of such publication or, if notified or published more than once or on different dates, on the date of the first such notification or publication.

#### **11. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Warrantholders to create and issue further warrants of any particular Series so as to form a single Series with the Warrants.

#### **12. Purchase by the Issuer**

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

#### **13. Modification**

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

#### **14. Substitution**

The Issuer shall be entitled at any time and from time to time, without the consent of the Warrantholders, to the substitution of a subsidiary or holding company of the Issuer or any subsidiary of any such holding company (the "**New Issuer**") in place of the Issuer as principal debtor under the Warrants of any Series, *provided that* such Warrants are irrevocably guaranteed by the Issuer. In the event of any such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer. Any such substitution shall be promptly notified to the relevant Warrantholders in accordance with Condition 10 (*Notices*). In connection with such right of substitution the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Warrantholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Warrantholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon such Warrantholder.

#### **15. Governing Law**

##### *(i) Governing law*

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

##### *(ii) Jurisdiction*



The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with the Warrants (including any dispute relating to any contractual and non-contractual matters arising from or connected with the Warrants).

## **16. Third Party Rights**

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

## **17. Additional provisions relating to equity-linked Security Warrants, equity-linked Security Basket Warrants, Index Warrants and Index Basket Warrants**

As used in this Condition 17 and in relation to any Series of Security Warrants or Security Basket Warrants that relate to either one or more equity securities (including any Depositary Receipts), Index Warrants or Index Basket Warrants, or such other Warrants the relevant Final Terms for which specify that this Condition 17 shall apply, the following expressions shall have the following meanings, subject as otherwise provided in the relevant Final Terms:

**"Additional Disruption Event"** has the meaning ascribed thereto in Condition 17(i) (*Additional Disruption Event*).

**"Averaging Date"** means, in respect of each Valuation Date, each date specified as such or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of Condition 17(d)(B).

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

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

**"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 of such Securities into cash or other securities as determined by the Calculation Agent.

**"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 (an **"Alternative Exchange"**) 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) or that the Issuer determines in its sole and absolute discretion that listing or trading of Securities on the Exchange (or an Alternative Exchange) has not commenced and will not commence in the foreseeable future prior to the Expiry Date of the Warrants.

**"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 of any relevant Securities under the relevant Warrant 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 Final Terms *provided that* if the relevant Deposit Agreement is terminated at any time, any reference to any Depositary Receipt(s) shall thereafter be construed as a reference to the relevant Underlying Securities and the Calculation Agent will make such adjustment as it, in its sole and absolute discretion, determines to be appropriate to the relevant Warrants 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 Warrants are Multiple Exchange Index-Linked Warrants, 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 Warrants"** means a Series of Security Warrants which relate to one or more Securities which are Depositary Receipts.

**"Early Closure"** means (a) the closure on any Exchange Business Day of the relevant Exchange (in the case of Security Warrants or Security Basket Warrants) 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 Warrants or Index Basket Warrants) 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 Warrants are Multiple Exchange Index-Linked Warrants, 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.

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

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

the Index and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding the Related Exchange closing prior to its Scheduled Closing Time.

**"Exchange Disruption"** means (a) any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for the Securities on the Exchange (in the case of a Security Warrant or a Security Basket Warrant) 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 Warrant or an Index Basket Warrant), or (ii) to effect transactions in, or obtain market values for, future or options contracts relating to the Securities (in the case of a Security Warrant or a Security Basket Warrant) or the relevant Index (in the case of an Index Warrant or an Index Basket Warrant) 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.

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

**"Extraordinary Event"** means (a) in all cases other than where the relevant Final Terms 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 relevant Final Terms 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 at its absolute discretion, 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) it is not possible in any particular jurisdiction, or it is impractical for the Issuer or any of its Affiliates, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) deemed necessary or appropriate to hedge the price risk relating to the Units or any other relevant price risk including, without limitation, any currency risk of the Issuer issuing and performing its obligations with respect to the Warrants; 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 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 will, or there is a substantial likelihood that it will, with the passing of time, or has become illegal for the Issuer or any of its Affiliates to hold, acquire, dispose of, or realise, recover or remit the proceeds of the sale or disposal of, the Units or any transaction(s) or asset(s) it deems necessary to hedge the price risk relating to the Units or any

other relevant price risk including, without limitation, any currency risk, of the Issuer issuing and performing its obligations with respect to the Warrants, or (Y) the Issuer or any of its Affiliates will incur a materially increased cost in the Issuer performing its obligations under the Warrants or under any transaction(s) or asset(s) it deems necessary to hedge the price risk relating to the Units or any other relevant price risk including, without limitation, any currency risk, of the Issuer issuing and performing its obligations with respect to the Warrants (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

- (x) a materially increased cost (as compared with circumstances existing on the Issue Date) including, without limitation, amount of tax (including any potential tax which the Issuer considers may arise), duty, expense or fee (other than brokerage commissions) would be incurred by the Issuer or any of its Affiliates to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) deemed necessary to hedge the price risk relating to the Units or any other relevant price risk, including, without limitation, any currency risk of the Issuer issuing and performing its obligations with respect to the Warrants; 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 or its Affiliate, as applicable, shall not be deemed an Extraordinary Fund Event; and
- (xi) (A) the cancellation or cessation of any Fund Underlying Index; or (B) a material change in the formula for or the method of calculating or any other material modification to any Fund Underlying Index (other than a modification prescribed in that formula or method to maintain such Fund Underlying Index in the event of changes in constituent stock and capitalisation and other routine events); or (C) the relevant sponsor of any Fund Underlying Index fails to calculate and announce such Fund Underlying Index.

"**Fund**" means the exchange traded fund or similarly traded or listed fund as specified in the relevant Final Terms.

"**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 or supplemented from time to time.

"**Fund Underlying Index**" means, in relation to any Fund, the index to which such Fund relates, as specified in the relevant Final Terms.

"**Index**" means, in relation to a Series of Warrants, the index to which such Warrants relates, as specified in the relevant Final Terms, subject to adjustment pursuant to this Condition 17, and "**Indices**" shall be construed accordingly.

"**Index Basket Warrants**" means a Series of Warrants relating to a basket of Indices, as specified in the relevant Final Terms.

"**Index Warrants**" means a Series of Warrants relating to a single Index, as specified in the relevant Final Terms.

"**Index Sponsor**" means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level of the relevant Index on a regular basis during each

Scheduled Trading Day (which corporation or entity as of the Issue Date may be specified as such in the relevant Final Terms).

**"Initial Index Level"** means, with respect to an Index, the level specified as such or otherwise determined as provided in the relevant Final Terms or, if no such level is so specified or otherwise determined, the level of the relevant Index as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Trade Date or, with respect to a Multiple Exchange Index, the official closing level of the Index on the Trade 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 Final Terms or, if no such price is so specified or otherwise determined, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Trade 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.

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

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

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

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

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

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

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

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

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

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

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

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

**"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) 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 Warrants which as specified in the relevant Final Terms as being Physical Settlement Warrants, the Settlement Date or, in any other case, the final Valuation Date.

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

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



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

**"Nationalisation"** means that all the Securities (or, if the Warrants are DR Linked Warrants, 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.

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

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

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

**"Reference Currency"** means the currency in which any Security or Index component to which the Warrants relate is denominated and any other currency specified as such in the relevant Final Terms.

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

**"Reference Level"** means, unless otherwise specified in the relevant Final Terms (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 Final Terms, 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 Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Security or Index, as the case may be, has temporarily

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

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

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

"**Settlement Cycle**" means, in respect of a Security or an Index, the period of 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 Exercise Date and unless otherwise specified in the relevant Final Terms, the first day on which settlement of a sale of such Securities executed on that Exercise Date customarily would take place through the relevant Clearing System *provided that* if a Settlement Disruption Event prevents delivery of such Securities on that day, then the Settlement Date shall be determined in accordance with Condition 17(g) (*Settlement Disruption of Physical Settlement Warrants*).

"**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.

"**Settlement Level**" means, with respect to an Index and a Valuation Date, the level determined as provided in the relevant Final Terms 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 Final Terms in respect of such Valuation Date, the arithmetic average as determined by the Calculation Agent (rounded down to the nearest unit of the relevant currency in which the Index is published, one half of a unit being rounded upwards) of the Reference Level on such Averaging Dates.

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

**"Successor Index"** has the meaning given in Condition 17(e)(i).

**"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 a Security Warrant or a Security Basket Warrant) 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 Index Warrants or Index Basket Warrants); 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.

**"Underlying Company"** means the issuer of the Security as specified in the relevant Final Terms (or, if the Warrants are DR Linked Warrants, each of the Depository and the issuer of the relevant Underlying Security), subject to adjustment in accordance with this Condition 17.

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

**"Unit"**, in relation to a Fund, has the meaning given to it in the relevant Final Terms.

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

**"Valuation Date"** means each date specified or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), in each case subject to this Condition 17.

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

other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor.

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

If "Knock-in Event" is specified as applicable in the Final Terms in relation to any Warrant, then, unless otherwise specified in such Final Terms, the terms of the Warrants as to exercise and/or payment and/or delivery under the relevant Warrants subject to a Knock-in Event shall be conditional upon the occurrence of such Knock-in Event.

If "Knock-out Event" is specified as applicable in the Final Terms in relation to any Warrants, then, unless otherwise specified in such Final Terms, the terms of the Warrants as to exercise and/or payment and/or delivery under the relevant Warrants subject to a Knock-out Event shall be conditional upon the occurrence of such Knock-out Event.

(b) *Additional Payments*

If "Additional Payments" is specified as applicable in the relevant Final Terms, then, in respect of each Warrant remaining unexercised on the relevant Cum-Date, the Issuer will pay on the immediately following Additional Payment Date after each Distribution Receipt Date, an amount ("**Additional Amount**") equal to the Distribution Amount (if any), *provided that* no Distribution Amount (or part thereof) will be payable by the Issuer unless and until the Issuer determines that a Notional Holder would have received payment in full of a corresponding amount of cash dividends, distributions and/or coupons had the Notional Holder held the Securities.

In respect of each Warrant, a Warrantholder shall only be entitled to payment of a Distribution Amount if the Warrantholder was the holder of such Warrant on the Cum-Date, *provided that*, (i) the relevant Cum-Date falls during the Additional Payment Period; and (ii) in the event that a Cum-Date occurs at any time during the period from (but excluding) the Trade Date to (but excluding) the Issue Date ("**Pre-Issue Period**"), then the Warrantholder on the Issue Date shall be entitled to any Distribution Amount in respect of that Pre-Issue Period.

For this purpose,

"**Additional Payment Date**" has the meaning ascribed thereto in the relevant Final Terms.

"**Additional Payment Period**" has the meaning ascribed thereto in the relevant Final Terms.

"**Cum-Date**" means, with respect to a Distribution relating to any Securities, the final date and time which is notified to the holders of such Securities as the record date for payment of the Distribution in accordance with the rules and procedures of the Exchange(s).

"**Distribution**" means, with respect to the Underlying Hedging Transaction(s), the amount of any cash dividend, distribution and/or coupon in respect of such Underlying Hedging Transaction(s).

"**Distribution Amount**" means, with respect to each Warrant, the Distribution that would have been paid and received by the Notional Holder in respect of the Securities (had it held those Securities) relating to that Warrant, converted into the Settlement Currency at the prevailing Underlying FX Rate(s) at the time such Distribution would be received by the Notional Holder, subject to any applicable deductions or adjustments relating to or which are made in accordance with the Conditions (including in each case but not limited to any Costs including Costs that would have been incurred by a Notional Holder if it held the Securities).

"**Distribution Receipt Date**" means the date on which the Notional Holder would receive payment of the Distribution Amount under the Security.

**"Notional Holder"** means a notional holder, which is an investor subject to the same tax laws and securities laws and rules and regulations of any tax authorities or securities regulators, exchanges and self-regulating organisations as apply to the Issuer and/or its Affiliates had the Issuer and/or its Affiliates held the Securities.

(c) *Consequences of Disrupted Days*

If any Valuation Date is a Disrupted Day, then:

(A) in the case of an Index Warrant or a Security Warrant, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case:

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

(aa) the eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event; or

(bb) the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event,

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

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

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

(1) the eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index notwithstanding the fact that such day is Disrupted Day relating to that Index; or

(2) the Valuation Date shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index,

and, in each case, the Calculation Agent shall determine, in its sole and absolute discretion, the level of that Index, as of the Valuation Time on that eighth Scheduled Trading Day in

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

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

(d) *Averaging Dates*

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

- (A) The Settlement Price or the Settlement Level will be:
- (1) in respect of an Index Warrant or Cash Settlement Security Warrant, the arithmetic mean of the Reference Price of the Securities or (as the case may be) of the Reference Level of the Index on each Averaging Date;
  - (2) in respect of an Index Basket Warrant, the arithmetic mean of the amounts for the Basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Settlement Level is so provided, the arithmetic mean of the amounts for such basket calculated on each Averaging Date as the sum of the Reference Levels of each Index comprised in the Basket (weighted or adjusted in relation to each Index as provided in the relevant Final Terms); and
  - (3) in respect of a Cash Settlement Security Basket Warrant, the arithmetic mean of the prices for the Basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Settlement Price is so provided, the arithmetic mean of the prices for the Basket calculated on each Averaging Date as the sum of the values calculated for the Securities of each Underlying Company as the product of (aa) the Reference Price of such Security and (bb) the number of such Securities comprised in such basket.
- (B) If any Averaging Date is a Disrupted Day, then, if the consequence specified in the relevant Final Terms in relation to "**Averaging Date Market Disruption**" is:
- (1) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Settlement Price *provided that*, if through the operation of this provision no Averaging Date would occur with

respect to the relevant Valuation Date, then Condition 17(c)(i) will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such final Averaging Date were a Valuation Date that was a Disrupted Day. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date;

(2) **"Postponement"**, then Condition 17(c)(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 Warrant. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date; or

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

(aa) in the case of an Index Warrant or Security Warrant, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date (the **"Scheduled Final Averaging Date"**) in relation to the relevant Scheduled Valuation Date, then:

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

(x) the eighth Scheduled Trading Day shall be deemed to be the Averaging Date, (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date); or

(y) the Averaging Date shall be the first succeeding Valid Date,

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 17(c)(i)(A)(1); and

(ii) in respect of a Security Warrant, the eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant price for that Averaging Date in accordance with Condition 17(c)(i)(A)(2); and

(bb) in the case of an Index Basket Warrant or a Security Basket Warrant, the Averaging Date for each Index or Security not affected by the occurrence of a Disrupted Day shall be the day specified in the relevant Final Terms as an Averaging Date in relation to the relevant Valuation Date (the "Scheduled

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

- (i) in respect of an Index Basket Warrant, the Calculation Agent shall determine in its absolute discretion that either:
  - (x) the eighth Scheduled Trading Day shall be deemed to be the Averaging Date, (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Index; or
  - (y) the Averaging Date shall be the first succeeding Valid Date,and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 17(c)(i)(B); and
- (ii) in respect of a Security Basket Warrant, that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Security, and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant amount for that Averaging Date in accordance with Condition 17(c)(i)(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 Cash Settlement Payment Date or Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

- (C) If (1) on or prior to any Averaging Date, in respect of an Index Warrant or Index Basket Warrant, an Index Modification, an Index Cancellation or an Index Disruption (each as defined in Condition 17(e)(ii) occurs, or (2) on any Averaging Date in respect of an Index Warrant or Index Basket Warrant an Index Disruption Event occurs, then the Calculation Agent shall determine, in its sole and absolute discretion, the relevant Settlement Price using, in lieu of a published level of the relevant Index, the level for that Index as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities or other property that comprised that Index immediately prior to that change or failure (other than those securities or other property that have since ceased to be listed on any relevant Exchange).

(e) *Adjustments to Indices*

This Condition 17(e) is applicable only in relation to Index Warrants and Index Basket Warrants.



(i) Successor Index

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

(ii) Index Adjustment Events

If (A) on or prior to any Valuation Date, a relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation or other routine events) (an "**Index Modification**") or permanently cancels the Index (an "**Index Cancellation**"), or (B) on any Valuation Date the Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**"), then the Issuer may take the action described in (1) or (2) below:

- (1) require the Calculation Agent to 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; or
- (2) cancel the Warrants by giving notice to Warrantholders in accordance with Condition 10 (*Notices*). If the Warrants are so cancelled the Issuer will pay an amount to each Warrantholder in respect of each Warrant held by such Warrantholder which amount shall be the fair market value of a Warrant taking into account the Index Adjustment Event, less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements) plus, if already paid, the Strike Price, all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 10 (*Notices*).

(iii) Correction of Index Levels

If, in respect of an Index Warrant or an Index Basket Warrant, 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 Warrants is subsequently corrected and the correction is published by the Index Sponsor within one Settlement Cycle 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 Warrants to account for such correction *provided that* if any amount has been paid or delivered in an amount or value which exceeds the amount that would have been payable or deliverable if the correction had been taken into account, no further amount in an amount at least equal to the excess is payable or deliverable in respect of the Warrants 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 (or, in the case of a delivery, payment of the value) of, the relevant excess payment or delivery (or, as the case may be, the proportion thereof

not accounted for by an adjustment made by the Calculation Agent) by the relevant Warrantholder, together with interest on that amount for the period from and including the day on which payment or delivery was originally made to (but excluding) the day of payment of reimbursement (or value) by the Warrantholder (all as calculated by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall determine.

(f) *Delivery Disruption of Physical Settlement Warrants*

This Condition 17(f) is applicable only in relation to Warrants specified in the relevant Final Terms as being Physical Settlement Warrants and to Warrants in relation to which the Issuer has elected for optional Physical Settlement in accordance with Condition 3(f) (*Optional Physical Settlement*).

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 Warrantholder(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 Warrantholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Warrants 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 Warrantholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of such amount.

Where this Condition 17(f) 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 Warrantholders 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.

(g) *Settlement Disruption of Physical Settlement Warrants*

This Condition 17(g) is applicable only in relation to Warrants specified in the relevant Final Terms as being Physical Settlement Warrants.

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 eighth relevant Clearing System Business Days immediately following the original date (or during such other period (the "**Disruption Period**") specified in the relevant Final Terms) that, but for the Settlement Disruption Event, would have been the Settlement Date. In that case, if the Securities are 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 the eighth relevant Clearing System Business Day, or during such other period specified in the relevant Final Terms, customarily would take place using such other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) of delivery (which other manner of delivery will be deemed the relevant 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 Settlement Date customarily would take place through the relevant Clearing System.

(h) *Adjustments and Events affecting Securities*

This Condition 17(h) is applicable only in relation to Security Warrants and Security Basket Warrants.

(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 Strike Price, the number of Securities to which each Warrant relates and to any other exercise, settlement, payment or other term of the relevant Warrants, including without limitation the amount, number or type of cash, Securities, other securities or other property which may be transferred under such Warrants and determine the effective date(s) of such adjustment(s). In its determinations of the existence of any Potential Adjustment Event and extent of any diluting or concentrative effect a Potential Adjustment Event has on the theoretical value of the relevant Securities, and any related adjustments to the terms of each Warrant, the Calculation Agent shall take into account all such factors as it deems necessary, including without limitation, the implication of taxes that may be imposed by any applicable authority having power to tax in respect of such Securities.

(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 Warrants shall continue and, if so, determine, in its sole and absolute discretion, any adjustment(s) to be made. If the Calculation Agent determines that the relevant Warrants shall continue, it may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the amount, number or type of Securities, other property or securities which may be transferred under the Warrants, including, without limitation, the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms and/or any other adjustment which change or adjustment(s) shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion determine. If the Calculation Agent

determines in its sole and absolute discretion that the relevant Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the relevant Warrants 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 Warrants.

(iii) Conversion

In respect of a Security Warrant or a Security Basket Warrant 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 Warrants 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 Warrants shall continue, it may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate to the amount, number or type of Securities, other property or securities which may be transferred under the Warrants, including without limitation the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms and/or any other adjustment 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 Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of any Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or the Cash Settlement Amount (or any other payment to be made by the Issuer), as the case may be, pursuant to such exercise shall cease) as of the date selected by the Calculation Agent in its sole and absolute discretion and the Issuer's obligations under the relevant Warrants 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 Warrants.

(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 Warrants 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 Warrants 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 or delivered in an amount or value which exceeds the amount that would have been payable or deliverable if the correction had been taken into account, no further amount in an amount at least equal to the excess is payable or deliverable in respect of the Warrants 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 (or, in the case of a delivery, payment of the value) of, the relevant excess payment or delivery (or, as the case may be, the proportion thereof not accounted for by an adjustment made by the Calculation Agent) by the relevant Warrantholder, together with interest on that amount for the period from and including the day on which payment or delivery was originally made to (but excluding) the day of payment of reimbursement (or value) by the Warrantholder (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.

(i) *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 Warrants 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 Warrants shall continue, it may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the amount, number or type of Securities, other property or securities which may be transferred under the Warrants, including, without limitation, the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion determine. If the Calculation Agent determines in its sole and absolute discretion that the relevant Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or the Cash Settlement Amount (or any other payment to be made by the Issuer), as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the relevant Warrants 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 Warrants.

To the extent that the Calculation Agent determines that the Issuer shall suspend its obligations to make any payment or delivery in respect of the Warrants as a result of the occurrence or continuation of any Additional Disruption Event, Warrantholders shall not be entitled to any interest or other compensation in respect of any such suspension.

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

- (i) "**Change in Law**" means that, on or after the Issue Date, (A) due to the adoption of or any change in any applicable law or regulation (including without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (x) it will, or there is a substantial likelihood that it will, with the passing of time, or has, become illegal for the Issuer or any of its Affiliates to hold, acquire, dispose of, or realise, recover or remit the proceeds of the sale or disposal of, Securities or any Component Security or any transaction(s) or asset(s) it deems necessary to hedge the equity price risk or any other relevant price risk including, without limitation, any currency risk, of the Issuer issuing and performing its obligations with respect to the Warrants or (y) the Issuer or any of its Affiliates will incur a materially increased cost in the Issuer performing its obligations under the Warrants or under any transaction(s) or asset(s) it deems necessary to hedge the equity price risk or any other relevant price risk including, without limitation, any currency risk, of the Issuer issuing and performing its obligations with respect to the Warrants (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 or any of its Affiliates 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 or any other relevant price risk including, without limitation, any currency risk of the Issuer issuing and performing its obligations with respect to the Warrants or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s);

- (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) **"Increased Cost of Hedging"** means that the Issuer or any of its Affiliates would incur a materially increased cost (as compared with circumstances existing on the Issue Date) including, without limitation, amount of tax (including any potential tax which the Issuer considers may arise), 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 or any other relevant price risk including, without limitation, any currency risk of the Issuer issuing and performing its obligations with respect to the Warrants, 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 or its Affiliate, as applicable, shall not be deemed an Increased Cost of Hedging;
- (v) **"Currency Event"** means:
- (A) the occurrence of an event or a condition which, in the opinion of the Calculation Agent acting in a commercially reasonable manner, on any day with respect to the Reference Currency that has the effect of preventing, hindering, limiting or restricting (including, without limitation, by delays, increased costs or discriminatory rates of exchange) the Issuer or any of its Affiliates directly or indirectly from:
- (i) converting the Reference Currency into the Settlement Currency through any customary legal channel;
  - (ii) converting the Reference Currency into the Settlement Currency at a rate at least as favourable as the rate for domestic institutions located in the Reference Jurisdiction;
  - (iii) delivering the Settlement Currency (1) between accounts inside the Reference Jurisdiction or (2) from accounts inside the Reference Jurisdiction to accounts outside the Reference Jurisdiction or to a party that is a non-resident of the Reference Jurisdiction;
  - (iv) delivering the Reference Currency (1) between accounts inside the Reference Jurisdiction or (2) from accounts inside the Reference Jurisdiction to accounts outside the Reference Jurisdiction or to a party that is a non-resident of the Reference Jurisdiction; or
  - (v) effectively realising the value of its underlying hedge in the Settlement Currency at any time; or
- (B) the government of the Reference Jurisdiction imposes, or gives public notice of its intention to impose, any capital controls (including, without limitation, the imposition of an upper limit on the amount of assets denominated in the Reference Currency in the Reference Jurisdiction which can be held by any party) which the Calculation Agent determines in good faith are likely to materially affect the ability

of the Issuer or any of its Affiliates to hedge the Issuer's position under the Warrants or to unwind such hedge; or

(C) the unavailability of the Settlement Currency in any legal exchange market in the Reference Jurisdiction in accordance with normal commercial practice as determined by the Calculation Agent in a commercially reasonable manner.

(vi) "**Security Redemption**" means the Security specified as such in the relevant Final Terms is early redeemed, terminated or cancelled, in whole or in part, on or prior to any stated maturity for whatever reasons; and

(vii) "**Underlying Company Default**" means a default of the Underlying Company of its obligations under the Security specified as such in the relevant Final Terms.

(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 the Warrants, the Calculation Agent may (in its discretion, but acting reasonably) determine whether or not the Warrants shall continue and, if so, whether to make any adjustment(s) to the Strike Price, the number and/or type of Securities and/or Indices to which such Warrants relate, or to any exercise, settlement, payment or other terms of such Warrants including, without limitation, the amount, number or type of cash, Securities, other securities or property which may be transferred under such Warrants and determine the effective date(s) of such adjustment(s).

(k) *Adjustments where the Securities are Units in a Fund*

Where the Securities are specified in the relevant Final Terms 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 17 or:

(i) if the Calculation Agent determines that no adjustment that it could make under the preceding provision of this Condition 17 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 Warrants; or

(ii) if the Calculation Agent determines in its sole and absolute discretion that the relevant Warrants shall be terminated, then the Warrants shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Warrant holders to receive the relevant Securities or the Cash Settlement Amount, as the case may be, shall cease and the Issuer's obligations under the relevant Warrants 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 Warrants.

In this Condition 17(k) "**Affected Unit(s)**" means each Unit subject to an applicable Extraordinary Event.



## PRO FORMA FINAL TERMS FOR THE WARRANTS

Set out below is the form of Final Terms which will be completed for each Tranche of Warrants issued under the Programme.

[Warrants issued pursuant to these Final Terms are securities to be listed under Listing Rule 19.]<sup>2</sup>

Final Terms dated [●]  
Series No.: [●]  
Tranche No.: [●]

**HSBC Bank plc**

**Warrant and Certificate Programme (the "Programme")**  
**[Further]<sup>3</sup> Issue of**  
**[Number of Warrants][Title of Warrants]**

**[to be consolidated and form a single series with an issue of [Number of Warrants][Title of Warrants]]<sup>3</sup>**

### PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Warrants 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 Base Prospectus dated 17 January 2011 in relation to the above Programme [and the supplemental Prospectus[es] dated [ ]<sup>4</sup>, each of which has been approved by and filed with the United Kingdom Financial Services Authority[, which]/[and the unitary prospectus dated [●] (the "**Unitary Prospectus**") which, subject to the approval of the UK Listing Authority,<sup>5</sup> [together] constitute[s] a base prospectus ("**Prospectus**") [for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**").]<sup>6</sup> This document constitutes the Final Terms of the Warrants described herein [for the purposes of Article 5.4 of the Prospectus Directive]<sup>6</sup> and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus[es]] [is] [are] is available for viewing at [address] [and] [website]<sup>7</sup> and copies may be obtained from [address].]

*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.*

This document constitutes the Final Terms relating to the issue of the Tranche of Warrants 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 Base Prospectus dated [original date] [and the supplemental Prospectus[es] dated [ ]] [and the unitary prospectus dated [●] (the "**Unitary Prospectus**")]<sup>5</sup>. This document constitutes the Final Terms of the Warrants described herein [for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**")]<sup>6</sup> and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Prospectus[es] dated [ ]]<sup>8</sup>, each of which has been approved by and filed with the United Kingdom Financial Services Authority[, which]/[and the unitary

<sup>2</sup> To be included in respect of all Warrants which are to be admitted to listing.

<sup>3</sup> Insert for further issues.

<sup>4</sup> Only include details of supplement Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

<sup>5</sup> Include this for Warrants listed pursuant to an unitary prospectus.

<sup>6</sup> Insert only if (a) the Warrants are listed on a regulated exchange (e.g. the London Stock Exchange) or (b) where the Warrants are to be offered to retail investors.

<sup>7</sup> If required by the UK Listing Authority in accordance with Article 14 of the Prospectus Directive.

<sup>8</sup> Only include details of supplement Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

prospectus dated [●] (the "**Unitary Prospectus**") which, subject to the approval of the UK Listing Authority,<sup>9</sup> [together] constitute[s] a base prospectus ("**Prospectus**") [for the purposes of the Prospectus Directive]<sup>10</sup>, save in respect of the Conditions which are extracted from the [Base Prospectus] dated [original date] [and the supplemental Prospectus[es] dated [ ] ] and are [incorporated in the Base Prospectus dated [current date]][attached hereto]. Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Base Prospectus(es) dated [original date] and [current date] [and the supplemental Prospectus[es] dated [ ] and [ ]]. [The Prospectus(es) are available for viewing at [address] and copies may be obtained from [address].

*[For Warrants that are LEPOs, include (if relevant):*

[The Warrants reflect the risks of a direct investment in [*describe investment*]. The effect of such risks on the Warrants will always be calculated in the sole and absolute discretion of the Calculation Agent. Certain of the risks are outlined in the Prospectus, though these are not exhaustive. Investors should conduct their own investigation of the risks involved in a direct investment in [*describe investment*] and investment in [*currency*] and form their own view based on such investigations. In certain circumstances, the Warrantholders' entire investment may be at risk and the Warrants may become valueless.]

The Warrants offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, they may be offered and sold (i) in the United States, pursuant to Rule 144A under the Securities Act ("**Rule 144A**"), only to "qualified institutional buyers" (as defined in Rule 144A); or (ii) outside the United States, in accordance with Regulation S under the Securities Act ("**Regulation S**"), in each case to investors that have executed and delivered to the Issuer a letter of representations substantially in the form set out in Exhibit [1] hereto[ and a side letter substantially in the form set out in Exhibit [2] hereto, in each case]<sup>11</sup>, subject to such amendments as may be agreed between the Issuer and the relevant investor and in compliance with any applicable securities laws. Prospective investors in the United States are hereby notified that, with respect to any sales of Warrants in the United States, the Manager will be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. Investors should also be aware that the Warrants may not be re-offered, re-sold, pledged or otherwise transferred within the United States (within the meaning of Regulation S) except in a transaction that is exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. See "Transfer Restrictions".

*[Insert, if relevant, any other relevant provisions relating to such investment and country specifically, including any representations, agreements or conditions.]*

The Issuer accepts responsibility for the information set out in the Schedule hereto (which forms part of these Final Terms) concerning [*description of underlying Index/Indices/Securities*] (the "**Information**"), which is derived from publicly available information and is intended as a summary only of the information from which it is derived. The Issuer confirms that the Information has been accurately reproduced from information available from the information source specified herein and that, so far as the Issuer is aware and is able to ascertain from the Information available from such source, no facts have been omitted which would render the reproduced Information inaccurate or misleading. The Issuer accepts responsibility for having correctly extracted the Information from such publicly available information.

**The Information is of limited scope. In deciding whether or not to purchase Warrants, investors should conduct their own investigations of [*description of underlying*] and form their own view of the merits of [*description of underlying*] based upon such investigations and not in reliance upon the Information.]]**

<sup>9</sup> Include this for Warrants listed pursuant to an unitary prospectus.

<sup>10</sup> Insert only if (a) the Warrants are listed on a regulated exchange (e.g. the London Stock Exchange) or (b) where the Warrants are to be offered to retail investors.

<sup>11</sup> Insert for Warrants linked to a Reference Asset or a basket of Reference Asset Components comprising underlyings in India or a Relevant Factor or a basket of Relevant Factors comprising underlyings in India.

*[For Warrants offered and sold in the United States of America include:*

### **IMPORTANT NOTICES**

THE WARRANTS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE WARRANTS ARE BEING OFFERED AND SOLD (A) IN THE UNITED STATES ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")) AND (B) TO NON-U.S. PERSONS (AS DEFINED IN REGULATIONS) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATIONS. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF WARRANTS PURSUANT TO CLAUSE (A) ABOVE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

### **NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B ("RSA 421-B") OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

### **AVAILABLE INFORMATION**

**To permit compliance with Rule 144A in connection with resales of the Warrants, the Issuer will promptly furnish, upon request of a holder of a Warrant, to such holder and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) if, at the time of such request, the Issuer is neither a reporting company under Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.]**

**Investing in the Warrants involves substantial risks. As a consequence, prospective investors should be aware that the Warrants are only intended for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the Warrants. In purchasing any Warrants, an investor will be deemed to represent that it is such an investor and has such knowledge and experience. Prospective investors should consider the risk factors set forth under "Risk Factors" in the Prospectus and the risks described herein.**

*[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

**[HSBC Bank plc][The Hongkong and Shanghai Banking Corporation Limited]**

**[Insert Issue Date]**

[The Warrants issued under these Final Terms are to be consolidated and form a single series with [description of original issue] (the "**Original Issue**") issued on [date] ([security identification codes e.g. ISIN]).]<sup>12</sup>

- |    |   |  |
|----|---|--|
| 1. | Issuer:   | HSBC Bank plc  |
| 2. | Principal Warrant Agent:  | HSBC Bank plc  |
| 3. | Calculation Agent:  | [HSBC Bank plc/other (specify)]  |
| 4. | Warrant Agent:  | HSBC Bank plc  |
| 5. | (i) Series number:  | [ ]  |
|    | (ii) [Tranche number:   | [ ]  |
|    | <i>(If fungible with an existing Series, details of that Series, including the date on which the Warrants become fungible.)</i> |  |
|    | (iii) Whether issue is of Warrants or Certificates:   | [Warrants/Certificates] (if the issue is of Certificates, all references in this Final Terms and in the Prospectus to Warrants shall be deemed to be "Certificates" for the purposes of this issue)                      |
| 6. | Specified Currency or Currencies:   | [ ]  |
|    | (i) Reference Currency: <sup>13</sup>   | [The currency in which the relevant Security trades on the Exchange.] <sup>14</sup> /[Each of the currencies in which the relevant [Security]/[Component Security] trades on its respective Exchange.] <sup>15</sup> [ ] |
|    | (ii) Reference Jurisdiction: <sup>13</sup>  | [The jurisdiction in which the Exchange is located.] <sup>14</sup> /[Each of the countries in which the Exchange of the respective [Security]/[Component Security] is located.] <sup>15</sup> [ ]                        |
| 7. | Aggregate Number of Warrants in the:  |  |
|    | [(i)] Series:   | [ ]  |

<sup>12</sup> Insert for further issuance of Warrants.

<sup>13</sup> Specify if "Currency Event" is applicable.

<sup>14</sup> Insert for Security Warrants.

<sup>15</sup> Insert for Security Basket Warrants, Index Warrants and Index Basket Warrants.

- [(ii) Tranche:] [ ]
8. Issue Date: [ ] [The Issue Date of the Original Issue is [date]. The Issue Date of the further issue of Warrants issued under these Final Terms is [date]]<sup>12</sup>
9. Issue Price: [[currency] [amount] per Warrant] [, which reflects a discounted issue price to take into account any dividends, coupons or other distributions in respect of [describe underlying].]<sup>16</sup>
10. Strike Price: [currency] [amount]
11. Settlement Price: [ ] [[The definition in Condition 17 applies]
12. Reference Price: [ ] [The definition in Condition 17 applies]
13. Listing of Warrants: [[The Original Issue was admitted to trading on the London Stock Exchange on [date].]<sup>17</sup> [Application has been made for the Warrants to be admitted to the Official List of the UK Listing Authority and admitted to trading on the Regulated Market of the London Stock Exchange/other (specify)/ [on or around the Issue Date / insert date] / None]
14. Date of [Board] approval for the issuance of Warrants obtained: [ ] [and [ ], respectively]]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Warrants)*
15. Type of Warrants: [Index-Linked/Equity-Linked/ other variable-linked etc] [Low Exercise Price Options]
16. Series represented by: [Global Warrant/ Unrestricted Global Registered Warrant/ Restricted Global Registered Warrant/ Combined Global Registered Warrant][N/A]. [Warrants in definitive form [will/will not] be issued.] [other (specify)]<sup>18</sup>
17. Form of Warrants: [Book-Entry Form Warrants/Registered Warrants]
18. Style of Warrants: The Warrants are [American / European / Bermudan

<sup>16</sup> Insert if the issue price is a discounted issue price.

<sup>17</sup> Insert for further issuance of Warrants.

<sup>18</sup> For further issuance of Warrants, state the existing form of Global Warrants for the existing series of Warrants.

/ other (specify)] Style [Call/Put] Warrants.  
Condition [3(a)/3(b)/3(c)] is applicable.

19. (i) Expiry Date: [Time] [City] time [specify fallback if Expiry Date is not a business day, if not the Following Business Day Convention]
- (ii) Exercise Procedure: [Condition 4 is applicable/other (specify)]
- (iii) Automatic Exercise: [Applicable/Not Applicable]<sup>19</sup>
- (iv) Exercise Period: [American Style Warrants only]. [The period beginning from (and including) [[ ]/[the Commencement Date]] and ending on (and including) the Expiry Date].
- ["Commencement Date" means the date on which the Notional Holder, had it entered into an agreement to purchase the Securities in respect of the Warrants on or around the Trade Date, would have received such Securities, or, if later, the listing date of the Securities on the Exchange, as determined by the Calculation Agent.]<sup>20</sup>
- (v) Potential Exercise Date(s): [Bermudan Style Warrants only] [insert date]
- (vi) Knock-in Event: [Applicable to [specify relevant payment or delivery]]
- (a) Knock-in Event: [ ] [[Greater than/greater than or equal to/less than/less than or equal to/the Knock-in [Price/Level]]]
- (b) Knock-in Period Beginning Date (if other than as specified in the definition thereof in Condition 17): [ ]
- (c) Knock-in Period Ending Date (if other than as specified in the definition thereof in Condition 17): [ ]
- (d) Knock-in [Price/Level]: [ ]
- (e) Knock-in Valuation Time (if other than as specified in the definition thereof in Condition 17): [ ]
- (vii) Knock-out Event: [Applicable to [specify relevant payment or delivery]]

<sup>19</sup> Refer to Listing Rule 19.2.6.

<sup>20</sup> Insert for initial public offering Securities or where the Securities are not yet listed on the Trade Date.

- (a) Knock-out Event: [ ] [[Greater than/greater than or equal to/less than/less than or equal to/the Knock-out [Price/Level]]
- (b) Knock-out Period Beginning Date (if other than as specified in the definition thereof in Condition 17): [ ]
- (c) Knock-out Period Ending Date (if other than as specified in the definition thereof in Condition 17): [ ]
- (d) Knock-out [Price/Level]: [ ]
- (e) Knock-out Valuation Time (if other than as specified in the definition thereof in Condition 17): [ ]

- 20. (i) Minimum Exercise Number: [ ] Warrants
- (ii) Permitted Multiple: [ ] Warrants

21. Cash Settlement: [Applicable. The Warrants are Cash Settlement Warrants. Condition 3(d) (*Cash Settlement*) [and Condition 3(f) (*Optional Physical Settlement*)] [applies/apply]]/[Not Applicable].

- (i) Settlement Currency: [ ]
- (ii) Cash Settlement Amount: [ ]

[Insert the following for LEPOs relating to shares/bonds:]

[In respect of each Warrant exercised an amount in [currency] calculated in accordance with the following formula:

$$\frac{\text{Realisable Sale Price}}{\text{Weighted Average Exchange Rate}} \times (1 - \text{Fee})$$

Where:

"Fee" represents the fee to be retained by the Manager or any of its Affiliates as separately notified to the Warranholder, which is calculated as a percentage of the gross consideration payable for the purchase of the Warrants.

**"Underlying Hedge Transaction"** means any holding (whether direct or synthetic) by the Issuer or its Affiliates of Securities and/or financial instruments (of any kind) which the Issuer consider necessary for the purposes of hedging, funding or otherwise performing the Issuer's obligations in respect of one Warrant. For the avoidance of doubt, the Issuer is not obliged to hold any Underlying Hedge Transaction.

*[Insert for LEPOs relating to shares/bonds (excluding PRC shares/bonds):* In the event that the Issuer and/or its Affiliates have not entered into any Underlying Hedge Transaction(s) or have entered into one or more Underlying Hedge Transaction(s) in respect of some only of the Warrants, the Realisable Sale Price shall be the aggregate price at which the Notional Holder, being the holder of Securities underlying one Warrant would have been able to dispose of such Securities through the Exchange(s) on the Averaging Dates, less any costs, as determined by the Calculation Agent in its sole and absolute discretion.

**"Weighted Average Exchange Rate"** means the weighted average of the rates of exchange for the conversion of [currency] into [currency], expressed as a number of [currency] per one [currency], less any costs incurred or would have been incurred by the Issuer and/or its Affiliates in connection with such conversion (the **"Underlying FX Rate"**) at the time each Underlying Hedge Transaction as determined by the Calculation Agent in its sole and absolute discretion.]

*[Insert for LEPOs relating to PRC shares/bonds:* In the event that the Issuer and/or its Affiliates have not entered into any Underlying Hedge Transaction(s) or have entered into one or more Underlying Hedge Transaction(s) in respect of some only of the Warrants, the Realisable Sale Price shall be the aggregate price at which a QFII, being the holder of Securities underlying one Warrant would have been able to dispose of such Securities through the Exchange(s) on the Averaging Dates, less any Costs, as determined by the Calculation Agent in its sole and absolute discretion.

**"Weighted Average Exchange Rate"** means the weighted average of the rates of exchange for the conversion of [currency] into [currency], expressed as a number of [currency] per one [currency], less any costs incurred or would have been incurred by



the Issuer and/or its Affiliates in connection with such conversion (the "**Underlying FX Rate**") at the time each Underlying Hedge Transaction is unwound, or (as the case may be) the Excess Deduction, or as applicable, the Deduction Shortfall is determined, as determined by the Calculation Agent in its sole and absolute discretion.]

*[Insert for all LEPOs: The Issuer is at no time obliged to hold Securities, nor any other positions, for such purposes.]*

*[Insert for LEPOs relating to shares/bonds (excluding PRC shares/bonds):*

**"Realisable Sale Price"** means the weighted average of the prices at which the Underlying Hedge Transaction(s) are unwound on each Averaging Date, less all Costs, all as determined by the Calculation Agent in its sole and absolute discretion.

Where (i) the amount of Costs or the basis on which it is to be determined is not confirmed before the applicable Valuation Date and/or is subject to change in the future (such amount of Costs being "**Unpaid Costs**") and (ii) the Unpaid Costs were not deducted from the calculation of the Cash Settlement Amount, each Warrantholder will be required to pay to the Issuer an amount equal to such Unpaid Costs upon notification from the Issuer. Any holder's obligation to pay such Unpaid Costs shall survive the expiration of the Warrants and any transfers made by any such holder prior to such date.]

*[Insert for LEPOs relating to PRC shares/bonds:*

**"Realisable Sale Price"** means the weighted average of the prices at which the Underlying Hedge Transaction(s) are unwound on each Averaging Date, less all costs, expenses, fees and levies in respect thereof, including but not limited to brokers' fees, bank and custody charges, transaction processing fees and expenses, and all other taxes (including potential taxes which the Issuer considers may arise) and other duties (including without limitation any capital gains tax such as PRC Capital Gains Tax) (together "**Costs**") whether such Costs would be withheld at source or would otherwise be required to be paid, and *provided that* the same is or are introduced and/or imposed prior to the Tax Equalisation Long-stop Date and in all cases, including any interest thereon levied by the applicable PRC tax authorities, all as determined by the Calculation Agent in its sole and absolute

discretion.

Where the amount of Costs (including, without limitation, PRC Capital Gains Tax) or the basis on which it is to be determined is not definitely known (each a "**tax uncertainty**" and together "**tax uncertainties**") the Issuer may use the same basis for calculation of such amount as it would use in respect of a holding, purchase or, as applicable, sale of the Security either (a) for itself as beneficial owner, (b) for the QFII as beneficial owner, or (c) for the holder of Warrants as beneficial owner, as selected by the Issuer in its sole and absolute discretion (*provided that* the rate in respect of PRC Capital Gains Tax shall be the Fixed CGT Rate) until the applicable Tax Certainty Date.

In addition (and notwithstanding the provisions relating to PRC Capital Gains Tax stated above), once the relevant tax uncertainties are clarified so as to remove the relevant tax uncertainties, (1) where the amount of tax which has actually been deducted ("**Tax Deducted**") is greater than the amount of tax properly payable (the amount of the excess, the "**Excess Deduction**"), the Issuer will pay to the Warranthead an amount in USD (converted at the Weighted Average Exchange Rate at the time the relevant determination of the Excess Deduction is made) equal to the Excess Deduction, or (2) where the Tax Deducted is less than the amount of tax properly payable (the amount of the excess, the "**Deduction Shortfall**"), the Warranthead will pay to the Issuer an amount in USD (converted at the Weighted Average Exchange Rate at the time the relevant determination of the Deduction Shortfall is made) equal to the Deduction Shortfall. In either case, the relevant amount (the "**Tax Equalisation Payment**") will be (x) conclusively determined as soon as reasonably practicable on or after the Tax Certainty Date by the Calculation Agent and notified as soon as practicable after such determination to Warrantheads (such notification date, the "**Tax Equalisation Payment Notification Date**"), and (y) (where the Tax Certainty Date falls on or before the Latest Final Averaging Date) payable on the Settlement Date applicable to an exercise of Warrants on the Expiry Date, or (where the Tax Certainty Date falls after the Latest Final Averaging Date but before the Tax Equalisation Long-stop Date) payable on the date notified to Warrantheads as the applicable payment date by the Issuer, being no less than two Business Days after the Tax Equalisation Payment Notification Date (such payment date, the "**Tax Equalisation Payment Date**"); provided always that

such Tax Equalisation Payment Notification Date will be no later than the Tax Equalisation Long-stop Date. For the avoidance of doubt, (i) if the Tax Equalisation Payment Notification Date has not occurred on or prior to the Tax Equalisation Long-stop Date, no Tax Equalisation Payment will be payable and (ii) the Tax Equalisation Payment will be payable as stated above even if the Tax Equalisation Payment Date falls after the Expiry Date. The obligation to pay any Excess Deduction and Deduction Shortfall shall survive the expiration of the Warrants and any transfers of Warrants made by any Warrantholder prior thereto.

If no Tax Certainty Date occurs on or prior to the Tax Equalisation Long-stop Date, then the Issuer shall refund to the holder of record of the Warrants as at the time when the deduction was made any amounts previously deducted (without any interest thereon) on account of the tax uncertainties; such refund to be made as soon as practicable following the Tax Equalisation Long-stop Date.

Where (i) the amount of Costs or the basis on which it is to be determined is not confirmed before the applicable Valuation Date and/or is subject to change in the future (such amount of Costs being "**Unpaid Costs**") and (ii) the Unpaid Costs were not deducted from the calculation of the Cash Settlement Amount, each Warrantholder will be required to pay to the Issuer an amount equal to such Unpaid Costs upon notification from the Issuer. Any holder's obligation to pay such Unpaid Costs shall survive the expiration of the Warrants and any transfers made by any such holder prior to such date.]<sup>21</sup>

**"Latest Final Averaging Date"** means the final Averaging Date in respect of the latest Exercise Date, or if none, an Exercise Date that is deemed to fall on the Expiry Date.

*[Insert the additional definitions below for LEPOs relating to PRC shares/bonds:]*

**"PRC"** means the People's Republic of China.

**"PRC Capital Gains Tax"** means, unless and until definitively stated by any applicable PRC tax authorities (as determined by the Calculation Agent in its sole and absolute discretion), 10% (such rate, the "**Fixed CGT Rate**") of the excess (if any) of (a) the Realisable Sale Price (without deduction of

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<sup>21</sup> Insert for LEPOs relating to PRC shares/bonds.

Costs) over (b) Relevant Reference Price / (1 + Fee ), and if (and once) so definitively stated (and *provided that* tax rate is definitively stated by any applicable PRC tax authorities at any time before the Tax Equalisation Long-stop Date), the capital gains tax properly applicable as so stated.

"**QFII**" means a Qualified Foreign Institutional Investor pursuant to the Measures for the Administration of Securities Investments by Qualified Foreign Institutional Investors, which were jointly promulgated by the China Securities Regulatory Commission, the People's Bank of China and The State Administration of Foreign Exchange on 24 August 2006, and which became effective on 1 September 2006.

"**Relevant Reference Price**" means the CNY equivalent of the purchase price of one Warrant at the time a Warrantholder purchases the Warrant.

"**Tax Certainty Date**" means, in respect of any tax uncertainty, the date on which the Calculation Agent becomes aware of the clarification by the applicable tax authorities so as to remove the relevant uncertainty or, if later, the Tax Clarification Effective Date.

"**Tax Clarification Effective Date**" means the first date on which the relevant clarified tax position becomes effective (and where the clarified tax position becomes effective with retrospective effect on a certain date or affecting a certain payment, the Tax Clarification Effective Date will be that certain date or the date of that certain payment), all as determined by the Calculation Agent in its sole and absolute discretion.

"**Tax Equalisation Long-stop Date**" means the date falling 7 years after the Latest Final Averaging Date.

**Warrantholders should note that if the PRC taxing authorities clarify the PRC Capital Gains Tax rate after the Cash Settlement Amount has been paid and such rate properly applied is different from the Fixed CGT Rate, either the Issuer or the Warrantholder (as the case may be) will have an obligation to pay the Excess Deduction or Deduction Shortfall (as the case may be).]]**

[Insert the following for Index LEPOs:]

[In respect of each Warrant exercised an amount in [*currency*] calculated in accordance with the following formula:

Final Index Level x (100% - Commission)

**"Final Index Level"** means the level of the Index determined by reference to the weighted average of the prices at which the Underlying Hedge Transaction(s) are unwound on each Averaging Date and converted into [*currency*] by reference to the applicable FX Rate (as defined below), less all Costs, all as determined by the Calculation Agent.

[Where (i) the amount of Costs or the basis on which it is to be determined is not confirmed before the applicable Valuation Date and/or is subject to change in the future (such amount of Costs being **"Unpaid Costs"**) and (ii) the Unpaid Costs were not deducted from the calculation of the Cash Settlement Amount, each Warrantholder will be required to pay to the Issuer an amount equal to such Unpaid Costs upon notification from the Issuer. Any holder's obligation to pay such Unpaid Costs shall survive the expiration of the Warrants and any transfers made by any such holder prior to such date.]

**"FX Rate"** means the rate of exchange for the conversion of [*currency*] to [*currency*], expressed as a number of [*currency*] per one [*currency*], less any costs incurred or would have been incurred by the Issuer and/or its Affiliates in connection with such conversion at the time each Underlying Hedge Transaction is unwound, as determined by the Calculation Agent.

**"Commission"** means a fee of [ ]%.

**"Underlying Hedge Transaction"** means any holding of such hedging arrangements and/or financial instruments (of any kind) by the Issuer, or its Affiliate, for the purposes of hedging an exposure in a basket of securities equal to the constituent stocks comprising the Number of Index Units per Warrant determined by reference to the formula for and method of calculating the Index at the relevant time. For the avoidance of doubt, the Issuer is not obliged to hold any Underlying Hedge Transaction.

In the event that the Issuer and/or its Affiliates have not entered into any Underlying Hedge Transaction or entered in one or more Underlying Hedge Transactions in respect of only part of the Warrants,

the "**Underlying Hedge Transaction**" shall also include such Underlying Hedge Transaction that would have been entered into by the Notional Holder for the purpose of hedging an exposure in a basket of securities equal to the constituent stocks then comprising the Number of Index Units per Warrant determined by reference to the formula for and method of calculating the Index at the relevant time.

[For the avoidance of doubt, dividends on the constituent stock of the Index will be taken into account in the Index calculation in accordance with the formula for and method of calculating the Index, and investors will not separately receive any payments relating to dividends or other distributions relating to any securities which comprise the constituent stocks of the Index.]<sup>22</sup>

"**Number of Index Units per Warrant**" means one (where one Index unit is equal to the Index level on the Trade Date).]

(iii) Cash Settlement Payment Date: [ ]

22. Physical Settlement: [Applicable. The Warrants are Physical Settlement Warrants. Condition 3(e) (*Physical Settlement*) [and Condition 3(g) (*Optional Cash Settlement*)] [applies/apply]]/[Not Applicable].

(i) Strike Price Payment Date: [ ]

(ii) Settlement Date: [ ]

[*Consider treatment of dividends*].

Stamp duty [is/ is not] currently payable by the Warranholder on Security delivery. There [are/are no] restrictions on the transferability of the Securities.

23. Index Warrant or Index Basket Warrant: [Applicable. The Warrants are [Index Warrants/Index Basket Warrants]]/[Not Applicable].

(i) Index/Indices: [ ] [The Exchanges/[ ] [ ] [is/are] Multiple Index Exchange(s)]

(ii) Basket: [*specify each Index in the Basket and indicate the relative proportions/Not Applicable*]

(iii) Index Sponsor(s): [ ] [The definition in Condition 17 applies]

(iv) Exchange(s): [ ]

- (v) Related Exchange(s):  [All Exchanges]
- (vi) Valuation Time:  [ ]
- (vii) Valuation Date:  [ ]
- (viii) Averaging Dates:  [Applicable/Not Applicable] [*If applicable, specify dates or use the following wording:*]

[Each of the  consecutive Schedule Trading Days immediately following the Exercise Date, subject to adjustment.]

[Each of the Scheduled Trading Days immediately following the Exercise Date on which the Underlying Hedge Transactions are unwound until the earliest date by which the Issuer and/or its Affiliate could unwind the entirety of the Underlying Hedge Transactions.]

For the avoidance of doubt, the Issuer and/or its Affiliate shall not be obliged to unwind the Underlying Hedge Transactions on a Disrupted Day or a day on which the Underlying Hedge Transactions could not be unwound due to illiquidity or any limit up price or limit down price imposed by the relevant Exchange or Related Exchange being reached or exceeded.]

- (ix) Settlement Level:  [[The definition in Condition 17 applies]
- (x) Reference Level:  [[The definition in Condition 17 applies]
- (xi) Additional Disruption Event:  [The following Additional Disruption Events apply:  
 [Change in Law]  
 [Hedging Disruption]  
 [Insolvency Filing]  
 [Increased Cost of Hedging]  
 [Currency Event]  
 [Security Redemption]  
 [Underlying Company Default]  
 [*other (specify)*]]  
 [Not Applicable]
- (xii) Other Information:  [ ]

24. Security Warrant or Security Basket Warrant:  [Applicable. The Warrants are  [Security Warrants/Security Basket Warrants]/[Not Applicable].

- (i) Securities:  [[*Ordinary/other (specify)*] shares of  [ ] and "**Security**" means any one of them.]

[[*Description of bonds*] of  [ ] and "**Security**" means

any one of them.]

[Units in the Fund, where "**Fund**" means [•], "**Unit**" 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.] ["**Fund Underlying Index**" means [ ].] *[delete if not applicable]*]

[Condition 17 shall apply to the Warrants as if references therein to "Underlying Company" were references to the "Fund" and as if references therein to "Security" were references to "Unit".]

- (ii) Basket: *[specify each Security in the Basket and indicate the relative proportions/Not Applicable]*
- (iii) Exchange(s): *[specify exchange on which the Securities are listed]*
- (iv) Related Exchange: *[specify/Not Applicable]*
- (v) Valuation Time: [ ]
- (vi) Valuation Date: [ ]
- (vii) Averaging Dates: *[Applicable/Not Applicable] [If applicable, specify dates or use the following wording:]*

[Each of the [ ] consecutive Scheduled Trading Days immediately following the Exercise Date, subject to adjustment.]

[Each of the Scheduled Trading Days immediately following the Exercise Date on which the Underlying Hedge Transactions are unwound until the earliest date by which the Issuer and/or its Affiliate could unwind the entirety of the Underlying Hedge Transactions.

For the avoidance of doubt, the Issuer and/or its Affiliate shall not be obliged to unwind the Underlying Hedge Transactions on a Disrupted Day or a day on which the Underlying Hedge Transactions could not be unwound due to illiquidity or any limit up price or limit down price imposed by the relevant Exchange or Related Exchange being reached or exceeded.]

- (viii) Clearing System: [ ]
- (ix) Additional Disruption Event: [The following Additional Disruption Events apply:  
[Change in Law]  
[Hedging Disruption]  
[Increased Cost of Hedging]



[Currency Event]  
[Security Redemption]  
[Underlying Company Default]  
[*other (specify)*]  
[Not Applicable]

(x) Securities Transfer Amount: [ ]

25. Additional Payments: [Condition 17(b) (*Additional Payment*) applies] [Not Applicable]

(i) Additional Payment Date: [ ] [Such date as soon as practicable after each Distribution Receipt Date.] [Each of [ ] from (but excluding) the Trade Date to (but excluding) the Exercise Date, *provided that* (i) the last Additional Payment Date shall fall on the Settlement Date and (ii) if any Additional Payment Date is not an Exchange Business Day, the Additional Payment Date shall be the immediately following Exchange Business Day.]

[For the purposes of determining the Additional Payments, the definition of "Exchange Business Day" shall be amended to include the following wording at the end of the sentence:

"and on which the [*reference currency*]/[*settlement currency*] exchange markets are open for business in [*specify country*].]"<sup>23</sup>

(ii) Additional Payment Period: [ ] [The period from (but excluding) the Trade Date to (and including) the first Averaging Date in respect of an Exercise Date.] [Each period from (and including) one Additional Payment Date to (but excluding) the next Additional Payment Date, *provided that* the first Additional Payment Period shall start from (but excluding) the Trade Date and the last Additional Payment Period shall end on (and including) the [first] [Averaging][Valuation] Date in respect of an Exercise Date.]

(iii) Costs: [ ] [The definition in the Terms and Conditions applies.]

[*For LEPOs relating to PRC shares/bonds*: Costs, in respect of any Distribution, shall include, without limitation, taxes, duties and similar charges imposed by any applicable taxing or governmental authority in respect of any such Distribution, being 10% of the relevant Distribution.]

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<sup>23</sup> Insert if appropriate.

26. Averaging Date Market Disruption: [Omission/Postponement/Modified Postponement/Not Applicable/*other (specify)*]
27. Business Day: [As in the Conditions/*other (specify)*]
28. Determination Date: [ ]<sup>24</sup>
29. Trade Date: [ ]
30. Selling Restrictions: [*Specify any selling restrictions applicable to the Warrants which are additional to, or in substitution for, those contained in the Base Prospectus.*]
- [In addition to selling restrictions listed in "Purchase and Sale of the Warrants" contained in the Base Prospectus:
- [ ]]
31. Eligibility for sale in the United States within the meaning of Rule 144A to "qualified institutional buyers" (N.B. Only Warrants linked to "securities" (as defined in the Securities Act) may be so eligible):
- The Warrants are not eligible for sale into the United States or to U.S. persons [except to certain qualified institutional buyers pursuant to Rule 144A under the Securities Act].
- [*Where Warrants are represented by a Combined Global Registered Warrant include the following:*
- Warrants eligible for sale in the United States pursuant to Rule 144A to qualified institutional buyers and to non-U.S. persons in reliance on Regulation S will be represented by the Combined Global Registered Warrant and will be subject to the transfer restrictions set forth on the Combined Global Registered Warrant.]
- [*Where Warrants are eligible for sale in the United States under Rule 144A to qualified institutional buyers, include the following:*
- (a) [The Restricted Global Registered Warrant will be deposited with [HSBC Bank USA, National Association as custodian for DTC/HSBC Bank plc as common depository for Euroclear and Clearstream, Luxembourg]]/[The Combined Global Registered Warrant will be deposited with HSBC Bank plc as common depository for Euroclear and Clearstream, Luxembourg];
- (b) the Warrants may [not] be issued concurrently outside the United States to non-U.S. persons [(such Warrants to be

<sup>24</sup>

If Condition 3(f) (*Optional Physical Settlement*) or 3(g) (*Optional Cash Settlement*) is applicable.

represented by an Unrestricted Global Registered Warrant)];

- (c) the Warrants may [not] be transferred to qualified institutional buyers;
- (d) the Warrants may [not] be transferred to non-U.S. persons.]

32. ERISA Eligibility:

[The Warrants are eligible for sale to Plans. Each purchaser or transferee by its purchase of any offered Warrant (or any interest therein) will be deemed to represent, on each day from the date on which the purchaser or transferee acquires an offered Warrant through and including the date on which the purchaser or transferee disposes of its interest in such offered Warrant, either that (a) it is not a Plan or a Similar Law Plan, including any entity whose underlying assets include the assets of any Plan or Similar Law Plan the inclusion of which for purposes of ERISA or any Similar Law, as the case may be, would result in such entity being deemed a Plan or a Similar Law Plan; or (b) its purchase, holding and disposition of such Warrant (or any interest therein) will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Law. The capitalised terms in this paragraph are as defined in the section headed "*Certain ERISA Considerations*" of the Base Prospectus dated [ ].] [ ]

*[Include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]*

**[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Warrants described herein pursuant to HSBC Bank plc's Warrant and Certificate Programme.]

*[In offer of Warrants pursuant to Rule 144A insert:*

**TRANSFER RESTRICTIONS**

[Each prospective purchaser of Warrants, by accepting delivery of these Final Terms and the accompanying Base Prospectus, will be deemed to have represented and agreed with respect to such Warrants as follows:

*[Specify any additional representations applicable to the Warrants specifically.]*

Because of the following restrictions, purchasers of Warrants offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Warrants.

Each prospective purchaser of Warrants offered in reliance on Rule 144A (a "**144A Offeree**"), by accepting delivery of these Final Terms and the accompanying Base Prospectus, will be deemed to have represented and agreed with respect to such Warrants as follows:

- (a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus are personal to such 144A Offeree and do not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Warrants other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited; and
- (b) such 144A Offeree agrees to make no photocopies of these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Warrants represented by a Restricted Global Registered Warrant or a Combined Global Registered Warrant will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

- (1) That either: (a) in the case of the issue or transfer of a Warrant to or for a person who takes delivery in the form of Warrants represented by a Restricted Global Registered Warrant, (A) the purchaser is a qualified institutional buyer within the meaning of Rule 144A, (B) it is acquiring the Warrant for its own account or for the account of a qualified institutional buyer, and (C) each beneficial owner of such Warrant is aware that the sale of the Warrant to it is being made in reliance on Rule 144A, or (b) in the case of the issue or transfer of a Warrant to or for a person who takes delivery in the form of Warrants represented by a Combined Global Registered Warrant, either (A)(i) the purchaser is a qualified institutional buyer within the meaning of Rule 144A, (ii) it is acquiring the Warrant for its own account or for the account of a qualified institutional buyer, and (iii) each beneficial owner of such Warrant is aware that the sale of the Warrant to it is being made in reliance on Rule 144A, or (B) the purchaser is outside the United States, is not a U.S. person and is aware that the sale of the Warrant is being made in reliance on Regulation S.
- (2) The purchaser understands that the Restricted Global Registered Warrants and Combined Global Registered Warrants are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Warrants offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.
- (3) The purchaser understands that certificates representing Restricted Global Registered Warrants or Combined Global Registered Warrants will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS WARRANT [AND THE SECURITIES TO BE DELIVERED UPON EXERCISE HEREOF]<sup>25</sup> [HAS/HAVE] NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. EACH PURCHASER OF THIS WARRANT IS HEREBY NOTIFIED THAT THE SELLER OF THIS WARRANT MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144

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<sup>25</sup>

To be included if the underlying securities have not been registered under the Securities Act.

UNDER THE SECURITIES ACT FOR THE RESALE OF WARRANTS REPRESENTED BY THIS WARRANT.

THE HOLDER HEREOF, BY PURCHASING THIS WARRANT, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS WARRANT MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) IN THE UNITED STATES ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")), (B) TO NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS WARRANT FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

EACH PURCHASER OR TRANSFEREE OF THIS WARRANT (OR ANY INTEREST HEREIN) WILL BE DEEMED BY ITS ACQUISITION AND HOLDING OF THIS WARRANT TO HAVE REPRESENTED AND AGREED EITHER THAT (I) IT IS NOT (A) AN "EMPLOYEE BENEFIT PLAN" AS DESCRIBED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" AS DESCRIBED IN SECTION 4975(E)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") TO WHICH SECTION 4975 OF THE CODE APPLIES, (C) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDE, "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY (ANY OF THE FOREGOING, A "**BENEFIT PLAN INVESTOR**") OR (D) ANY EMPLOYEE BENEFIT PLAN SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (A "**SIMILAR LAW PLAN**"), OR (II) ITS PURCHASE, HOLDING AND DISPOSITION OF THIS WARRANT (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR LAW. ANY PURPORTED PURCHASE OR TRANSFER OF THIS WARRANT THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID AB INITIO.

ANY EXERCISE OF THIS WARRANT WILL BE CONDITIONED ON (1) THE DELIVERY OF A DULY EXECUTED EXERCISE NOTICE BY THE HOLDER HEREOF AND (2) WITH RESPECT TO EXERCISE BY ANY U.S. PERSON, THE UNDERLYING SECURITIES BEING (A) REGISTERED UNDER THE SECURITIES ACT OR (B) SUBJECT TO AN EXEMPTION FROM REGISTRATION THEREUNDER AT THE TIME OF SUCH EXERCISE."

- (4) Each purchaser of Restricted Global Registered Warrants or Combined Global Registered Warrants acknowledges that the Issuer, the Registrar, the Managers and their Affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Global Registered Warrants or Combined Global Registered Warrants for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- (5) Each purchaser or transferee by its purchase of any Warrant (or any interest therein) will be deemed to represent, on each day from the date on which the purchaser or transferee acquires a Warrant through and including the date on which the purchaser or transferee disposes of its interest in such offered Warrant, either that (a) it is not a Plan or a Similar Law Plan, including any entity whose

underlying assets include the assets of any Plan or Similar Law Plan for purposes of ERISA or any Similar Law, respectively or (b) its purchase, holding and disposition of such Warrant (or any interest therein) will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Law. The capitalised terms in this paragraph are as defined in section headed "*Certain ERISA Considerations*" of the Base Prospectus dated [ ].

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [[*Underlying information*] has been extracted from [*insert name of source of information e.g. FTSE 100, Dow Jones etc.*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*insert name of source of information e.g. FTSE 100, Dow Jones etc.*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

**CONFIRMED**

**HSBC BANK PLC**

By: -----

*Authorised Signatory*

Date: -----

## PART B - OTHER INFORMATION

### 1. LISTING

- (i) Listing [Application [will be/has been] made to admit the Warrants to listing on the Official List of the Financial Services Authority pursuant to Listing Rule 19<sup>26</sup>. No assurance can be given as to whether or not, or when, such application will be granted.] [Not Applicable]
- (ii) Admission to trading [The Original Issue was admitted to trading [on the Regulated Market/*other (specify)*] on [ ].]<sup>27</sup>
- [Application has been made for the Warrants to be admitted to trading [on the Regulated Market/*other (specify)*] 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.] [Application has been made to have the Warrants admitted to trading on the PORTAL System of the U.S. National Association of Securities Dealers.]
- [Not Applicable]
- [(Where documenting a fungible issue need to indicate that original warrants are already admitted to trading.)]*

### 2. NOTIFICATION

[The [*include name of competent authority in EEA home Member State*] [has been requested to provided/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]/[Information not required to be disclosed.]

<sup>26</sup>

Please refer to the Listing Rules. Listing Rule 19 applies to securitised derivatives.

<sup>27</sup>

Insert for further issues.

**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:

"The Issuer may pay the Manager a commission as agreed between them in respect of Warrants subscribed by it and has agreed to indemnify the Manager against certain liabilities in connection with the offer and sale of the Warrants.

Save as discussed above, on page 14 of the Base Prospectus under the section "Potential Conflicts of Interest", [and on page [ ] of the Unitary Prospectus under the section "Potential Conflicts of Interest"]<sup>28</sup> so far as the Issuer is aware, no person involved in the offer of the Warrants has an interest material to the offer."

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]*

**4. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]**

[(i) Reasons for the offer: [ ]

*(See ["Use of Proceeds"] wording in Prospectus - 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]*

*(If the Warrants are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)]*

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<sup>28</sup> Insert if appropriate.



5. **[Index-Linked, Equity-Linked or other variable-linked Warrants only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING<sup>29</sup>**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]<sup>30</sup>. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.]<sup>31</sup>*

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]*

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].

**OPERATIONAL INFORMATION**

- |     |   |  |
|-----|---|--|
| 6.  | ISIN Code:  | [ ] [Not applicable] <sup>32</sup>                   |
| 7.  | Common Code:  | [ ] [Not applicable] <sup>32</sup>                   |
| 8.  | CUSIP:  | [ ] [Not applicable]                                 |
| 9.  | Valoren Number:   | [ ] [Not applicable]                                 |
| 10. | SEDOL:  | [ ] [Not applicable]                                 |
| 11. | Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [None/specify]                                       |
| 12. | Delivery:   | Delivery [against/free of] payment                   |
| 13. | Additional Warrant Agent(s) (if any):   | [None/specify]                                       |
| 14. | Common Depositary:  | [specify]  |
| 15. | Notices:<br>(Condition 10)  | [specify any other means of effecting communication] |

<sup>29</sup> Refer to Prospectus Rules, Annex XII, paragraph 4.2.2 for disclosure requirements.

<sup>30</sup> Not required for derivative securities with a denomination per unit of at least EUR50,000 or, in the case of securities with no individual denomination, that can be acquired on issue for at least EUR 50,000 per security.

<sup>31</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Cash Settlement Amount is less than 100 per cent. of the nominal value of the Warrants).

<sup>32</sup> These codes must be marked as "restricted" for Securities Act purposes in the case of Combined Global Warrants.

16. City in which specified office of Registrar to be maintained: [specify]
17. Other relevant Terms and Conditions: [ ]
18. Other Final Terms: [ ]<sup>33</sup>
19. ERISA Considerations: [ ]

**TERMS AND CONDITIONS OF THE OFFER** [*this section applies only to public offers – to be deleted if no public offer*]

20. Offer Price: [Issue Price][*other (specify)*]
21. Conditions to which the offer is subject: [Not applicable/*give details*]
22. Description of the application process: [Not applicable/*give details*]
23. Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not applicable/*give details*]
24. Details of the minimum and/or maximum amount of application: [Not applicable/*give details*]
25. Details of the method and time limits for paying up and delivering the Warrants: [Not applicable/*give details*]
26. Manner in and date on which results of the offer are to be made public: [Not applicable/*give details*]
27. Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/*give details*]
28. Categories of potential investors to which the Warrants are offered and whether tranche(s) have been reserved for certain countries: [Not applicable/*give details*]
29. Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/*give details*]
30. Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/*give details*]
31. Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/*give details*]

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<sup>33</sup> If new term constitutes a "significant new factor", consider whether supplement to the Prospectus is required.

## SCHEDULE

*[Disclosure of information concerning the underlying Securities, Index or Indices and the source of such information]*

*[Include a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident unless the securities have a denomination per unit of at least EUR 50,000 or, in the case of securities with no individual denomination, that can only be acquired for at least EUR 50,000 per security.]*

*[Include a statement setting out the type of the underlying and details of where information on the underlying can be obtained:*

- *an indication where information about the past and the further performance of the underlying and its volatility can be obtained,*
- *where the underlying is a security,*
  - *the name of the issuer of the security,*
  - *the ISIN (international security identification number) or other such security identification code,*
- *where the underlying is an index,*
  - *the name of the index and a description of the index if it is composed by the issuer. If the index is not composed by the issuer, where information about the index can be obtained,*
- *where the underlying is an interest rate,*
  - *a description of the interest rate,*
- *others:*
  - *where the underlying does not fall within the categories specified above the securities note shall contain equivalent information,*
- *where the underlying is a basket of underlyings,*
  - *disclosure of the relevant weightings of each underlying in the basket.]*

## EXHIBIT 1

### Form of Investor Letter of Representation

#### INVESTOR LETTER OF REPRESENTATIONS (LOW EXERCISE PRICE OPTIONS)

[Date]

To: HSBC Bank plc

The Hongkong and Shanghai Banking Corporation Limited

Ladies and Gentlemen:

The undersigned hereby acknowledges receipt of the Base Prospectus dated 17 January 2011 (as amended and supplemented from time to time, the "**Base Prospectus**") describing a warrant and certificate programme (the "**Programme**") pursuant to which Low Exercise Price Options ("**LEPOs**" or "**Warrants**" or "**Certificates**") may be issued from time to time by HSBC Bank plc, a company incorporated with limited liability in England with registered number 14259 (together with its successors and assigns, the "**Issuer**"). The terms and conditions of each issue of LEPOs shall be contained in a prospectus (the "**Prospectus**") which shall be prepared by, or on behalf of, the Issuer for the purposes of such LEPOs. Where the relevant series of LEPOs are to be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, the Prospectus shall comprise the Base Prospectus (including, for the avoidance of doubt, any documents incorporated by reference therein), any supplements to the Base Prospectus and Final Terms dated on or around the issue date of such LEPOs. The Prospectus for each issue of LEPOs shall be provided to the undersigned on or as soon as practicable following the relevant issue date, or if applicable, the date on which such Prospectus is approved by the relevant listing authority, stock exchange and/or quotation system, whichever is the later date. Capitalised terms used but not defined in this Investor Letter of Representations (the "**Letter**") shall have the meanings ascribed to them in the relevant Prospectus. Where the LEPOs are issued in the form of certificates, all references to "Warrants" in this Letter shall be deemed to be "Certificates" for the purposes of such issue.

The undersigned also acknowledges that (i) from time to time, upon the request of the undersigned the Issuer may sell through either HSBC Bank plc or The Hongkong and Shanghai Banking Corporation Limited, each in its capacity as a manager under the Programme (together with its successors and assigns, the "**Manager**") in accordance with the terms and conditions set forth in the relevant Prospectus, one or more Series of LEPOs and (ii) the undersigned will purchase such LEPOs from the Manager, in each case solely for its own account or for one or more principals or funds who has/have been approved by the Issuer or its associates/Affiliates (acting in its sole and absolute discretion) as a permitted holder of LEPOs (which may include but is not limited to any unit trust, fund or investment scheme (howsoever described) under the undersigned's management, including, but not limited to, the entities whose details are set out in the List of Principals/Funds in this Letter (each an "**Approved Entity**") and for which it has full power and is duly authorised to make the acknowledgments, representations, warranties and agreements set forth in the Annex attached hereto.

The undersigned also acknowledges that the LEPOs will only be offered and sold (1) to "qualified institutional buyers" ("**QIBs**") (as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Act**")) or (2) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Act ("**Regulation S**") to investors that, in each case, have entered into an investor letter of representations with the Issuer, the Arranger and the Manager identical to this Letter (each such person, an "**Eligible Investor**").

Now, therefore, in view of the foregoing, in order to establish its eligibility to acquire any LEPOs that from time to time the undersigned may request the Issuer to sell through the Manager to it pursuant to a Prospectus, the undersigned hereby represents, warrants, certifies, acknowledges and agrees, to, with and for the benefit of the Issuer, the Arranger and the Manager, as of the date hereof and as of each date on which it acquires (whether through purchase, exchange or other transfer), redeems or exercises any of the LEPOs (each, a "**Representation Date**"), as to itself and as to each Approved Entity for which it acquires any such LEPOs on the relevant Representation Date, in the form of the Annex attached hereto.

The undersigned hereby acknowledges that the Issuer, the Arranger and the Manager will rely upon the representations, warranties, acknowledgments and agreements of the undersigned set forth in the Annex attached hereto in connection with offering and sales, from time to time, of LEPOs to the undersigned, and, therefore, it agrees to notify the Issuer, the Arranger and the Manager in writing as soon as any of the representations, warranties, acknowledgments or agreements set forth in the Annex attached hereto ceases to be accurate and complete, and, under all circumstances, prior to any contemplated acquisition of LEPOs.

All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the undersigned shall be given to it at the address set forth next to its signature. Notices to the Issuer, the Arranger and the Manager shall be given to:

c/o The Hongkong and Shanghai Banking Corporation Limited  
[Level 18, HSBC Main Building  
1 Queen's Road Central  
Hong Kong SAR]  
Attention: [ ]

This Letter may be signed in counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument. This Letter may not be amended or waived, except if such an amendment or waiver is in writing and agreed by the undersigned, the Issuer, the Arranger and the Manager, or, in the case of a waiver, by the party against whom the waiver is to be effective.

This Letter shall be governed by and construed in accordance with the laws of England and the provisions hereof shall be binding upon the successors and assigns of the undersigned. The undersigned hereby submits to the jurisdiction of the courts of England with respect to any litigation relating to this Letter.

The undersigned hereby confirms its agreement to be bound by the terms of the foregoing Letter by having it executed by one or more of its authorised officers as of the date first above written.



## ANNEX

1. It has all requisite power and authority to enter into this Letter and this Letter has been duly authorised, validly executed and delivered by it and constitutes its valid and legally binding agreement; such entrance into this Letter and its acquisition of and payment for any Warrants do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;
2. it either (i) is a "qualified institutional buyer" (as defined in Rule 144A, a "**QIB**") acquiring (whether through purchase, exchange or other transfer), redeeming or exercising LEPOs pursuant to, and in compliance with, the requirements of Rule 144A or (ii) is acquiring (whether through purchase, exchange or other transfer), redeeming or exercising LEPOs in an offshore transaction pursuant to, and in compliance with, the requirements of Regulation S;
3. with respect to purchases of any particular Series of LEPOs purchased pursuant to the provisions of Rule 144A, it will hold not less than U.S.\$100,000 aggregate purchase price of the LEPOs of that particular Series; for the avoidance of doubt the foregoing minimum aggregate purchase price applies to each account for which it is acquiring any LEPOs;
4. it will provide notice of all applicable transfer restrictions to any subsequent transferees of the LEPOs;
5. it is not purchasing any LEPOs with a view toward resale, distribution or other disposition thereof in violation of the United States Securities Act of 1933, as amended (the "**Act**"). It shall not acquire any LEPOs, unless it acquires such LEPOs solely for its own account or for the account of one or more Approved Entities (each of which, in the case of LEPOs acquired pursuant to Rule 144A, must be a QIB), and in each case as to each of which it exercises at such time sole investment discretion and for each of which it has at such time full power and is duly authorised to make the acknowledgments, representations, warranties and agreements set forth herein, based upon its own judgment and upon advice of such business, financial, investment, legal, regulatory, accounting, tax or other advisers as it deems necessary. It acknowledges that none of the Issuer, the Arranger, the Manager or any of their respective Affiliates, representatives or agents is acting as a fiduciary for or an adviser to it with respect to the acquisition of any LEPOs or with respect to the Prospectus relating to such Series of LEPOs, or has recommended or otherwise will recommend to it the investment in any LEPOs. It shall not acquire any LEPOs, unless it has not relied upon any communication (written or oral) of the Issuer, the Arranger or the Manager, or any of their respective Affiliates, representatives or agents with respect to the business, financial, investment, legal, regulatory, accounting, tax or other implications of the investment in such LEPOs, and unless it has conducted its own analysis of the business, financial, investment, legal, regulatory, accounting, tax and other implications of such an investment (it being understood that information contained in the relevant Prospectus shall not be considered investment advice or a recommendation to acquire such LEPOs);
6. it shall not acquire any LEPOs, unless it acquires such LEPOs with its own funds or the funds of the Approved Entities and not with the funds of any other person and unless, upon the acquisition by it of such LEPOs, no other person (other than the Approved Entities) has any interest, beneficial or otherwise, in such LEPOs;
7. it understands and acknowledges that (i) none of the LEPOs have been or will be registered under the Act or state securities laws and that the offer and sale to it of the LEPOs will only be made in reliance upon the exemption from the registration requirements of the Act that is provided by Rule 144A or Regulation S of the Act and in reliance upon relevant exemptions from state securities laws and (ii) none of the LEPOs acquired by it or any interest therein may ever be offered, sold,

pledged, assigned, delivered or otherwise transferred or exercised or redeemed by it, directly or indirectly, (including, without limitation, through a conditional contract to sell, or through a grant of an option to purchase, or through any other hedge of its long position in any of the LEPOs), except (x) to the Issuer or the Manager or (y) in accordance with applicable securities laws of any state of the United States and in accordance with Rule 144A or Regulation S, as applicable, exclusively through the Issuer to persons reasonably believed by the transferor to be Eligible Investors at the time of the transfer;

8. it understands that the LEPOs will bear the legend substantially to the following effect, as well as any legend that may be contained in each of the Appendices, as appended below, as applicable:

"THIS WARRANT AND THE SECURITIES TO BE DELIVERED UPON EXERCISE HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. EACH PURCHASER OF THIS WARRANT IS HEREBY NOTIFIED THAT THE SELLER OF THIS WARRANT MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR THE RESALE OF WARRANTS REPRESENTED BY THIS WARRANT.

THE HOLDER HEREOF, BY PURCHASING THIS WARRANT, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS WARRANT MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) IN THE UNITED STATES ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")), (B) TO NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS WARRANT FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

ANY EXERCISE OF THIS WARRANT WILL BE CONDITIONED ON (1) THE DELIVERY OF A DULY EXECUTED EXERCISE NOTICE BY THE HOLDER HEREOF AND (2) WITH RESPECT TO EXERCISE BY ANY U.S. PERSON, THE UNDERLYING SECURITIES BEING (A) REGISTERED UNDER THE SECURITIES ACT OR (B) SUBJECT TO AN EXEMPTION FROM REGISTRATION THEREUNDER AT THE TIME OF SUCH EXERCISE. "

9. it understands and acknowledges that the Issuer has the right, at its option, (x) to compel any legal or beneficial owner of LEPOs that has acquired such LEPOs in violation of the legends thereon or this Letter at the time it acquired such LEPOs to redeem the LEPOs held by such legal or beneficial owner or (y) to void the transfer of any such LEPOs to such legal or beneficial owner, including by compelling a sale by such legal or beneficial owner, or selling such LEPOs on behalf of such legal or beneficial owner, to a purchaser acceptable to the Issuer;
10. it understands and acknowledges that the Issuer may receive a list of participants holding positions in the LEPOs from one or more book-entry depositories;
11. it (i) has provided to the Manager financial and other information concerning its investment objectives and risk tolerance that has not been rendered misleading or obsolete; (ii) understands that the investment in the LEPOs is subject to a very high degree of complex risks which may arise



without warning, may at times be volatile, and that losses may occur quickly and in unanticipated magnitude and that LEPOs are highly speculative and may result in a loss of the entire investment; (iii) shall not acquire any LEPOs, unless it concludes at the time that the investment by it in such LEPOs is suitable in light of its own investment objectives, financial capabilities and expertise; and (iv) has not been solicited by the Issuer, the Arranger, the Manager or any of their Affiliates to purchase any LEPOs, but rather on its own initiative has requested the Issuer to structure and sell such LEPOs to it through the Manager;

12. it shall not acquire any LEPOs, unless it has a valid business purpose for acquiring such LEPOs and unless its investment in such LEPOs is consistent with its overall investment strategy at such time;
13. it shall not acquire any LEPOs, unless it has such knowledge and experience in financial and business matters (including with respect to investments in unregistered equity securities of issuer(s) similarly situated as the issuer(s) of the Reference Asset(s) or the constituents comprising the Reference Asset(s) underlying such LEPOs (each a "**Reference Asset**" and together, the "**Reference Assets**")) as to enable it to evaluate the merits and risk of its investment in such LEPOs (as well as in the Reference Asset(s)) and unless at such time it is able to bear the economic risk of investing in and holding such LEPOs;
14. it acknowledges that it shall not acquire any such LEPOs without an independent investigation by it of the Reference Asset(s) to which the return on such LEPOs is linked and of the issuer(s), owner(s), guarantor(s) or sponsor(s) of such Reference Asset(s) or the constituents comprising the Reference Asset(s) (each, an "**Underlying Company**") because the investment in such LEPOs may be viewed as economically equivalent to an investment in the underlying Reference Asset(s);
15. it has read and understands the information contained in the relevant Prospectus, as amended and supplemented at such time;
16. it acknowledges, in connection with any acquisition by it of any LEPOs, that the information, if any, about the Reference Asset(s) to which such LEPOs will be linked that will be contained in the relevant Prospectus will not have been prepared by, or on behalf of, and will not have been verified by, or on behalf of, the Issuer, the Arranger, the Manager or any of their Affiliates, and the Issuer, the Arranger and the Manager will have disclaimed any responsibility for such information, and that an independent investigation of the relevant Reference Asset(s) and each relevant Underlying Company will be required for such purpose. In connection with any acquisition by it of any LEPOs, it will not have relied on any representations or other information purported to be given by or on behalf of the Issuer, the Arranger or the Manager, except as expressly set forth in the relevant Prospectus, as amended and supplemented at such time;
17. it acknowledges, in connection with any acquisition by it of any LEPOs, that the Issuer, the Arranger, the Manager and their Affiliates will not be responsible for determining the legality or suitability of an investment by it in such LEPOs and that none of the Issuer, the Arranger, the Manager and their Affiliates will be acting at any time during an offering of any LEPOs as an underwriter, distributor or other similar agent for the issuer(s), owner(s), guarantor(s) or sponsor(s) of the relevant Reference Asset(s) or the constituents comprising the Reference Asset(s) in connection with the acquisition by the undersigned of such LEPOs;
18. it shall not acquire any LEPOs, unless it shall have all the information that it then believes is necessary or appropriate in connection with its purchase of such LEPOs (including, without limitation, all the information in respect of any underlying Reference Asset(s), any relevant Underlying Company and such LEPOs);
19. it is aware and acknowledges that the Issuer, the Arranger, the Manager and their Affiliates may from time to time have a direct or indirect investment in, or a banking or other business relationship

with, any relevant Underlying Company, and, in the course of such, relationships, the Issuer or any of their Affiliates may come into possession of material, non-public information regarding the relevant Underlying Company; it further understands and acknowledges that none of the Issuer, the Arranger, the Manager and their Affiliates has been acting at any time during an offering of such LEPOs as an underwriter, distributor or other similar agent for any Underlying Company in connection with the acquisition by the undersigned of such LEPOs or is under any obligation to inform prospective purchasers or legal or beneficial owners either of the nature of or the fact that they were in possession of such information. It is aware that from time to time, the Issuer or any of its Affiliates may provide or make available to the undersigned, as well as to others, research, opinions and other information in regard to securities (including LEPOs of any particular Series), commodities, other financial assets, and market participants or events which include the Reference Asset(s) or any Underlying Company in respect of such Series of LEPOs; it acknowledges that if such information is provided to the undersigned, it is so provided without regard to the undersigned's personal financial situation or other circumstances and that the provision by the Issuer or such Affiliate of such information to it, whether sent directly or made readily accessible, and whether in writing, in electronic form or the subject of a taping, broadcast or narrowcast, does not imply that an investment in the LEPOs linked to such Reference Asset(s) is suitable in light of its particular circumstances. It agrees that if such information is received by it, it will not be the basis of any investment decision by the undersigned. While all information produced by the Issuer or any of its Affiliates is based on sources believed to be reliable, it acknowledges that the Issuer and its Affiliates do not guarantee or warrant the accuracy, reliability or timeliness of such information, and further, all information and opinions are current only as of the time provided, and are subject to rapid change without prior notice. It also acknowledges that the Issuer or any of its Affiliates may execute transactions for others or for their own account in financial instruments consisting of or linked to Reference Asset(s) including LEPOs of any particular Series and such transactions may have an adverse effect on the price of the Reference Asset(s) or the constituents comprising the Reference Asset(s) and/or LEPOs linked to such Reference Asset(s); it agrees that it requested the Issuer to structure and sell LEPOs of any particular Series to it through the Manager on its own initiative without reference to any of the foregoing activities by the Issuer or any of its Affiliates with any Underlying Company or Reference Asset(s) to which such LEPOs are linked;

20. it does not have, at the time it purchases LEPOs of any Series and at the time it exercises LEPOs prior to or on their Expiry Date, any material, non-public information regarding any relevant Underlying Company;
21. it understands and acknowledges that the purpose of the acquisition of such LEPOs is to secure a profit or minimise a loss by reference to fluctuations in the price of the relevant Reference Asset(s) or the constituents comprising the Reference Asset(s), and accordingly, it agrees that it is an express term of such LEPOs that (i) the undersigned does not acquire any interest in or right to acquire any relevant Reference Asset(s) or the constituents comprising the Reference Asset(s) by virtue of holding any LEPO; (ii) none of the undersigned, the Issuer or any entity acting for the Issuer is obliged to sell, purchase, hold, deliver, pledge, transfer or receive any relevant Reference Asset(s) or constituent comprising the Reference Asset(s); (iii) the primary right of the undersigned and the primary obligation of the Issuer for any LEPOs is to receive or make the respective payments referred to in the relevant Prospectus; and (iv) it will not in any way have any rights with respect to any underlying Reference Asset(s) or any constituent comprising the Reference Asset(s) including, but not limited to, voting rights;
22. (i) it is not and will not be a benefit plan investor (as defined in section 3(42) of ERISA), or a governmental plan, church plan (for which no election has been made under Section 410(d) of the Code) or non-U.S. plan which, in either case, is subject to any U.S. federal, state, local or non-U.S. laws which are substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**") or (ii) the purchase and holding of the warrants do not and will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any

Similar Law. Any purported transfer of this warrant that does not comply with these requirements shall be null and void *ab initio*;

23. it is not a country, territory, individual or entity named on any publicly available list of known or suspected terrorists, terrorist organisations or other sanctioned persons or entities, or an individual or entity that resides or has a place of business in a country or territory named on such lists, issued by the U.S. government, including those lists administered by the Office of Foreign Assets Control and the undersigned has established procedures to identify clients on such lists;
24. it is not a "Foreign Shell Bank" as defined in the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "**USA PATRIOT Act**"), a foreign bank operating under an "Offshore Banking License" as defined in the USA PATRIOT Act, a foreign bank operating in a non-cooperative Financial Action Task Force jurisdiction (as defined in the USA PATRIOT Act), or a foreign bank operating in an industry or jurisdiction designated as of primary money laundering concern by the U.S. Secretary of the Treasury;
25. it understands and acknowledges that it, its employees, representatives or other agents may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the offering of LEPOs pursuant to the relevant Prospectus and all materials of any kind (including any opinions or other tax analyses provided) relating to such U.S. federal income tax treatment and tax structure;
26. it agrees to, and it authorises the Manager, Issuer or any of their respective Affiliates, to provide, upon request of any regulatory authority in respect of any LEPO transaction, or where any such party is being compelled by law or by any governmental department or agency, or by an order of a court of competent authority to so provide, with any information requested with respect to such LEPO transaction;
27. it will make the representations contained in each of the country-specific Appendices, as appended hereto (if any) and in each of the separate side letters between the undersigned and the Manager, the Issuer or any of their respective Affiliates (if any), as applicable;
28. it will indemnify and hold harmless the Issuer and its Affiliates against any and all liabilities, claims and damages which may be incurred by the Issuer and its Affiliates directly or indirectly as a result of it having breached any of its obligations, warranties, undertakings or representations herein (and in any country-specific Appendices or side letters, as applicable) or against any liability or claims directly or indirectly arising from the transfer of the LEPOs to any person or persons; and
29. it represents and agrees, as a condition of acquiring or holding any LEPOs: (i) that the Issuer is authorised to provide information regarding the holder and the Warrants to any governmental or regulatory authority, or if applicable, to any Affiliate for onward transmission to any such governmental or regulatory authority, if required under applicable regulations in connection with an acquisition of underlying securities in any relevant jurisdictions (the "**Relevant Jurisdictions**") as determined by the Issuer in its sole and absolute discretion; (ii) that such holder will provide the Issuer with such additional information that the Issuer and/or the Affiliate deems necessary or appropriate in order to comply with the regulations of any governmental or regulatory authority in the Relevant Jurisdictions from time to time; and (iii) that such holder is not currently the subject of any investigation or enquiry by any governmental or regulatory authority in the Relevant Jurisdictions in connection with a failure to disclose information relating to such holder or to an offshore transaction linked to underlying securities.

[PRC APPENDIX

- (a) With respect to any LEPOs for which any Reference Asset(s) comprise a PRC underlying, it represents that it is NOT, and the funds used to purchase the LEPOs are not sourced from, a (i) PRC Citizen resident in the PRC (excluding Hong Kong, Macau and Taiwan), or (ii) PRC Citizen resident outside the PRC who are not permanent residents of another country or permanent residents of Hong Kong, Macau or Taiwan, or (iii) legal entity registered in the PRC (excluding Hong Kong, Macau and Taiwan);

"**PRC Citizen**" means any person holding a Resident Identification Card or other equivalent government issued identification of the PRC (excluding Hong Kong, Macau and Taiwan).

- (b) It understands that each LEPO for which any Reference Asset(s) comprise a PRC underlying shall bear the following legend:

ANY PLEDGE, SALE OR OTHER TRANSFER OF THIS SECURITY TO A PERSON THAT IS A "DOMESTIC INVESTOR" (MEANING (1) PRC CITIZENS RESIDENT IN THE PRC (EXCLUDING HONG KONG, MACAU AND TAIWAN), (2) PRC CITIZENS RESIDENT OUTSIDE THE PRC WHO ARE NOT PERMANENT RESIDENTS OF ANOTHER COUNTRY OR PERMANENT RESIDENTS OF HONG KONG, MACAU OR TAIWAN, OR (3) LEGAL ENTITIES REGISTERED IN THE PRC (EXCLUDING HONG KONG, MACAU AND TAIWAN)), OR TO ANY PERSON USING FUNDS TO PURCHASE THIS SECURITY SOURCED FROM A "DOMESTIC INVESTOR", SHALL, AT THE OPTION OF THE ISSUER, (X) BE VOID OR (Y) GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO REDEEM ANY SECURITIES HELD BY SUCH TRANSFEREE.

- (c) It acknowledges that the Issuer and/or any of its Affiliates may be required by any relevant PRC governmental or regulatory authorities pursuant to applicable law, regulation or lawful order to disclose information relating to, among other things, the identities of any party having a direct or indirect beneficial interest in the LEPOs, and it agrees to all such related disclosure and hereby waives any confidentiality with regard thereto; and
- (d) It will at all times comply with all applicable PRC laws and regulations, including those in relation to disclosure of interests (and any related acquisition and disposal restrictions); and
- (e) It will not transfer any LEPOs to any person (except to the Issuer) without the prior written consent of the Issuer (and acknowledge and agree that any purported transfer without such consent shall be void). It understands that the Issuer will have the absolute discretion in deciding whether or not to give such consent, and may impose any condition which it sees fit (including, but not limited to, requiring the transferee and the holder to enter into a side letter with the Issuer in substantially the same terms of this Letter and any other letter agreement between the Issuer and the holder) in relation to such consent.]

## [VIETNAM APPENDIX

With respect to any LEPOs for which any Reference Asset(s) comprise a Vietnamese underlying, it represents, warrants and undertakes that:

- (a) it is NOT a "**Vietnamese Resident**", which means that it is not:
  - (i) a Vietnamese individual who is a "resident" within the meaning of the foreign exchange control laws of Vietnam;
  - (ii) a Vietnamese entity which is a "resident" within the meaning of the foreign exchange control laws of Vietnam;
  - (iii) a foreign individual who resides in Vietnam for a period of over 12 months except those (A) who study, tour or take a medical treatment in Vietnam; or (B) who work for a foreign diplomatic agency or a representative office of a foreign organisation in Vietnam.
- (b) it will not transfer any LEPOs to any person (except to the Issuer) without the prior written consent of the Issuer (and acknowledges and agrees that any purported transfer without such consent shall be void). It understands that the Issuer will have the absolute discretion in deciding whether or not to give such consent, and may impose any condition which it sees fit (including, but not limited to, requiring the transferee and the holder to enter into a side letter with the Issuer in substantially the same terms of this Letter and any other letter agreement between the Issuer and the holder) in relation to such consent; and
- (c) it shall not buy, sell or otherwise acquire or transfer any legal or beneficial interest in any LEPOs, as a trustee of, in a fiduciary capacity to, or in any other manner for the account or benefit of, any Vietnamese Resident.

It understands that each LEPO for which any Reference Asset(s) comprise a Vietnamese underlying shall bear the following legend:

ANY PLEDGE, SALE OR OTHER TRANSFER OF THIS SECURITY TO A PERSON THAT IS A "RESIDENT" IN VIETNAM, AS THAT TERM IS USED IN THE 2006 ORDINANCE ON FOREIGN EXCHANGE CONTROL UNDER THE LAWS OF VIETNAM, SHALL, AT THE OPTION OF THE ISSUER, (X) BE VOID OR (Y) GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO REDEEM ANY SECURITIES HELD BY SUCH TRANSFEREE.]

## [PAKISTAN APPENDIX

With respect to any LEPOs for which any Reference Asset(s) comprise a Pakistan underlying, it represents, warrants and undertakes that:

- (a) it is a **"person resident outside Pakistan"** as defined in the Foreign Exchange Regulation Act, 1947 and within the category of persons who are exempted from obtaining the permission of the State Bank of Pakistan to transact in such listed securities, which means that it is:
  - (i) a Pakistan national resident outside Pakistan;
  - (ii) a person who holds dual nationality including Pakistan nationality, whether living in or outside Pakistan;
  - (iii) a foreign national, whether living in or outside Pakistan; or
  - (iv) a firm (including a body corporate or partnership) or trust or mutual fund registered and functioning outside Pakistan, excluding entities owned or controlled by a foreign government;
- (b) it will not transfer any LEPOs to any person (except to the Issuer) without the prior written consent of the Issuer (and acknowledges and agrees that any purported transfer without such consent shall be void). It understands that the Issuer will have the absolute discretion in deciding whether or not to give such consent, and may impose any condition which it sees fit (including, but not limited to, requiring the transferee and the holder to enter into a side letter with the Issuer in substantially the same terms of this Letter and any other letter agreement between the Issuer and the holder) in relation to such consent;
- (c) it shall buy, sell or otherwise acquire or transfer any legal or beneficial interest in any LEPOs, as a trustee of, in a fiduciary capacity to, or in any other manner for the account or benefit of, any "person resident outside Pakistan" only; and
- (d) (i) that the LEPOs are being purchased for the benefit or account of, or pursuant to or in connection with back-to-back transactions with, a "person resident outside Pakistan"; and (ii) that such holder will not, directly or indirectly, sell, transfer or otherwise dispose of any LEPOs to or for the benefit or account of any person other than a "person resident outside Pakistan".

In addition, it understands that each LEPO for which any Reference Asset(s) comprise a Pakistan underlying shall bear the following legend:

ANY PLEDGE, SALE OR OTHER TRANSFER OF THIS SECURITY TO A PERSON OTHER THAN "A PERSON RESIDENT OUTSIDE PAKISTAN" AS THE TERM IS DEFINED IN THE FOREIGN EXCHANGE REGULATION ACT, 1947 AND THE REGULATIONS THEREUNDER SHALL, AT THE OPTION OF THE ISSUER, (X) BE VOID OR (Y) GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO REDEEM ANY SECURITIES HELD BY SUCH TRANSFEREE. IN ADDITION, THE STATE BANK OF PAKISTAN MAY REQUIRE SUCH TRANSFEREE TO REPATRIATE THE DIVIDENDS RETAINED OUTSIDE PAKISTAN OR SELL THE WARRANTS AND REPATRIATE THE SALE PROCEEDS TO PAKISTAN. SUCH TRANSFEREE MAY ALSO BE LIABLE TO BE PROSECUTED UNDER THE RELEVANT PROVISIONS OF THE FOREIGN EXCHANGE REGULATION ACT, 1947.]

## [TAIWAN APPENDIX

With respect to any LEPOs for which any Reference Asset(s) comprise a Taiwan underlying, it represents, warrants and undertakes that:

- (a) it is not entering into this LEPO transaction for the benefit or account of, or using funds of, (A) any residents of the People's Republic of China ("**PRC**"), corporations in the PRC, or corporations outside the PRC that are beneficially owned by residents of, or corporations in, the PRC or (B) any residents of Taiwan or corporations in Taiwan;
- (b) it will not, directly or indirectly, sell, transfer, assign, novate or otherwise dispose of LEPOs to or for the benefit or account of, or in consideration of funds received from, (A) any residents of the PRC, corporations in the PRC, or corporations outside the PRC that are beneficially owned by residents of, or corporations in, the PRC or (B) any residents of Taiwan or corporations in Taiwan; and
- (c) details of the LEPO transaction (including the identity of the parties) may, (A) upon request or order by any competent authority, regulatory or enforcement organisation, governmental or otherwise, including the stock exchange on which the underlying shares are listed, (B) as required by applicable law, rules, regulations, codes or guidelines (whether having the force of law or otherwise), be disclosed in accordance with such request, order, law, rules, regulations, codes or guidelines (whether such disclosure is to be made to third parties or otherwise). By entering into a LEPO transaction, it agrees to such disclosure and releases the Issuer (and its Affiliates) from any duty of confidentiality owed to it in relation to such information.

In addition, it understands that, each LEPO for which any Reference Asset(s) comprise a Taiwan underlying, shall bear the following legend:

ANY SALE OR OTHER TRANSFER OF THIS SECURITY TO A PARTY THAT IS, OR MADE IN CONSIDERATION OF FUNDS RECEIVED FROM, (A) A RESIDENT OF THE PEOPLE'S REPUBLIC OF CHINA ("**PRC**"), A CORPORATION IN THE PRC, OR A CORPORATION OUTSIDE THE PRC THAT IS BENEFICIALLY OWNED BY RESIDENTS OF, OR CORPORATIONS IN, THE PRC OR (B) A RESIDENT OF TAIWAN OR A CORPORATION IN TAIWAN SHALL, AT THE OPTION OF THE ISSUER, (X) BE VOID OR (Y) GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO REDEEM ANY SECURITIES HELD BY SUCH TRANSFEREE.]

## [MALAYSIA APPENDIX

With respect to any LEPOs for which any Reference Asset(s) comprise a Malaysian underlying, it represents, warrants and undertakes that:

- (a) the Issuer is authorised to provide information regarding the holder and the LEPOs to the relevant Underlying Company and any Malaysian governmental or regulatory authority, or if applicable, to any Affiliate (as defined in the relevant Prospectus) for onward transmission to the relevant Underlying Company and any such Malaysian governmental or regulatory authority, if required under applicable Malaysian regulations and/or as requested by any Malaysian governmental or regulatory authority from time to time and where it is or becomes, as a consequence of holding the LEPOs, a "substantial shareholder" (as that term is used in the Malaysian Companies Act 1965) in the Underlying Company, then it shall disclose the same to the Underlying Company and to the Securities Commission of Malaysia as required under applicable Malaysian regulations and shall continue to disclose any dealings it may have thereafter in its capacity as a substantial shareholder of the Underlying Company to the Underlying Company and to the Securities Commission of Malaysia, as required under applicable Malaysian regulations, until it ceases to be a substantial shareholder;
- (b) it will provide the Issuer with such additional information that the Issuer and/or the Affiliate deems necessary or appropriate in order to comply with regulations or requests of the relevant Underlying Company and any Malaysian governmental or regulatory authority from time to time;
- (c) the LEPOs are not being purchased by or for the benefit or account of any Resident unless such purchase by or for the benefit or account of a Resident is wholly conducted offshore Malaysia and in accordance with the provisions of the Malaysian Exchange Control Notice ("ECM") issued pursuant to the Malaysian Exchange Control Act;
- (d) it will not, directly or indirectly, sell, transfer or otherwise dispose of any LEPOs to or for the benefit or account of any "resident" of Malaysia as that term is used in the ECM (a "**Resident**") unless such sale, transfer or disposal of any LEPOs to or for the benefit or account of a Resident is wholly conducted offshore Malaysia and in accordance with the provisions of the ECM; and
- (e) it is not currently the subject of any investigation or enquiry by any Malaysian governmental or regulatory authority in connection with a failure to disclose information relating to it or to any "regulated activity" as that term is defined in the Capital Markets and Services Act 2007.

In addition, it understands that, each LEPO for which any Reference Asset(s) comprise a Malaysia underlying, shall bear the following legend:

ANY PLEDGE, SALE OR OTHER TRANSFER OF THESE SECURITIES TO A PERSON THAT IS A "RESIDENT" OF MALAYSIA, AS THAT TERM IS USED IN THE MALAYSIAN EXCHANGE CONTROL NOTICE ISSUED PURSUANT TO THE MALAYSIAN EXCHANGE CONTROL ACT, SHALL, AT THE OPTION OF THE ISSUER, (X) BE VOID OR (Y) GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO REDEEM ANY SECURITIES HELD BY SUCH TRANSFEREE. THE FOREGOING SHALL NOT APPLY TO ANY PLEDGE, SALE OR OTHERWISE TRANSFER OF THESE SECURITIES WHERE:

- (A) SUCH PLEDGE, SALE OR TRANSFER TO OR FOR THE BENEFIT OF A RESIDENT IS WHOLLY CONDUCTED OFFSHORE MALAYSIA; AND
- (B) THE INVESTMENT BY SUCH PERSON IN THESE SECURITIES IS IN ACCORDANCE WITH THE PROVISIONS OF THE MALAYSIAN EXCHANGE CONTROL ACT AND THE NOTICES ISSUED THEREUNDER.]



## [KOREA APPENDIX

With respect to any LEPOs for which any Reference Asset(s) comprise a Korean underlying, it represents, warrants and undertakes that:

- (a) it is NOT a "resident" in Korea, as defined under the Foreign Exchange Transaction Law of Korea and its Presidential Decree (a "**Resident**");
- (b) the LEPOs are not being purchased for the benefit or account of, or pursuant to or in connection with any back-to-back transactions with a Resident;
- (c) it shall not buy or otherwise acquire any legal or beneficial interest in any LEPOs, as a trustee of, in a fiduciary capacity to, or in any other manner for the account or benefit of, any Resident;
- (d) it shall not directly or indirectly sell, transfer or otherwise dispose of any LEPOs to or for the benefit or account of any Resident until the expiration of one year after the issuance of the LEPOs;
- (e) the Issuer is authorised to provide information regarding the holder and the LEPOs to any Korean governmental or regulatory authority, or if applicable, to any to any Affiliate of the Issuer that is registered as a foreign investor eligible under the securities-related laws of Korea to trade listed securities in the Korean equity markets or any successor to such Affiliate (each such Affiliate, an "**FI Affiliate**") for onward transmission to any such Korean governmental or regulatory authority, if required under applicable Korean regulations and/or as requested by any Korean governmental or regulatory authority from time to time;
- (f) it will provide the Issuer with such additional information that the Issuer and/or the FI Affiliate deems necessary or appropriate in order to comply with regulations or requests of any Korean governmental or regulatory authority from time to time; and
- (g) it is not currently the subject of any investigation or enquiry by any Korean governmental or regulatory authority in connection with a failure to disclose information relating to such holder or to an offshore transaction linked to underlying Korean securities.

In addition, it understands that each LEPO for which any Reference Asset(s) comprise shall bear the following legend:

ANY TRANSFER OF THIS SECURITY TO A KOREAN RESIDENT AS THE TERM IS DEFINED IN THE FOREIGN EXCHANGE TRANSACTION LAW OF KOREA AND ITS PRESIDENTIAL DECREE SHALL, AT THE OPTION OF THE ISSUER, (X) BE VOID OR (Y) GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO REDEEM ANY SECURITIES HELD BY SUCH TRANSFEREE.]

## [THAILAND APPENDIX

With respect to any LEPOs for which the Reference Asset(s) comprise a Thai underlying, it represents, warrants, undertakes and agrees, as a condition of acquiring or holding such LEPOs, that:

- (a) the Issuer is authorised to provide information regarding the holder and the LEPOs to any Thai governmental or regulatory authority, or if applicable, to any Affiliate of the Issuer or any successor to such Affiliate (each an "**Affiliate/Successor**") for onward transmission to any such Thai governmental or regulatory authority, if required under applicable Thai regulations and/or as requested by any Thai governmental or regulatory authority from time to time;
- (b) it will provide the Issuer with such additional information that the Issuer and/or the Affiliate/Successor deems necessary or appropriate in order to comply with regulations or requests of any Thai governmental or regulatory authority from time to time; and
- (c) it is not currently the subject of any investigation or enquiry by any Thai governmental or regulatory authority in connection with a failure to disclose information relating to such holder or to an offshore transaction linked to underlying Thai securities.]

## [INDONESIA APPENDIX

With respect to any LEPOs for which the Reference Asset(s) comprise an Indonesian underlying it represents, warrants, undertakes and agrees, as a condition of acquiring or holding such LEPOs, that:

- (a) the Issuer is authorised to provide information regarding the holder and the LEPOs to any Indonesian governmental or regulatory authority, or if applicable, to any Affiliate of the Issuer or any successor to such Affiliate (each an "**Affiliate/Successor**") for onward transmission to any such Indonesian governmental or regulatory authority, if required under applicable Indonesian regulations and/or as requested by any Indonesian governmental or regulatory authority from time to time;
- (b) it will provide the Issuer with such additional information that the Issuer and/or the Affiliate/Successor deems necessary or appropriate in order to comply with regulations or requests of any Indonesian governmental or regulatory authority from time to time; and
- (c) it is not currently the subject of any investigation or enquiry by any Indonesian governmental or regulatory authority in connection with a failure to disclose information relating to such holder or to an offshore transaction linked to underlying Indonesian securities.

In addition, it understands that each LEPO for which the Reference Asset(s) comprise an Indonesian underlying, shall bear the following legend:

EACH PURCHASER HAS AGREED, AND EACH FURTHER PURCHASER WILL BE REQUIRED TO AGREE, THAT IT WILL NOT OFFER OR SELL THIS SECURITY NOR MAKE THIS SECURITY THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, NOR WILL IT CIRCULATE OR DISTRIBUTE THIS SECURITY OR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THIS SECURITY, 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.]

## [AUSTRALIA APPENDIX

With respect to any LEPOs for which any Reference Asset(s) comprise an Australian underlying, it:

- (a) acknowledges that no prospectus or other disclosure document (as defined in the Corporation Act 2001 of Australia ("**Australian Corporations Act**")) in relation to the Programme or the LEPOs has been lodged with the Australian Securities & Investments Commission ("**ASIC**") or ASX Limited ("**ASX**"); and
- (b) represents and agrees that:
  - (i) if it is in Australia, it and any person on whose account or behalf it is acting, is a "professional investor" for the purposes of the Australian Corporations Act;
  - (ii) wherever located, it is a person to whom offers and issues of LEPOs may lawfully be made under applicable laws without need for any preparation of a disclosure document or prospectus, registration, lodgement, approval, formality or filing with or by a governmental agency (other than one with which the Issuer, in its absolute discretion, is willing to comply), and it is subscribing for or purchasing the LEPOs in an offshore transaction pursuant to, and in compliance with, the requirements of Regulation S;
  - (iii) it understands that the resale of the LEPOs:
    - (A) in jurisdictions outside of Australia may be prohibited or limited by law or, if allowed, may require the issue and registration of a disclosure document before the resale can take place; and
    - (B) otherwise must comply with the selling restrictions contained in the "Purchase and Sale of Warrants" section of the Base Prospectus; and
  - (iv) it is aware and acknowledges that publicly available information about any LEPOs (and the underlying shares) can be obtained from ASIC and ASX (including the ASX website <http://www.asx.com.au>), and that certain publicly available information about LEPOs (and the underlying shares) can be obtained free of charge from the Underlying Company websites. It acknowledges that the contents of any website or ASIC or ASX filing by an Underlying Company has not been reviewed, approved or commented on by the Issuer and do not constitute part of any relevant Prospectus, as amended and supplemented at such time; however it acknowledges that all of this publicly available information should be read together with any relevant Prospectus, as amended and supplemented at such time before making an investment decision with respect to the LEPOs.]

## [PHILIPPINE APPENDIX

With respect to any LEPOs for which any Reference Asset(s) comprise a Philippine underlying, it represents and warrants on each date on which it enters into any transaction relating to the purchase of such LEPOs, and at all times until the termination of such transaction that:

- (a) to the extent that the LEPOs are offered, sold or distributed in the Philippines, it agrees for the benefit of the Issuer not to reoffer, resell, pledge or otherwise transfer the LEPOs except in compliance with Philippine laws and regulations (in addition to the laws of other jurisdictions, as applicable) and only to "Qualified Buyers" as defined under Section 10.1(l) of the Securities Regulation Code of the Philippines;
- (b) it shall not sell, transfer or otherwise dispose of all or part of its legal or beneficial interests in the LEPOs to another person or persons nor offer to do so, unless such sale, transfer, disposal or offer, is subject to the condition that such person(s) shall undertake to observe the restrictions set out herein;
- (c) without limitation to paragraphs (i) and (ii) above, it shall observe all applicable laws and regulations in the Philippines in connection with the offer, sale, transfer or other disposition of all or any part of its legal or beneficial interests in the LEPOs or the distribution of any document or other material in connection therewith;
- (d) it believes in good faith that the transactions and activities of the Issuer contemplated by the Programme will not result in the Issuer being considered as doing business in the Philippines for purposes of, among others, Sections 123, 133 and 144 of the Philippine Corporation Code and the Foreign Investments Act, so as to require the Issuer to secure a license to do business in the Philippines;
- (e) it acknowledges that it expects to receive substantial benefits from the purchase of the LEPOs. This representation is being made whether or not the Issuer is considered as doing business in the Philippines by virtue of the transactions and activities under the Programme;
- (f) it confirms and covenants that it will be estopped to, and will not, raise against the Issuer, or plead as a ground in a motion to dismiss, in any action brought by the Issuer in the Philippines, the defence that the Issuer has no cause of action or lacks the legal capacity to sue, or any other defence arising from any failure of the Issuer to obtain a license to do business in the Philippines or because the Issuer is doing business in the Philippines without a license;
- (g) in case it is a Philippine resident, it is a Qualified Buyer as such term is defined under Section 10.1(l) of the Securities Regulation Code of the Philippines, and has obtained all consents, approvals and authorisations necessary on its part for the due execution, delivery and performance of this Letter, and its acquisition of and payment for any LEPOs, have been obtained or effected by it and remain in full force and effect as of the date hereof; and
- (h) where required by the relevant regulatory authority, it has established adequate risk management systems and structures for the acquisition of and payment for any LEPOs, and it will comply with any reportorial requirement or other obligation imposed on it in connection with such acquisition and payment of any LEPOs.

In addition, it understands that each LEPO for which the Reference Asset(s) comprise a Philippine underlying shall bear the following legends:

- (A) THE LEPOS HAVE NOT BEEN REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE. ANY FUTURE OFFER OR SALE THEREOF IN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION

REQUIREMENTS OF THE CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

- (B) TO THE EXTENT THAT THE LEPOs ARE OFFERED, SOLD OR DISTRIBUTED IN THE PHILIPPINES, THE WARRANTHOLDER, BY PURCHASING THE LEPOs, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE LEPOs MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH PHILIPPINE LAWS AND REGULATIONS (IN ADDITION TO THE LAWS OF OTHER JURISDICTIONS, AS APPLICABLE) AND ONLY TO "QUALIFIED BUYERS" (AS DEFINED UNDER SECTION 10.1(I) OF THE SECURITIES REGULATION CODE OF THE PHILIPPINES.
- (C) NO WARRANTHOLDER SHALL SELL, TRANSFER OR OTHERWISE DISPOSE OF ALL OR PART OF ITS LEGAL OR BENEFICIAL INTERESTS IN THE LEPOs TO ANOTHER PERSON OR PERSONS NOR OFFER TO DO SO, UNLESS SUCH SALE, TRANSFER, DISPOSAL OR OFFER, IS SUBJECT TO THE CONDITION THAT SUCH PERSON(S) SHALL UNDERTAKE TO OBSERVE THE RESTRICTIONS SET OUT HEREIN.
- (D) WITHOUT LIMITATION TO PARAGRAPHS (B) AND (C) ABOVE, EACH WARRANTHOLDER SHALL OBSERVE ALL APPLICABLE LAWS AND REGULATIONS IN THE PHILIPPINES IN CONNECTION WITH THE OFFER, SALE, TRANSFER OR OTHER DISPOSITION OF ALL OR ANY PART OF ITS LEGAL OR BENEFICIAL INTERESTS IN THE LEPOs OR THE DISTRIBUTION OF ANY DOCUMENT OR OTHER MATERIAL IN CONNECTION THEREWITH.]

[EXHIBIT 2<sup>34</sup>

**FORM OF INDIAN SIDE LETTER**

To: HSBC Bank plc  
The Hongkong and Shanghai Banking Corporation Limited

[Date]

**Notice Regarding Derivative Products Linked to Indian Securities or Indices**

This notice is directed to the undersigned (hereinafter referred to as "you" and the terms "your" and "yourself" are to be construed accordingly) and the holder of the ODI in connection with and in consideration of all transactions which you may enter into or have entered into, from time to time, with HSBC Bank plc, The Hongkong and Shanghai Banking Corporation Limited or any of their affiliates or subsidiaries or any other entity within the HSBC Group (each an "**Issuer**") in offshore derivative instruments ("**ODIs**"), as such term is defined for the purposes of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, and notifications, circulars, rules and guidelines of the Securities and Exchange Board of India issued from time to time (collectively referred to as the "**FII Regulations**"), including but not limited to swaps, contracts for difference, options, forwards, participatory notes, equity linked notes, warrants or any other such instruments, by whatever name they are called.

The term "**holder**" shall mean (i) you, where you are the holder of, or the counterparty to, the ODIs; or (ii) a person who has been approved by the Issuer or its associates/affiliates (acting in its sole and absolute discretion) as a permitted holder of, or counterparty to, ODIs (which may include but is not limited to any unit trust, fund or investment scheme (howsoever described) under your management which transacts or proposes to transact with the Issuer or its associates/affiliates in respect of the ODIs, including but not limited to the entities whose details are set out in Annexure A (which Annexure may be amended or supplemented from time to time by the Issuer) (each an "**Approved Entity**"<sup>35</sup>), where such Approved Entity is the holder of the ODI.

Notwithstanding any agreements between the Issuer and/or its associates/affiliates and you or any regulatory rules applicable to the Issuer or the Issuer's associates/affiliates or you, in respect of ODIs held by you or an Approved Entity as at or after the date of this notice, you represent, warrant, agree and/or undertake that on each date on which an ODI has been issued, entered into, purchased or agreed to be purchased and at all times until the maturity or termination of the ODI or such other time as may be specified herein, for (i) yourself, where you are the holder of the ODI; or (ii) yourself and on behalf of every Approved Entity which holds or enters into the ODI:

1. That the holder is not (i) a "person resident in India" (as such term is defined in the Foreign Exchange Management Act, 1999 as may be amended or supplemented from time to time), or, (ii) a "non-resident Indian" (as such term is defined in the Foreign Exchange Management (Deposit) Regulations, 2000 as may be amended from time to time), (each a "**Restricted Entity**");
2. That the holder is not a person/entity whose controller is a Restricted Entity.

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<sup>34</sup> Insert for Warrants linked to a Reference Asset or a basket of Reference Asset Components comprising underlyings in India or a Relevant Factor or a basket of Relevant Factors comprising underlyings in India.

<sup>35</sup> "Approved Entity" is a term used to facilitate the concept of permitted transfers among Approved Entities in paragraph 7 below and does not imply that such entity has satisfied any other relevant approval process imposed by the Issuer or its associates/Affiliates, provided that an Approved Entity which is subsequently found to have gained that approval based on any fraud, forgery or misrepresentation shall lose its Approved Entity status.

For the purposes of this representation, a "controller" means any person or group of persons (acting pursuant to any agreement or understanding (whether formal or informal, written or otherwise)) who:

- (a) is/are entitled to exercise, or control the exercise of a majority or more of the voting power of an entity, or
- (b) holds or is otherwise entitled to a majority or more of the economic interest in an entity, or
- (c) who in fact exercises control over an entity.

For the purposes of this representation, "control" means the ability to appoint a majority or more of the directors of an entity, or the capacity to control decision-making, directly or indirectly, in relation to the financial, investment and/or operating policies of an entity in any manner.

Notwithstanding the foregoing definition, in the case only where an entity's investments are being managed on a discretionary basis by an investment manager, such investment manager shall not be deemed to be such entity's controller for the purposes of this representation by reason only of it being able to control the decision-making in relation to the entity's financial, investment and/or operating policies;

3. That the ODI has been purchased or entered into and is being held by the holder as a principal for its own account and not as an agent, nominee, trustee or representative of any other person and that the holder has not entered into any agreement for the issuance of a back-to-back ODI against the ODI<sup>36</sup>;
4. That the holder has not entered into the ODI transaction with the intent of circumventing or otherwise avoiding any requirements applicable under the FII Regulations (including, without limitation, any restrictions applying to foreign institutional investors in relation to their issuances and/or other dealings of ODIs with, "**Restricted Entities**" and "**Unregulated Entities**" (as hereinafter defined));
5. That the holder is a "person regulated by an appropriate foreign regulatory authority" (as such term and/or requirements relating thereto are defined or otherwise interpreted for the purposes of Regulation 15A of the FII Regulations) (a "**Regulated Entity**");
6. That the holder shall not, and shall ensure that none of its nominees, associates or affiliates shall sell, transfer, assign, novate or otherwise dispose of the ODIs to, or enter into any back-to-back ODIs<sup>37</sup> or enter into an agreement with respect to any of the foregoing (each, a "**Transfer**") with, an entity which is a Restricted Entity or an entity which is not a Regulated Entity (an "Unregulated Entity"). Save for any Transfer(s) to an Approved Entity or Pre-Approved Transferee (as defined below) pursuant to paragraph 7 below, prior to any Transfer being undertaken in respect of the ODIs:
  - (a) the holder shall issue a written notice ("**Transfer Notice**") to the Issuer in such form as the Issuer may determine for the purpose of obtaining the prior written consent of the Issuer or the Issuer's associates/affiliates, which consent may be provided or withheld by the Issuer or the Issuer's associates/affiliates acting in its sole and absolute discretion under this paragraph 6;

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<sup>36</sup> For the purposes of this paragraph 3, a "back-to-back ODI" shall not include the issue of any ODI issued by a holder who has disclosed the terms and parties to such back-to-back ODI in the form and manner prescribed by the Securities and Exchange Board of India pursuant to the FII Regulations (in particular under Regulation 20A of the FII Regulations).

<sup>37</sup> For the purposes of paragraphs 6 and 7, a "back-to-back ODI" shall not include the issue of any ODI to be issued by a holder who makes monthly or periodic disclosure of ODI transactions to the Securities and Exchange Board of India and will disclose the terms and parties to such back-to-back ODI in the form and manner prescribed by the Securities and Exchange Board of India pursuant to the FII Regulations (in particular under Regulation 20A of the FII Regulations).



- (b) upon receipt of the Transfer Notice, the Issuer, its associates and affiliates shall have the right to require the person to whom the Transfer is proposed to be made ("**Proposed Transferee**") to provide, and the holder shall procure that the Proposed Transferee promptly provides the Issuer or the Issuer's associates/affiliates (as the case may be) with, all such information that the Issuer or the Issuer's associates/affiliates (as the case may be) may require under its client on-boarding programme, anti-money laundering programme or other such programme (as the case may be) (collectively, "**Client Identification Programme**"); and
- (c) the Proposed Transferee shall issue a written undertaking ("**Transferee Undertaking**") to the Issuer in such form as the Issuer may determine.

For avoidance of doubt it is clarified that this paragraph 6 shall not apply: (i) in the event the Transfer is pursuant to a buy-back of the ODIs by the Issuer or its associates/affiliates, or (ii) to the registration on behalf of the holder of any ODI in the name of any custodian, sub-custodian or nominee. Further, a Proposed Transferee who has obtained the written consent of the Issuer or its associates/affiliates in respect of a Transfer pursuant to this paragraph 6 shall for the purposes hereof constitute a "**Pre-Approved Transferee**";

- 7. That the holder shall, in the case where it or its nominees, associates or affiliates sell, transfer, assign, novate or otherwise dispose of the ODIs to, or enter into any back-to-back ODIs<sup>3</sup> or enter into an agreement with respect to any of the foregoing with, an Approved Entity or a Pre-Approved Transferee (each, an "**Approved Entity/Pre-Approved Transferee Transfer**") issue a written notice to the Issuer in such form as the Issuer may determine within two (2) Hong Kong business days after the Approved Entity/Pre-Approved Transferee Transfer;
- 8. That the Issuer and its associates/affiliates are authorised to provide information in their possession regarding the holder, the Proposed Transferee, the nominees or associates/affiliates of the holder and/or the Proposed Transferee, the ODI transaction and any breach of this notice to any Indian governmental or regulatory authorities (each an "**Authority**") as the Issuer or its associates/affiliates reasonably deems necessary or appropriate in order to comply with regulations or requests of such Authority from time to time, including but not limited to disclosures in periodic reportings made by the Issuer or its associates/affiliates to any Authority;
- 9. That the holder will and shall procure the nominees or associates/affiliates of the holder to, provide the Issuer or its associates/affiliates (as the case may be) promptly with such additional information that the Issuer or its associates/affiliates (as the case may be) reasonably deems necessary or appropriate in order to comply with regulations or requests of any Authority from time to time;
- 10. That the holder acknowledges that non-compliance with, or breach, violation or contravention of, the obligations under this notice (including, without limitation, any restrictions with respect to a Transfer) ("**ODI Holder Obligations**") may result in non-compliance with, or breach, violation or contravention of, applicable laws, regulations, governmental orders or directions, regulatory sanctions against the Issuer and/or its associates/affiliates and cause irreparable harm to the Issuer and/or its associates/affiliates. Accordingly, the holder further acknowledges that, in the event of any non-compliance with, or breach, violation or contravention of the ODI Holder Obligations by the holder, the Issuer and/or its associates/affiliates may notify the Authority of the breach, violation or contravention and exercise any rights and take any measures available to it under the terms of the ODIs or this notice, or any other measures to prevent, avoid, mitigate, remedy or cure such non-compliance, breach, violation or contravention, including but not limited to termination of the ODI transactions by the Issuer or its associates/affiliates;
- 11. That the Issuer and/or its associates/affiliates may, to the extent required to comply with applicable laws, regulations, notifications, circulars, rules, guidelines, clarifications, directions, orders and/or

decrees issued by a governmental or regulatory authority, issue a written notice to the holder amending the terms of this notice and such written notice shall be effective and deemed agreed and accepted by the holder when issued;

12. That the holder shall promptly notify the Issuer or its associates/affiliates should any of the representations, warranties, agreements and undertakings given by it change or no longer holds true after the date of this letter;
13. This notice shall be governed by, and construed in accordance with, English law without regard to applicable conflicts of laws principles. You hereby submit to the jurisdiction of the courts of England with respect to any litigation relating to this notice. This notice does not create any right under the Contracts (Rights of Third Parties) Act 1999 which is enforceable by any person who is not a party to it other than the Issuers and the Issuers' associates/affiliates;
14. That the provisions of paragraphs (7) – (13) shall survive the termination of the ODIs which are the subject matter of this notice; and
15. In the event the holder is an Approved Entity, you are duly authorised to provide the representations, warranties, agreements and undertakings in paragraphs (1) – (14) on behalf of the Approved Entity and the representations, warranties, agreements and undertakings in this notice shall be binding and enforceable against the Approved Entity.

In the event you wish further clarification or information on any issue addressed in this notice or if you have any concerns regarding the agreements, representations, warranties or undertakings set out herein, please immediately contact the sales person who is responsible for Indian ODI transactions between each Issuer and you.

Please sign below and return to [ ] at The Hongkong and Shanghai Banking Corporation Limited[, 18/F, HSBC Main Building, 1 Queen's Road Central, Central, Hong Kong] to confirm your review and acceptance of the provisions herein.

#### ACCEPTANCE

We hereby confirm that we have read, understood, agreed and accepted the terms of the above notice.

Entity: [●]<sup>38</sup>  
or  
[●], for itself and on behalf of every Approved Entity

\_\_\_\_\_  
Name:  
Title: Authorised Signatory  
Date:

<sup>38</sup> Name of the investment manager and each fund to be set out in full.

## Annexure A

### List of Approved Entities

Details of Approved Entity for or Otherwise on Whose Behalf ODI may be Purchased

Full Legal Entity Name and Address	OG Alert code (if applicable)	Place of Establishment	Name of the Regulator with whom the Approved Entity is Regulated	Type of Approved Entity (e.g. Hedge funds, corporate, individual pension fund, trust etc.)	Date of Addition / Removal from Annexure A	Whether the Entity is a Sovereign Wealth Fund (SWF) or Foreign Government Body <sup>39</sup>
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### Definitions

- (a) **"Non-resident Indian"** as such term is defined in Section 2(vi) of the 2000 Regulations as notified by the Reserve Bank of India means a Person Resident Outside India who is a citizen of India or is a Person of Indian Origin.
- (b) **"Person of Indian Origin"** as such term is defined in Section 2(xii) of the 2000 Regulations as notified by the Reserve Bank of India means a citizen of any country other than Bangladesh or Pakistan, if:
- (i) he at any time held an Indian passport; or
  - (ii) he or either of his parents or any of his grand-parents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955); or
  - (iii) the person is a spouse of an Indian citizen or a person referred to in sub-clause (i) or (ii).
- (c) **"Person"** as the term is defined in Section 2(u) of the Foreign Exchange Management Act, 1999 includes:
- (i) an individual;
  - (ii) a Hindu Undivided Family;
  - (iii) a company;
  - (iv) a firm;
  - (v) an association of persons or a body of individuals, whether incorporated or not;

<sup>39</sup> Includes "Government owned special purpose investment vehicles to hold manage or administer government and public assets" (for example State investment vehicles, Central Banks, National and State Governments, Government bodies responsible for public/state funds, State pension funds and public pension funds, SWF listed under <http://www.swfinstitute.org/>).

- (vi) every artificial juridical person, not falling within any of the preceding sub-clauses, and
  - (vii) any agency, office or branch owned or controlled by such person.
- (d) **"Person Resident in India"** as the term is defined in Section 2(v) of the Foreign Exchange Management Act, 1999 means:
- (i) a Person residing in India for more than one hundred and eighty two (182) days during the course of the preceding financial year but does not include:
    - (A) a Person who has gone out of India or who stays outside India in either case:
      - 1. for on taking up employment outside India;
      - 2. for carrying on outside India a business or vocation outside India; or
      - 3. for any other purpose, in such circumstances as would indicate his intention to stay outside India for an uncertain period; or
    - (B) a Person who has come to or stays in India, in either case, otherwise than:
      - 1. for or on taking up employment in India;
      - 2. for carrying on in India a business or vocation in India; or
      - 3. for any other purpose, in such circumstances as would indicate his intention to stay in India for an uncertain period;
  - (ii) any Person or body corporate registered or incorporated in India;
  - (iii) an office, branch or agency in India owned or controlled by a Person Resident Outside India; or
  - (iv) an office, branch or agency outside India owned or controlled by a person resident in India.
- (e) **"Person Resident outside India"** as the term is defined in Section 2(w) of the Foreign Exchange Management Act, 1999 means a person who is not resident in India.
- (f) **"Person regulated by an appropriate foreign regulatory authority"** as the term is defined under Explanation II to Regulation 15A of the FII Regulations means:
- (i) any person that is regulated/supervised and licensed/registered by a foreign central bank;
  - (ii) any person that is registered and regulated by a securities or futures regulator in any foreign country or state;
  - (iii) any broad based fund or portfolio incorporated or established outside India or proprietary fund of a registered foreign institutional investor or university fund, endowment, foundation, charitable trust or charitable society whose investments are managed by a person covered by clauses (i), or (ii) above.
- (g) **"Broad based fund"** as the term is defined in the Explanation to Regulation 6 of the FII Regulations means a fund, established or incorporated outside India, which has at least twenty investors, with no single individual investor holding more than forty nine per cent of the shares or units of the fund. Provided that if the broad based fund has institutional investor(s) it shall not be necessary for the fund to have twenty investors. Further, if the broad based fund has an institutional investor who

holds more than forty nine percent of the shares or units in the fund, then the institutional investor must itself be a broad based fund.]

## PURCHASE AND SALE OF WARRANTS

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the Warrants, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Warrants or any securities to be issued or delivered upon their exercise, or distribution of any offering material relating to the Warrants or such securities, may be made in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligation on the Issuer.

### General

- (1) Each Manager has acknowledged that, other than with respect to the admission of the Warrants to listing, trading and/or quotation by the relevant listing authorities, stock exchanges and/or quotation systems, no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the Warrants, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required.
- (2) Each Manager has undertaken to the Issuer that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Warrants or has in its possession or distributes such offering material, in all cases at its own expense.
- (3) In accordance with the above, each Manager has warranted to and undertaken with the Issuer that any Warrant purchased by it which it wishes to offer for sale or resale shall not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further prospectus or corresponding document relating to the Warrants in such jurisdiction.

### United States of America

In relation to Warrants to be offered and sold outside the United States of America in reliance on Regulation S under the Securities Act:

The Warrants 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 (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in accordance with Regulation S or pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act.

Each Manager has represented and agreed and each further Manager appointed under the Programme will be required to represent and agree that, with respect to the Warrants issued in reliance on Regulation S (the "**Regulation S Warrants**"), it has offered and sold Regulation S Warrants and will offer and sell Regulation S Warrants (i) as part of their distribution at any time and (ii) otherwise until forty days after the later of the closing date and the completion of the distribution of the Series of which such Regulation S Warrants are a part, as determined and certified to the Principal Warrant Agent or the Issuer by the relevant Manager (or, in the case of a sale of a Series of Regulation S Warrants to or through more than one Manager, by each of such Managers as to the Warrants of such Series purchased by or through it, in which case the Principal Warrant Agent or the Issuer shall notify each such Manager when all such Managers have so certified), only in accordance with Rule 903 of Regulation S. Accordingly, each Manager has represented and agreed that neither it nor its Affiliates (if any) nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Regulation S Warrants, and each Manager, its Affiliates (if any) and any person acting on its or their behalf have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act.

Each Manager has agreed that, at or prior to confirmation of sale of Regulation S Warrants it will have sent to each distributor, Manager or person receiving a selling concession, fee or other remuneration that

purchases Regulation S Warrants from it or through it a confirmation or notice to substantially the following effect:

"The Warrants covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered and sold within the United States or to or for the account or benefit of U.S. persons, except in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S."

The terms "United States" and "U.S. person" have the meanings given to them by Regulation S under the Securities Act.

In relation to Warrants to be offered or sold in the United States of America pursuant to Rule 144A under the Securities Act:

- (1) Each Manager has agreed that it will not, acting either as principal or agent, offer or sell any Warrants in the United States other than Warrants in registered form bearing a restrictive legend thereon, and it will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Warrants (or approve the resale of any such Warrants):
  - (a) except (A) inside the United States through a U.S. broker dealer that is registered under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), to institutional investors, each of which such Manager reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A under the United States Securities Act of 1933, as amended), or a fiduciary or agent purchasing Warrants for the account of one or more qualified institutional buyers or (B) otherwise in accordance with the restrictions on transfer set forth in such Warrants, the Warrant Issuance Agreement, the Base Prospectus and the relevant Final Terms; or
  - (b) by means of any form of general solicitation or general advertisement, including but not limited to (A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast of television or radio and (B) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

Prior to the sale of any Warrants in registered form bearing a restrictive legend thereof, the selling Manager shall have provided each offeree that is a U.S. person (as defined in Regulation S) with a copy of the Base Prospectus and the corresponding Final Terms in the form the Issuer and Managers shall have most recently agreed shall be used for offers and sales in the United States.

- (2) Each Manager has represented and agreed that, in connection with each sale to a qualified institutional buyer, it has taken or will take reasonable steps to ensure that the purchaser is aware that the Warrants have not been and will not be registered under the Securities Act and that transfers of Warrants are restricted as set forth herein and, in the case of sales in reliance upon Rule 144A, that the selling Manager may rely upon the exemption provided by Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of the offering of any Tranche of Warrants, an offer or sale of Warrants of such Tranche within the United States by any manager (whether or not participating in the offering of such Warrants) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each Manager (or, in the case of a sale of a Series of Warrants to or through more than one Manager, each of such Managers as to Warrants of such Series purchased by or through it, in which case the Principal Warrant Agent or the Issuer shall notify each such Manager when all such Managers have certified as provided in this paragraph) who has purchased Warrants of any Series in accordance with this Agreement shall determine and certify to the Principal Warrant Agent or the Issuer the completion of the distribution of such Series of

Warrants as aforesaid. In order to facilitate compliance by each Manager with the foregoing, the Issuer agrees that, prior to such certification with respect to such Series, it will notify each Manager in writing of each acceptance by the Issuer of an offer to purchase and of any issuance of, Warrants or other debt obligations of the Issuer which are denominated in the same currency or composite currency and which have substantially the same interest rate and expiry date as the Warrants of such Series.

Each issuance of index-, commodity- or currency-linked Warrants shall be subject to additional U.S. selling restrictions as the relevant Manager or Managers shall agree with the Issuer as a term of the issuance and purchase of such Warrants. Each Manager agrees that it shall offer, sell and deliver such Warrants only in compliance with such additional U.S. selling restrictions.

### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Manager has represented and agreed, and each further Manager appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Warrants which are the subject of the offering contemplated by the Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Warrants to the public in that Relevant Member State:

- (a) if the final terms in relation to the Warrants specify that an offer of those Warrants may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Warrants which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, *provided that* any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Manager or Managers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

*provided that* no such offer of Warrants referred to in (b) to (d) above shall require the Issuer or any Manager 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 Warrants to the public**" in relation to any Warrants 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 Warrants to be offered so as to enable an investor to decide to purchase or subscribe the Warrants, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.



## United Kingdom

Each Manager has represented and agreed and each further Manager appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Warrants in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Warrants in, from or otherwise involving the United Kingdom.

## France

Each Manager has represented and agreed and each further Manager appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Warrants to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Warrants and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 and D.411-2 of the French Code *monétaire et financier*, but excluding individuals referred to in Article D.411-1 II 2. Each Manager has represented and agreed and each further Manager appointed under the Programme will be required to represent and agree that the offer of Warrants to the public in France will be made only in compliance with the Prospectus Directive and the applicable laws, regulations and procedures in France. This Base Prospectus prepared in connection with the Warrants has not been submitted to the clearance procedures of the *Autorité des marchés financiers*.

Each Manager has represented and agreed, and each further Manager under the Programme will be required to represent and agree, that, unless the approval of this Base Prospectus by the United Kingdom Financial Services Authority (the "FSA") has been notified to the French *Autorité des marchés financiers* (the "AMF") in accordance with Article 18 of the Prospectus Directive, as implemented in France, and all the other procedures and formalities required by French laws and regulations to permit the offering and sale of Warrants in France have been carried out, it has not and will not make an offer of Warrants to the public in France.

## Japan

The Warrants have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the "FIEA"). Accordingly, Warrants may not be offered or sold directly or indirectly in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## Hong Kong

Each Manager has represented and agreed and each further Manager appointed under the Programme will be required to represent and agree that it has not issued or had in its possession for the purposes of issue, and will not issue, or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any

advertisement, invitation or document relating to the Warrants, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Warrants which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) and any rules made under that Ordinance.

## **Singapore**

This Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, each Manager has represented and agreed and each further Manager appointed under the Programme will be required to represent and agree that this Base Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Warrants may not be circulated or distributed, nor may Warrants be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

- (a) to an institutional investor (in the case of shares or debentures or units of shares or debentures) under Section 274 of the SFA or (in the case of a business trust) Section 282Y of the SFA or (in the case of units of a real estate investment trust) Section 304 of the SFA; or
- (b) to a relevant person or any person pursuant to (in the case of shares or debentures or units of shares or debentures) Section 275(1A) of the SFA or (in the case of business trust) Section 282Z(2) of the SFA, and in accordance with the conditions specified in (in the case of shares or debentures or units of shares or debentures) Section 275 of the SFA or (in the case of a business trust) Section 282Z of the SFA; or
- (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA; or
- (d) otherwise in accordance with applicable Singapore law.

Where the Warrants are subscribed or purchased pursuant to an exemption under (in the case of shares or debentures or units of shares or debentures) Section 275 or (in the case of a business trust) Section 282Z of the SFA by:

- (i) 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
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interests in that trust shall not be transferable for six months after that corporation or that trust has acquired the Warrants pursuant to an exemption under Section 275 or (in case of a business trust) Section 282Z of the SFA except:

- (a) (1) to an institutional investor under (in the case of shares or debentures or units of shares or debentures) Section 274 or (in the case of a business trust) Section 282Z of the SFA, or (2) to a relevant person pursuant to Section 275 or 282Z of the SFA or any person (in the case of shares or debentures or units of shares or debentures) pursuant to Section 275(1A) or (in the case of a business trust) Section 282Z(2) of the SFA, respectively and in accordance with the conditions, specified in Section 275 or (in the case of a business trust) Section 282Z of the SFA;

- (b) where no consideration is or will be given for the transfer; or
- (c) where the transfer is by operation of law.

### **Australia**

Each purchaser acknowledges that no prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia ("**Corporations Act**")) in relation to the Programme or the Warrants has been lodged with the Australian Securities and Investments Commission ("**ASIC**") or ASX Limited ("**ASX**") and that they are a "professional investor" for the purposes of the Corporations Act. Each purchaser represents and agrees that, unless the relevant Final Terms otherwise provides, in connection with the distribution of the Warrants, it:

- (a) has not (directly or indirectly) offered or invited, and will not offer or invite, applications for the issue, sale or purchase of the Warrants in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, this Base Prospectus or any other offering material or advertisement relating to the Warrants in Australia,

unless:

- (i) each offeree is a "professional investor" for the purposes of the Corporations Act; and
- (ii) such action complies with all applicable laws, regulations and directives and does not require any document to be lodged with ASIC or ASX.

Prior to making a decision to purchase a Warrant, each prospective purchaser should read the entire Base Prospectus including any supplements thereto (and in respect of any particular Series of Warrants, the applicable Final Terms in its entirety) and seek professional advice as to whether the purchase is appropriate in the context of the purchaser's particular investment needs, objectives and financial and taxation circumstances.

## **OFFERS AND SALES OF WARRANTS**

In respect of each Tranche of Warrants, the Issuer may retain some of the Warrants which it may sell, cancel or otherwise dispose of from time to time, as the case may be, as it may determine. The Issuer is entitled, at any time before the expiry of the Warrants of any Tranche, to purchase or sell such Warrants in the open market or through private transactions.

The issue price of any Warrant specified in the relevant Final Terms is an indicative value set by the Issuer as at the date of the relevant Final Terms. The Issuer reserves the right to offer such Warrants at any other price or prices as conclusively determined by it and no Warrantholder shall have a claim against the Issuer by reason of the price offered to it or any other Warrantholder.

## SUMMARY OF PROVISIONS RELATING TO THE WARRANTS WHILE IN GLOBAL FORM

Warrants may, subject to all applicable legal and regulatory requirements, be issued in Tranches or Series and will (unless so specified in the relevant Final Terms) either be in book-entry form ("**Book-Entry Form Warrants**") offered in reliance on Regulation S and be represented by a global warrant (the "**Global Warrant**") or in registered form ("**Registered Warrants**") offered in reliance on Regulation S and/or Rule 144A.

### Registered Warrants

#### Global Registered Warrants

In the case of Registered Warrants held in specified clearing systems ("**Global Registered Warrants**"), the Issuer will deliver (a) an Unrestricted Global Registered Warrant and a Restricted Global Registered Warrant or (b) a Combined Global Registered Warrant (as each such term is defined below), subject to the Warrant Issuance Agreement (as defined herein) in accordance with their respective terms and as specified in the relevant Final Terms.

In the case of a Tranche of Registered Warrants offered and sold both pursuant to Regulation S and in reliance on Rule 144A, such Tranche of Registered Warrants will be represented by either (a) two Global Registered Warrants (in the case of Registered Warrants forming part of such Tranche which are sold pursuant to Regulation S, an "**Unrestricted Global Registered Warrant**" and, in the case of Registered Warrants forming part of such Tranche which are sold in reliance on Rule 144A, a "**Restricted Global Registered Warrant**") or (b) a Combined Global Registered Warrant ("**Combined Global Registered Warrant**").

#### Unrestricted and Restricted Global Registered Warrants

The Unrestricted Global Registered Warrant will be deposited on or about the issue date for the relevant Tranche with HSBC Bank plc, as common depositary (the "**Common Depositary**") for, and registered in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited, as common nominee for, Euroclear and Clearstream, Luxembourg. A beneficial interest in the Unrestricted Global Registered Warrant may at all times be held only through Euroclear and/or Clearstream, Luxembourg. The Restricted Global Registered Warrant will be deposited on or about the issue date for the relevant Tranche with either (a) HSBC Bank USA, National Association as custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, DTC; or (b) the Common Depositary, and registered in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited, as common nominee for, Euroclear and Clearstream, Luxembourg. In the circumstances described below under "Exchange and Transfer of Global Registered Warrants for Definitive Registered Warrants", interests in any Unrestricted Global Registered Warrant will be exchangeable for Regulation S Definitive Registered Warrants and interests in any Restricted Global Registered Warrant will be exchangeable for U.S. Definitive Registered Warrants and Regulation S Definitive Registered Warrants. Restricted Global Registered Warrants (and any U.S. Definitive Registered Warrants issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Warrants as will be set out in the relevant Final Terms under "Transfer Restrictions".

Each Unrestricted Global Registered Warrant and each Restricted Global Registered Warrant will have an ISIN number and a common code and, where applicable, a CUSIP number.

#### Combined Global Registered Warrant

The Combined Global Registered Warrant will be deposited on or about the issue date for the relevant Tranche with HSBC Bank plc, as common depositary for, and registered in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited, as common nominee for, Euroclear and Clearstream,

Luxembourg. A beneficial interest in the Combined Global Registered Warrant may at all times be held only through Euroclear and/or Clearstream, Luxembourg. In the circumstances described below under "Exchange and Transfer of Global Registered Warrants for Definitive Registered Warrants", interests in any Combined Global Registered Warrant will be exchangeable for Combined Definitive Registered Warrants. Combined Global Registered Warrants (and any Combined Definitive Registered Warrants) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Warrants as will be set out in the relevant Final Terms under "Transfer Restrictions".

Each Combined Global Registered Warrant will have an ISIN number and a common code and, where applicable, a CUSIP number.

### **Exchange of Interests in Unrestricted and Restricted Global Registered Warrants; Transfer of Interests in Combined Global Registered Warrants; Transfers within and between DTC, Euroclear and Clearstream, Luxembourg**

On or prior to the 40th day after the later of the commencement of the offering of the relevant Tranche and the issue date for that Tranche, a beneficial interest in the relevant Unrestricted Global Registered Warrant may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Restricted Global Registered Warrant only upon receipt by the Registrar (as defined in the Warrant Agency Agreement) of a written certification from the transferor (in the applicable form provided in the Warrant Agency Agreement) to the effect that such transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other relevant jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Restricted Global Registered Warrant, as will be set out in the relevant Final Terms under "Transfer Restrictions".

Beneficial interests in a Restricted Global Registered Warrant may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Unrestricted Global Registered Warrant, whether before, on or after such 40th day, only upon receipt by the Registrar of a written certification from the transferor (in the applicable form provided in the Warrant Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A under the Securities Act (if available) or to the Issuer or its Affiliates.

Any beneficial interest in either the Restricted Global Registered Warrant or the Unrestricted Global Registered Warrant relating to any Series that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Registered Warrant relating to such Series will, upon transfer, cease to be a beneficial interest in such Global Registered Warrant and become a beneficial interest in the other Global Registered Warrant and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Registered Warrant for as long as it remains such an interest.

Beneficial interests in a Combined Global Registered Warrant may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Combined Global Registered Warrant, whether before, on or after such 40th day, only upon receipt by the Registrar of a written certification from the transferor (in the applicable form provided in the Warrant Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A under the Securities Act (if available) or to the Issuer or its Affiliates.

### **Owner of Global Registered Warrants and Payments**

Subject to certain provisions of the Warrant Agency Agreement relating to directions, sanctions and consents of Holders of Registered Warrants and to meetings of Holders of Warrants, so long as DTC or its nominee or

Euroclear, Clearstream, Luxembourg or their common nominee, as the case may be, is the registered owner or holder of a Global Registered Warrant, DTC, Euroclear, Clearstream, Luxembourg or such common nominee, as the case may be, will be considered the sole owner or holder of the Warrants represented by such Global Registered Warrant for all purposes under the Warrant Issuance Agreement, the Warrant Agency Agreement and the Warrants. Payments on Global Registered Warrants will be made to DTC, Euroclear, Clearstream, Luxembourg or such common nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Registrar, or any Warrant 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 Warrants or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

### **Exchange and Transfer of Global Registered Warrants for Definitive Registered Warrants**

In the case of Restricted Global Registered Warrants held through DTC, beneficial interests in a Restricted Global Registered Warrant will be exchangeable for U.S. Definitive Registered Warrants: (i) if DTC notifies the Issuer that it is no longer willing or able to properly discharge its responsibilities as depository with respect to the relevant Restricted Global Registered Warrant or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depository; or (ii) if the Issuer, at its option, elects to terminate the book-entry system through DTC; or (iii) if so specified in the relevant Final Terms, the holder of the relevant Restricted Global Registered Warrant requests that such interest be exchanged for U.S. Definitive Registered Warrants; or (iv) at the option of the Issuer, if the Issuer would suffer a material disadvantage in respect of the Warrants as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction which would not be were the Warrants in definitive form (and, in the case of Partly Paid Warrants, the Issuer may elect to effect such exchange in part only).

Beneficial interests in an Unrestricted Global Registered Warrant will be exchangeable, in whole but not in part, for Regulation S Definitive Registered Warrants and, if held through Euroclear and/or Clearstream, Luxembourg, pursuant to the relevant Final Terms, beneficial interests in a Restricted Global Registered Warrant will be exchangeable for U.S. Definitive Registered Warrants: (i) if Euroclear or Clearstream, Luxembourg or any other clearing system by which the Warrants 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 permanently to cease business or in fact does so; or (ii) if the Issuer, at its option, elects to terminate the book-entry system through Euroclear and/or Clearstream, Luxembourg; (iii) in the case of Unrestricted Global Registered Warrant, if so specified in the relevant Final Terms, the holder of the relevant Unrestricted Global Registered Warrant requests that such interest be exchanged for Regulation S Definitive Registered Warrants, or in the case of Restricted Global Registered Warrant, if so specified in the relevant Final Terms, the holder of the relevant Restricted Global Registered Warrant requests that such interest be exchanged for U.S. Definitive Registered Warrants; or (iv) at the option of the Issuer, if the Issuer would suffer a material disadvantage in respect of the Warrants as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction which would not be suffered were the Warrants in definitive form (and, in the case of Partly Paid Warrants, the Issuer may elect to effect such exchange in part only).

Beneficial interests in a Combined Global Registered Warrant will be exchangeable, in whole but not in part, for Combined Definitive Registered Warrants: (i) if Euroclear or Clearstream, Luxembourg or any other clearing system by which the Warrants 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 permanently to cease business or in fact does so; or (ii) if the Issuer, at its option, elects to terminate the book-entry system through Euroclear and/or Clearstream, Luxembourg; (iii) if so specified in the relevant Final Terms, the holder of the relevant Combined Global Registered Warrant requests that such interest be exchanged for Combined Definitive Registered Warrants; or (iv) at the option of the Issuer, if the Issuer would suffer a material disadvantage in respect of the Warrants as a result of a change in the laws or regulations (taxation or

otherwise) of any jurisdiction which would not be suffered were the Warrants in definitive form (and, in the case of Partly Paid Warrants, the Issuer may elect to effect such exchange in part only).

In such circumstances, (a) the Registrar will be required to notify all Holders of interests in the relevant Global Registered Warrants registered in the name of DTC or its nominee or Euroclear, Clearstream, Luxembourg or their common nominee, as the case may be, of the availability of Definitive Registered Warrants and (b) the Issuer will, at the cost of the Issuer, cause sufficient Regulation S Definitive Registered Warrants and/or U.S. Definitive Registered Warrants and/or Combined Definitive Registered Warrants, as the case may be, to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Holders. A person having an interest in the relevant Global Registered Warrant must provide the Registrar with:

- (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver the relevant Definitive Registered Warrant; and
- (ii) in the case of a Restricted Global Registered Warrant only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. U.S. Definitive Registered Warrants issued in exchange for a beneficial interest in a Restricted Global Registered Warrant will bear the legends applicable to transfers pursuant to Rule 144A (as set out in the relevant Final Terms under "Transfer Restrictions"); or
- (iii) in the case of a Combined Global Registered Warrant only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A or Regulation S, a certification that the transfer is being made in compliance with the provisions of Rule 144A or Regulation S, as applicable. Combined Definitive Registered Warrants issued in exchange for a beneficial interest in a Combined Global Registered Warrant will bear the legends applicable to transfers pursuant to Rule 144A and Regulation S (as set out in the relevant Final Terms under "Transfer Restrictions").

If an Unrestricted Global Registered Warrant relating to a Series or (if issued in Tranches) Tranche of Warrants of which the Restricted Global Registered Warrant forms a part has, pursuant to its terms, been exchanged in whole, but not in part, for Regulation S Definitive Registered Warrants, beneficial interests in the Restricted Global Registered Warrant may be transferred to a person who wishes to take delivery thereof in the form of a Regulation S Definitive Registered Warrant. Such Regulation S Definitive Registered Warrants shall be registered in such name(s) as DTC, Euroclear or Clearstream, Luxembourg, as applicable, shall direct in writing.

Upon (i) notification to the Registrar by (a) in the case of Restricted Global Registered Warrants held through DTC, the Custodian that the appropriate debit entry has been made in the account of the relevant participant of DTC or (b) in the case of Restricted Global Registered Warrants held through Euroclear and/or Clearstream, Luxembourg, the Common Depository, that the appropriate debit entry has been made in the account of the relevant accountholder of Euroclear and/or Clearstream, Luxembourg; and (ii) receipt by the Registrar of a certificate, in the form scheduled to the Warrant Agency Agreement, given by the holder of such beneficial interest in the Restricted Global Registered Warrant and stating that the transfer of such interest has been made in compliance with the transfer restrictions applicable to the Warrants, and pursuant to and in accordance with Regulation S under the Securities Act, the Issuer shall procure that the Registrar will (against presentation of the Restricted Global Registered Warrant (a) in the case of Restricted Global Registered Warrants held through DTC, by DTC or the Custodian, or (b) in the case of Restricted Global Registered Warrants held through Euroclear and/or Clearstream, Luxembourg, by the Common Depository, in each case at the specified office of the Registrar or the Transfer Agent, all in accordance with the provisions of the Warrant Agency Agreement), decrease the aggregate principal amount of Warrants registered in the name of the holder of, and represented by, the Restricted Global Registered Warrant and



shall, without charge, procure, in exchange therefor, the delivery, within five business days of the receipt by the Registrar of the Restricted Global Registered Warrant of the notification and certification referred to in paragraphs (i) and (ii) above, and registration information required to authenticate and deliver such Regulation S Definitive Registered Warrants, of an equal aggregate principal amount of duly authenticated and completed Regulation S Definitive Registered Warrants.

The holder of a Registered Warrant may transfer such Registered Warrant in accordance with the provisions of Condition 1 (*Form and Transfer*) of the Terms and Conditions of the Warrants.

The holder of a Definitive Registered Warrant may transfer such Warrant by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of U.S. Definitive Registered Warrants issued in exchange for beneficial interests in a Restricted Global Registered Warrant bearing the legend referred to in the relevant Final Terms under "Transfer Restrictions", or upon specific request for removal of the legend on a U.S. Definitive Registered Warrant, the Issuer will only deliver U.S. Definitive Registered Warrants that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend nor the restriction on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

The Registrar will not register the transfer of or exchange of interests in a Global Registered Warrant for Definitive Registered Warrants for a period of 15 calendar days preceding the due date for any payment in respect of the Warrants.

With respect to the registration of transfer of any U.S. Definitive Registered Warrants, the Registrar will register the transfer of any such U.S. Definitive Registered Warrants if the transferor, in the form of transfer on such U.S. Definitive Registered Warrants, has certified to the effect that such transfer is (i) to persons who the transferor reasonably believes to be qualified institutional buyers within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction, (ii) in accordance with Regulation S, (iii) pursuant to an exemption from Rule 144 under the Securities Act (if available) or (iv) to the Issuer or its Affiliates.

Regulation S Definitive Registered Warrants may be exchangeable for or transferable to a person wanting to take delivery thereof in the form of interests in a Restricted Global Registered Warrant, and U.S. Definitive Registered Warrants may be transferable to a person wanting to take delivery thereof in the form of interests in an Unrestricted Global Registered Warrant, in each case, upon receipt by the Registrar of a duly completed certificate in the form of Schedule 5 to the Warrant Agency Agreement and in accordance with the requirements of the Warrant Issuance Agreement.

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