

BASE PROSPECTUS



HSBC Bank plc

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

as Issuer

PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS

China Connect Market Access Notes and Warrants

On 24 February 1999, HSBC Bank plc (the "**Issuer**") established a Programme for the Issuance of Notes and Warrants (the "**Programme**").

The Programme is the subject of a base prospectus dated 24 June 2014, as supplemented from time to time (the "**June 2014 Base Prospectus**"). This document (which expression includes all documents incorporated by reference herein) has been prepared for the purpose of providing disclosure information with regard to certain types of certain additional types of notes ("**China Connect Notes**") and warrants ("**China Connect Warrants**") that may be issued under the Programme that are not covered by the June 2014 Base Prospectus, namely notes which have a redemption amount payable at maturity or on earlier redemption, and warrants which have a settlement amount payable on exercise, in each case linked only to the performance of one or more eligible securities issued by one or more underlying companies (together, the "**Underlying Companies**" and each, an "**Underlying Company**") which are, or are expected to be, listed and/or admitted to trading on any stock exchange (each a "**China Connect Market**") in the People's Republic of China ("**PRC**", which shall for the purposes of this document exclude Hong Kong, Macau or Taiwan) under any securities trading and clearing links developed or to be developed by The Stock Exchange of Hong Kong Limited ("**SEHK**"), any such China Connect Market, the Hong Kong Securities Clearing Company Limited and the China Securities Depository and Clearing Corporation for the establishment of mutual market access between SEHK and any such China Connect Market ("**China Connect**", and such securities being "**China Connect Underlying**" and the trading of China Connect Underlying through SEHK being "**Northbound Trading**"). China Connect Underlying (together, the "**Underlyings**" and each, an "**Underlying**") may be referenced in one or more underlying currencies (together, the "**Underlying Currencies**" and each, an "**Underlying Currency**") which may be different from the settlement currency of the China Connect Notes and China Connect Warrants (the "**Settlement Currency**").

This document has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended (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 such China Connect Notes and China Connect Warrants, this Base Prospectus must be read as a whole and together also with the relevant final terms (the "**Final Terms**"). References herein to "**Notes**" and "**Warrants**" are to such "China Connect Notes" and "China Connect Warrants" respectively (and not to any other notes and warrants issued under the Programme). Any such Notes and Warrants issued on or after the date of this Base Prospectus and which are the subject of Final Terms which refer to this Base Prospectus are issued subject to the provisions described herein. This does not affect any Notes and Warrants already in issue or any Notes and Warrants issued under any other base prospectus published in connection with the Programme. This Base Prospectus will be valid until 12 months from the date hereof.

This Base Prospectus has been prepared for the purpose of providing disclosure information with regard to both Notes and Warrants.

Applications have been made to admit Notes and Warrants to listing on the Official List of the FCA and to trading on 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.

Information on how to use this Base Prospectus is set out on page iii and a table of contents is set out on page ix.

The Notes and Warrants have not been and will not be registered under the United States Securities Act of 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 Notes and 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 Notes and 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.

The Issuer has been assigned the following long term credit ratings: AA- by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"); Aa3 by Moody's Investors Service Limited ("**Moody's**"); and AA- by Fitch Ratings Limited ("**Fitch**"). Each of Standard & Poor's, Moody's and Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, each of Standard & Poor's, Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Programme Arranger and Dealer
HSBC

20 November 2014

HOW TO USE THIS BASE PROSPECTUS

This Base Prospectus provides information about the Notes and Warrants. It is split up into a number of sections, each of which is briefly described below.

Part I contains information in respect of both Notes and Warrants. In addition to Part I:

- the information set out in Part II will be relevant for an investor in the Notes; and
- the information set out in Part III will be relevant for an investor in the Warrants.

PART I – INFORMATION RELATING TO THE PROGRAMME GENERALLY:

Section I.1: "Summary" provides an overview of information included in this Base Prospectus.

Section I.2: "Risk Factors" provides details of the principal risks associated with the Issuer, the Notes and the Warrants.

Section I.3: "Incorporation by Reference" provides details of the documents incorporated by reference which form part of this Base Prospectus and which are publicly available.

Section I.4: "Use of Proceeds" provides details of what the Issuer intends to do with the subscription monies it receives for the Notes and Warrants it issues.

Section I.5: "Taxation" (which is incorporated herein by reference) provides a summary of the withholding tax position in relation to the Notes and Warrants in the United Kingdom and also provides information in relation to the EU Savings Directive, the proposed financial transactions tax, a summary of the U.S. tax position in relation to the Notes and a summary of the tax position in respect of the Notes and Warrants in Australia, Hong Kong and Singapore.

Section I.6: "Certain ERISA Considerations" (which is incorporated herein by reference) provides details of U.S. regulations which may be relevant for investors buying on behalf of U.S. regulated employee benefit plans.

Section I.7: "General Information" provides additional, general disclosure in relation to the Programme.

PART II – INFORMATION RELATING TO THE NOTES:

Section II.1: "Description of the Notes" provides details of how an investment in the Notes works and how payments under the Notes are calculated, including a number of worked examples.

Section II.2: "Terms and Conditions of the Notes" sets out the terms and conditions which govern the Notes.

Section II.3: "Form of Notes and Summary of Provisions Relating to the Notes While in Global Form" (which is incorporated herein by reference) provides information regarding Notes issued in global form and issued into certain clearing systems.

Section II.4: "Clearing and Settlement of the Notes" (which is incorporated herein by reference) provides details of the clearing systems through which the Notes may be held and how interests in the Notes may be transferred.

Section II.5: "Form of Final Terms for Notes" sets out the template of the "Final Terms", a document which will be filled out for each issue of Notes and which will complete the terms and conditions in respect of such issue of Notes.

Section II.6: "Subscription and Sale of Notes" sets out details of the arrangements between the Issuer and the Dealers as to the offer and sale of Notes and summarises selling restrictions that apply to the offer and sale of Notes in various jurisdictions.

Section II.7: "**Transfer Restrictions and Investor Representations in relation to the Notes**" sets out restrictions on transfer of the Notes in different jurisdictions which may be applicable to a purchaser of Notes and a number of representations which the purchaser is deemed to make in respect of the Notes.

PART III – INFORMATION RELATING TO THE WARRANTS:

Section III.1: "**Description of the Warrants**" provides details of how an investment in the Warrants works and how payments under the Warrants are calculated, including a number of worked examples.

Section III.2: "**Terms and Conditions of the Warrants**" sets out the terms and conditions which govern the Warrants.

Section III.3: "**Form of Warrants and Summary of Provisions Relating to the Warrants While in Global Form**" provides information regarding Warrants issued in global form and issued into certain clearing systems.

Section III.4: "**Clearing and Settlement of the Warrants**" provides details of the clearing systems through which the Warrants may be held and how interests in the Warrants may be transferred.

Section III.5: "**Form of Final Terms for Warrants**" sets out the template of the "Final Terms", a document which will be filled out for each issue of Warrants and which will complete the terms and conditions in respect of such issue of Warrants.

Section III.6: "**Purchase and Sale of Warrants**" sets out details of the arrangements between the Issuer and the managers as to the offer and sale of Warrants and summarises selling restrictions that apply to the offer and sale of Warrants in various jurisdictions.

Section III.7: "**Transfer Restrictions and Investor Representations in relation to the Warrants**" sets out restrictions on transfer of the Warrants in different jurisdictions which may be applicable to a purchaser of Warrants and a number of representations which the purchaser is deemed to make in respect of the Warrants.

"**Index of Defined Terms**" indicates where terms used in this Base Prospectus have been defined.

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 Notes may be issued in any denominations. The Warrants may be issued for consideration of more or less than, or equal to, EUR 100,000 (or its equivalent in another currency) per Warrant.

The Issuer does not intend to provide post-issuance information.

None of the Programme Arranger nor any dealer for an issue of Notes nor manager for an issue of Warrants (each such dealer or manager, a "Dealer") 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 Programme Arranger or any Dealer 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 Notes or 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, the Programme Arranger or any Dealer.

Neither this Base Prospectus nor any Final Terms nor any further information supplied in connection with the Programme or any Notes or Warrants should be considered as a recommendation or as constituting an invitation or offer by the Issuer, the Programme Arranger or any Dealer to any recipient of this Base Prospectus to subscribe for or purchase any Notes or Warrants. Each investor contemplating purchasing any Notes or 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 Notes or Warrants constitutes an offer by or on behalf of the Issuer, the Programme Arranger or any Dealer to subscribe for or purchase any Notes or Warrants.

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

It is advisable that investors considering acquiring any Notes or Warrants understand the risks of transactions involving the Notes or Warrants and it is advisable that they reach an investment decision after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of the Notes or Warrants in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives and the impact the Notes or Warrants will have on their overall investment portfolio) and the information contained in this Base Prospectus and the relevant Final Terms. Investors should consider carefully the risk factors set forth under "Risk Factors" in this Base Prospectus.

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 on the Notes or Warrants.

The distribution of this Base Prospectus and the offer, distribution or sale of Notes or Warrants may be restricted by law in certain jurisdictions. None of the Issuer, the Programme Arranger nor any Dealer represents that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, or assumes any responsibility for facilitating any such distribution or offering, in any other jurisdiction. In particular, action may be required to be taken to permit a public offering of any Notes or Warrants or a distribution of this Base Prospectus in any jurisdiction. Accordingly, no Notes or 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 Notes or 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 Notes and Warrants relating to China Connect Underlying in the PRC, see "Subscription and Sale of Notes" and "Purchase and Sale of Warrants" below and for further information on the restrictions on the distribution of this Base Prospectus and the offer and sale of Notes and Warrants in various other jurisdictions, see pages 168 to 181 and 284 to 297 of the Market Access Notes and Warrants Base Prospectus, incorporated by reference.

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 NOTES OR 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 Notes or Warrants is first offered pursuant to Regulation S to persons other than distributors and the date of closing of such offering, such Notes or Warrants will only be issued or transferred to a person that is neither a U.S. person nor holding such Notes or Warrants for the account or benefit of a U.S. person unless the Notes or Warrants are being offered and sold in accordance with Rule 144A.

Each Note will bear legends setting forth the applicable restrictions on sale, resale, pledge and other transfers described above. See "*Section II.3 Form of Notes and Summary of Provisions Relating to the Notes While in Global Form*", "*Section II.6 Subscription and Sale of Notes*" and "*Section II.7 Transfer Restrictions and Investor Representations*" herein and as incorporated by reference.

Each Warrant will bear legends setting forth the applicable restrictions on sale, resale, pledge and other transfers described above. See "*Section III.3 Form of Warrants and Summary of Provisions Relating to the Warrants While in Global Form*", "*Section III.6 Purchase and Sale of Warrants*" and "*Section III.7 Transfer Restrictions and Investor Representations*" herein and as incorporated by reference.

Transfers of the Notes and Warrants may be conditional upon delivery of certain certifications and are subject to significant restrictions as described under "*Subscription and Sale of the Notes*" and "*Purchase and Sale of Warrants*" (as applicable) including the right of the Issuer to refuse the recognition of transfers of the Notes and Warrants.

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 Notes or Warrants, the Issuer will promptly furnish, upon request of a holder of a Note or 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.

United Kingdom

All applicable provisions of the United Kingdom Financial Services and Markets Act 2000 (as amended) ("**FSMA**") must be complied with in respect of anything done in relation to any Notes or Warrants in, from or otherwise involving the United Kingdom. Any document received in connection with an issue of Notes or Warrants may only be distributed in circumstances in which the restriction in section 21(1) of the FSMA does not apply.

Australia

This Base Prospectus has not been lodged with the Australian Securities and Investments Commission or ASX Limited. Prior to making a decision to purchase a Note or Warrant, each prospective purchaser should read this Base Prospectus 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.

Hong Kong

The contents of this Base Prospectus 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 Notes or Warrants under the Programme.

Saudi Arabia

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

The Capital Market Authority does not make any representations as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document you should consult an authorised financial adviser.

Singapore

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

The treatment for taxation purposes of the acquisition, holding or disposal of, or other dealings with, Notes or 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 Note or Warrant should inform himself as to the treatment for taxation purposes applicable to him.

All references in this Base Prospectus to "**Sterling**", "**GBP**" 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**", refer to the lawful currency of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), all references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the People's Republic of China ("**PRC**"), which solely for the purpose of this Base Prospectus, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China ("**Macau**") and Taiwan, all references to "**Offshore RMB**", where the context requires, are Chinese Renminbi that is freely deliverable between accounts in the relevant Offshore RMB Centre as specified in the relevant Final Terms in accordance with the law and applicable regulations and guidelines issued by the relevant authorities in the relevant Offshore RMB Centre as specified in the relevant Final Terms prevailing as of the Trade Date of the Warrants, all references to "**Japanese Yen**", "**JPY**" and "**¥**" 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.

In this Base Prospectus, "**Conditions**" means the terms and conditions of the Notes or Warrants (as applicable).

Other than as expressly defined in any other section of this Base Prospectus, terms defined in the Conditions and the sections entitled, in the case of Notes, "*Section II.3 Form of Notes and Summary of Provisions Relating to the Notes While in Global Form*" and, in the case of Warrants, "*Section III.3 Form of Warrants and Summary of Provisions Relating to the Warrants While in Global Form*" (each as incorporated by reference), shall have the same meanings in all other sections of this Base Prospectus.

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PART I – INFORMATION RELATING TO THE NOTES AND WARRANTS GENERALLY

SECTION I.1 - SUMMARY

This section provides an overview of information included in this Base Prospectus. It includes blank placeholders for options provided for under the Programme which will only be known at the time of each issuance of Notes or Warrants (as applicable). A completed summary of each individual issue will be annexed to the relevant Final Terms.

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

Section A – Introduction and Warnings		
A.1	Introduction and Warnings:	<p>This summary must be read as an introduction to the prospectus and any decision to invest in the Notes or Warrants should be based on a consideration of the prospectus as a whole by the investor, including any information incorporated by reference and read together with the relevant final terms.</p> <p>Where a claim relating to the information contained in the prospectus is brought before a court in a Member State of the European Economic Area, the claimant may, under the national legislation of the Member States, be required to bear the costs of translating the prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in the Notes or Warrants.</p>
A.2	Consent by the Issuer to the use of the prospectus in subsequent resale or final placement of the securities, indication of offer period and conditions to consent for subsequent resale or final placement and warning:	<p>Not Applicable. The prospectus has been prepared solely in connection with the admission of Notes and Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive and there will be no public offer of the Notes or Warrants. The Issuer does not consent to the use of the prospectus for subsequent resales.</p>
Section B – Issuer		
B.1	Legal and commercial name of the Issuer:	<p>The legal name of the issuer is HSBC Bank plc (the "Issuer") and, for the purposes of advertising, the Issuer uses an abbreviated version of its name, HSBC.</p>
B.2	Domicile and legal form of the Issuer, the legislation under which the	<p>The Issuer is a public limited company registered in England and Wales under registration number 14259. The liability of its members is limited. The Issuer was constituted by Deed of Settlement on 15 August 1836 and in 1873, registered under the Companies Act 1862 as an unlimited company. It was re-</p>

	Issuer operates and its country of incorporation:	registered as a company limited by shares under the Companies Acts 1862 to 1879 on 1 July 1880. On 1 February 1982 the Issuer re-registered under the Companies Acts 1948 to 1980 as a public limited company.
		The Issuer is subject to primary and secondary legislation relating to financial services and banking regulation in the United Kingdom, including, <i>inter alia</i> , the UK Financial Services and Markets Act 2000 as amended, for the purposes of which the Issuer is an authorised person carrying on the business of financial services provision. In addition, as a public limited company, the Issuer is subject to the UK Companies Act 2006.
B.4b	Known trends affecting the Issuer and the industries in which it operates:	<p>The Issuer expects global growth to rise 2.4 per cent in 2014, from 2.1 per cent in 2013. This turnaround reflects a shift from contraction to modest expansion in the eurozone and an acceleration in growth in the US and UK.</p> <p>The Issuer expects UK GDP to rise by 3.2 per cent in 2014, the fastest growth rate since 2007, driven by higher household consumption and a strong recovery in investment growth. Although inflation has fallen below the Bank of England's 2 per cent target, wage growth remains weak, meaning little or no income growth in real-terms. Early signs of overheating in the housing market prompted the Bank of England to announce in June 2014 a number of macro-prudential measures to prevent a build-up of leverage in the household sector.</p> <p>Recent developments in the eurozone suggest that the recovery is stalling and increasingly uneven with the German and Spanish economies outperforming the rest of the region. The European Central Bank announced further liquidity measures in its June 2014 meeting, which may help improve the flow of credit to small and medium-sized businesses. With public debt levels still high, public expenditure will remain under pressure. Additionally, consumer spending will remain weak given persistently high unemployment and household debt. As a result, the Issuer expects the eurozone to grow by 0.9 per cent in 2014 and 1.1 per cent in 2015.</p> <p>Turkey was one of the main countries affected by the US Federal Reserve's announcement in December 2013 to begin tapering its asset purchases. However, the Group expects activity to moderate in the second half of the year and to grow by 2.7 per cent in 2015. This reflects the ongoing structural imbalances that need to be resolved in order to raise potential growth.</p>
B.5	The group and the Issuer's position within the group:	<p>The whole of the issued ordinary and preference share capital of the Issuer is beneficially owned by HSBC Holdings plc ("HSBC Holdings", together with its subsidiaries, the "HSBC Group"). The Issuer is the HSBC Group's principal operating subsidiary undertaking in Europe.</p> <p>The HSBC Group is one of the largest banking and financial services organisations in the world. Its international network covers 74 countries and territories in Europe, Asia, the Middle East, North Africa, North America and Latin America. Its total assets as at 30 June 2014 were U.S.\$2,754 billion.</p>
B.9	Profit forecast or estimate:	Not Applicable. There are no profit forecasts or estimates made in the prospectus.
B.10	Nature of any qualifications in the audit reports on the historical financial information:	Not Applicable. There are no qualifications in the audit reports on the audited, consolidated financial statements of the Issuer for the financial years ended 31 December 2012 or 31 December 2013.
B.12	Selected key financial information, no material adverse change and no	The selected key financial information regarding the Issuer set out below has been extracted without material adjustment from the audited consolidated financial statements of the Issuer for the years ended 31 December 2012 and 31 December 2013 and the unaudited consolidated interim report of the issuer for

significant change statement:	the six months ended 30 June 2014.		
	Half Year to		
	30 June 2014	30 June 2013	31 December 2013
For the period (£m)			
Profit on ordinary activities before tax	1,902	2,273	1,021
Total operating income.....	7,319	8,377	7,491
Net operating income before loan impairment charges and other credit risk provisions.....	6,111	6,925	5,915
Profit attributable to shareholders of the parent company.....	1,499	1,681	814
At period end (£m)			
Total equity attributable to shareholders of the parent company.....	33,394	31,911	32,370
Risk weighted assets ¹	235,300	200,368	185,879
Loans and advances to customers (net of impairment allowances) ²	278,204	266,618	273,722
Customer accounts ³	356,932	332,634	346,358
Capital ratios (%)^{1,4}			
Common Equity Tier / Core Tier 1 ratio.....	9.3	11.1	12.1
Total Tier 1 ratio.....	10.0	12.0	13.0
Total capital ratio.....	14.1	16.9	18.0
Performance and efficiency ratios (annualised %)			
Return on average shareholders' funds (equity).....	9.3	10.6	5.2
Pre-tax return on average risk-weighted assets.....	1.6	2.3	1.1
Cost efficiency ratio ⁵	66.3	59.2	75.6
Financial ratios (%)			
Ratio of customer advances to customer accounts.....	77.9	80.2	79.0
Average total shareholders' equity to average total assets	4.1	3.7	3.8
<p>¹ Current period RWAs and ratios are based on CRD IV capital rules (refer to page 13 of the Interim Report). Comparative period RWAs and ratios are based on CRD III capital rules.</p> <p>² Comparatives have been represented to exclude reverse repurchase agreements – non trading previously included (refer to Note 1 of the Interim Report).</p> <p>³ Comparatives have been represented to exclude repurchase agreements – non trading previously included (refer to Note 1 of the Interim Report).</p> <p>⁴ Includes profits for the period to 30 June 2014 after deducting the interim dividend of £0.6 billion declared by the Board of Directors after 30 June 2014.</p> <p>⁵ The cost efficiency ratio is defined as total operating expenses divided by net operating income before loan impairment charges and other credit risk provisions.</p> <p>⁶ This ratio differs from the calculation of the Basel III leverage ratio, which is based on regulatory Tier 1 capital to total exposure (also including off-balance sheet items and adjustments for derivatives, securitisation funding transactions and netting).</p>			
		<p>Except as disclosed below in the last two paragraphs of this Element B.12, there has been no material adverse change in the prospects of the Issuer since 31 December 2013 and no significant change in the financial position of the Issuer and its subsidiaries (the "Group") since 30 June 2014.</p> <p>The following significant items were recognised in the third quarter of 2014 and included in the consolidated income statement for such period published by HSBC Holdings and principally relate to the Issuer:</p> <p>(a) a provision of USD213 million arising from the ongoing review of compliance with the Consumer Credit Act in the UK;</p> <p>(b) a provision for UK customer redress of USD701 million. This included additional estimated redress for possible mis-selling in previous years of payment protection insurance policies of USD589 million, which reflected an increase in the level of overall claims; and</p> <p>(c) a provision of USD378 million relating to the estimated liability in connection with the foreign exchange investigation by the UK Financial Conduct Authority ("FCA").</p>	

		In relation to item (c), the Issuer has since reached agreements with the FCA and the US Commodity Futures Trading Commission ("CFTC") to resolve their ongoing investigations into the Issuer's trading and other conduct involving foreign exchange ("FX") benchmark rates. Under the terms of the agreement with the FCA, the Issuer will pay a financial penalty of GBP216.4 million for failures in the systems and controls in its London G10 spot FX voice trading business. Under the agreement with the CFTC, the Issuer will pay a civil monetary penalty of USD275 million to resolve allegations of attempted manipulation and aiding and abetting attempted manipulation by traders at other banks. The CFTC's Order contains certain additional undertakings by the Issuer, and it is expected that the FCA will require the Issuer to comply with a remediation programme to be determined by the FCA. The HSBC Group continues to cooperate fully with other regulatory, competition and law enforcement authorities in the United States, the United Kingdom and other jurisdictions relating to the previously disclosed FX investigations. There is a high degree of uncertainty as to the terms and the timing of their resolution and it is possible that further fines and/or penalties imposed could be significant.
B.13	Recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency:	Not Applicable. There have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of its solvency.
B.14	Dependence upon other entities within the group:	The Issuer is a wholly owned subsidiary of HSBC Holdings. The Issuer and its subsidiaries form a UK-based group. The Issuer conducts part of its business through its subsidiaries and is accordingly dependent upon those members of the Group.
B.15	The Issuer's principal activities:	The Group provides a comprehensive range of banking and related financial services. The Group divides its activities into four business segments: Retail Banking and Wealth Management; Commercial Banking; Global Banking and Markets; and Global Private Banking.
B.16	Controlling persons:	The whole of the issued ordinary and preference share capital of the Issuer is owned directly by HSBC Holdings.
Section C – Securities		
C.1	Description of type and class of securities:	<p>Issuance in series:</p> <p>Notes and Warrants will be issued in series which may comprise one or more tranches. Each Tranche issued under a series will have identical terms, except that different tranches of Notes may comprise Notes in bearer form ("Bearer Notes") or registered form ("Registered Notes") and different tranches of Warrants may comprise Warrants in registered form ("Registered Warrants"). The issue dates and issue prices under different tranches may also vary.</p> <p>[The [Bearer] [Registered] [Notes] being issued are tranche [] Notes (the "Notes")]] [The Registered Warrants being issued are tranche [] Warrants (the "Warrants")]] [and are to be consolidated and form a single series with [] issued on [] with ISIN: [] and Common Code: [] [and CUSIP: []]] [and Valoren Number: []]] [and SEDOL: []]] [(the "Original Issue Security Identification Number[s]")]].</p> <p>Form of Notes:</p> <p>[<i>Bearer Notes in definitive form:</i></p>

	<p>Bearer Notes will be issued in definitive form and each definitive Bearer Note will carry a unique serial number. Bearer Notes are negotiable instruments and legal title to each will pass by physical delivery.]</p> <p><i>[Bearer Notes in global form:</i></p> <p>[Bearer Notes will initially be issued as temporary global Notes exchangeable for permanent global Notes which are exchangeable for definitive Bearer Notes, or registered Notes in definitive form in certain limited circumstances.]</p> <p>[Bearer Notes will be issued in global form and deposited with a common depository for Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Changes in beneficial interests in such Bearer Notes will be recorded as book-entries in the accounts of Euroclear and/or Clearstream, Luxembourg.]</p> <p><i>[Registered Notes in definitive form:</i></p> <p>[Registered Notes will be issued in registered form as certificates and each certificate will carry a unique serial number. Registered Notes are not negotiable instruments and legal title to each will pass by registration of the unique serial number against a Noteholder's name in a register maintained by [HSBC Bank plc] [HSBC Bank USA, National Association] in its capacity as registrar (the "Registrar").]</p> <p><i>[Registered Notes in global form:</i></p> <p>Registered Notes will be issued in global form and [a Rule 144A global registered note will be deposited with a custodian for, and registered in the name of a nominee for, the Depository Trust Company ("DTC") [a restricted global registered note will be [deposited with a custodian for, and registered in the name of a nominee for, the Depository Trust Company ("DTC") [deposited with and registered in the name of a common depository (or its nominee) for Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg") [[an unrestricted global registered note] [a combined global registered note] will be deposited with and registered in the name of a common depository (or its nominee) for Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg").].]</p> <p><i>[Form of Warrants:</i></p> <p>Warrants will be issued in registered form as certificates and each certificate will carry a unique serial number. Legal title to Warrants will pass by registration of the unique serial number against a Warrantholder's name in a register maintained by, and subject to the regulations of HSBC Bank plc in its capacity as registrar (the "Warrant Registrar").</p> <p>The Warrants will be issued in registered form and represented by [a restricted global registered warrant which will be [deposited with a custodian for, and registered in the name of a nominee for the Depository Trust Company ("DTC")][deposited with a common depository for, and registered in the name of a common nominee for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") [and] [[an unrestricted global registered warrant] [a combined global registered warrant] which will be deposited with a common depository for, and registered in the name of a common nominee for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg")]</p>
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		<p><i>Security Identification Number[s]:</i></p> <p>The [[Bearer/Registered] Notes] [Warrants] have been accepted for clearance through [Euroclear and/or Clearstream, Luxembourg] [DTC] and will be allocated the following Security Identification Number[s] [to be consolidated with the Original Issue Security Identification Number[s]]:</p> <p>ISIN Code: []</p> <p>Common Code: []</p> <p>[CUSIP: []]</p> <p>[SEDOL: []]</p>
C.2	Currency of the securities issue:	The settlement currency of the [Notes][Warrants] is [] (the " Settlement Currency ")
C.5	Description of any restrictions on the free transferability of the securities:	The Notes and Warrants are freely transferable. However, there are restrictions on the offer and sale of the [Notes][Warrants]. The Issuer and [] [(the " Dealer[s] ") [(the " Manager[s] ")]) have agreed restrictions on the offer, sale and delivery of the [Notes][Warrants] and on distribution of offering materials in Australia, the Dubai International Financial Centre, the European Economic Area, France, Hong Kong, [India,] Indonesia, Italy, Japan, the Kingdom of Bahrain, Korea, Malaysia, Mexico, New Zealand, Norway, the People's Republic of China, Philippines, Russia, Saudi Arabia, Singapore, Spain, Switzerland, Taiwan, Thailand, The Netherlands, the United Arab Emirates (excluding the Dubai International Financial Centre), the United Kingdom, the United States of America and Vietnam. In addition, investors of the [Notes][Warrants], by their purchase of the [Notes][Warrants], will be deemed to have given certain representations, warranties, undertakings, acknowledgements and agreements.
C.8	The rights attaching to the securities, including ranking and limitations to those rights:	<p><i>Status of the Notes and Warrants:</i></p> <p>The Notes and Warrants will be direct, unsecured and unsubordinated obligations of the Issuer and will rank equally and without preference among themselves and, at their date of issue, with all other unsecured and unsubordinated obligations of the Issuer (unless preferred by law).</p> <p><i>Interest Payments:</i></p> <p>Neither the Notes nor the Warrants bear interest.</p> <p><i>Early redemption/termination for illegality:</i></p> <p>If the Calculation Agent determines that the performance of the Issuer's obligations has become unlawful or impracticable in whole or in part for any reason, the Issuer will be entitled to redeem the Notes or terminate the Warrants early and pay the relevant investor an amount per Note or Warrant (as applicable) equal to the fair market value of such Note or</p> <p>Warrant or such other amount specified in the relevant final terms ("Final Terms").</p> <p><i>Early redemption for taxation reasons:</i></p> <p>If the Issuer were required under the terms and conditions of the Notes (as applicable) (the "Conditions") to pay additional amounts in respect of tax, the Issuer may subject to prior notice to the holders of such Notes, redeem or terminate all, but not some only, of such Notes and pay the relevant investor an amount per Note equal to the fair market value of such Note or such other amount specified in the relevant Final Terms.</p>

		<p>Modification and substitution:</p> <p>Modifications to the Conditions may be made without the consent of any holders of Notes and Warrants to cure any ambiguity or manifest error or correct or supplement any Conditions provided that: (i) the modification is not materially prejudicial to the interest of holders of Notes or Warrants (as applicable); (ii) the modification is of a formal, minor or technical nature or is to correct a manifest error or is to comply with mandatory provisions of the law of the Issuer's jurisdiction of incorporation; or (iii) the modification corrects inconsistency between the Conditions and the relevant termsheet relating to the Notes or Warrants (as applicable). The Notes and Warrants permit the substitution of the Issuer with its affiliates without the consent of any holders of Notes/Warrants where the Issuer provides an irrevocable guarantee of the affiliate's obligations.</p> <p>[Events of default of the Notes:</p> <p>The following events constitute events of default (each, an "Event of Default") under the Notes and would entitle the Noteholder to accelerate the Notes: (i) a continuing default in the repayment of any principal due on the Notes for more than 14 days, provided that the reason for non-payment is not compliance with any fiscal or other law or regulation or court order, or that there is doubt as to the validity of such law, regulation or order in accordance with independent legal advice from advisers which is acceptable to HSBC Bank plc, acting in its capacity as principal paying agent (the "Principal Paying Agent"); or (ii) the passing of a winding-up order in relation to the Issuer. On an Event of Default the Notes will be redeemed against payment of an amount per Note equal to [the fair market value of such Note] [.].]</p> <p>[No events of default: There are no events of default applicable to the Warrants.]</p> <p>Meetings of Noteholders</p> <p>The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.]</p> <p>No guarantee or security:</p> <p>The Notes and Warrants are the obligations of the Issuer only and are unsecured.</p> <p>Taxation:</p> <p>All payments by the Issuer in respect of the Notes and Warrants will be made without deduction of any taxes, duties and other similar charges including United Kingdom taxes unless the Issuer is required by law to withhold or deduct any such taxes. Therefore, Noteholders or Warrantholders (as applicable) will be liable for and/or subject to any taxes, duties and other similar charges including withholding tax, stamp duty, stamp duty reserve tax and/or similar transfer taxes, payable in respect of the Notes or Warrants (as applicable).</p> <p>Governing Law:</p> <p>English law.</p>
C.11	Listing and trading:	Application [has been] [will be] made to admit the [Notes][Warrants] to the Official List of the United Kingdom Financial Conduct Authority and to trading on the regulated market of the London Stock Exchange plc.

<p>C.15</p>	<p>Description of how the value of the investment is affected by the value of the underlying instrument:</p>	<p>The [Notes][Warrants] are designed to track the price of [] (the "Underlying") converted into the currency of the [Note][Warrant] (if applicable). The [Final Redemption Amount] [Cash Settlement Amount] payable on redemption of any [Note][Warrant] is linked to a fixed [amount] of the Underlying by way of a hedge in respect of such fixed [amount] of the Underlying (whether directly or synthetically). In general, as the [price] of the Underlying increases or decreases, so will the [Final Redemption Amount payable in respect of such Notes] [Cash Settlement Amount payable in respect of such Warrants]. Similarly, changes in the value of the relevant currency rate will change the value of the [Notes][Warrants].</p> <p>The quoted [price] of the Underlying converted into the currency of the [Note][Warrant] (if applicable) may diverge from the [Final Redemption Amount payable under the Note] [Cash Settlement Amount payable under the Warrant] owing to disparity between any hedge and the Underlying, and to the deduction of costs, such as, amongst other things, brokers fees, transaction processing fees and actual and potential taxes, duties and other similar charges, including those costs that would be incurred by the Issuer and/or its designated affiliates of hedging the Underlying whether directly or synthetically, and a fee to be retained by the Issuer, the [Dealer(s)][Manager(s)] and/or their affiliates.</p> <p>[Not Applicable. [The Notes have a denomination of more than EUR 100,000 (or its equivalent in another currency) per Note.] [The Warrants can only be acquired for consideration of at least EUR 100,000 per Warrant.]]</p>
<p>C.16</p>	<p>Expiration or maturity date of securities</p>	<p>The Notes and Warrants will be cash-settled.</p> <p>[The maturity date of the Notes is [] (the "Maturity Date").] [The expiry date in respect of the Warrants is [] (the "Expiry Date"). The Warrants are "European Style Warrants" and are therefore exercisable on the Expiry Date.]</p>
<p>C.17</p>	<p>Settlement procedure:</p>	<p>The Notes and Warrants will be cash-settled.</p> <p>All payments to [Noteholders][Warranholders] will be paid through [DTC][./and] [Euroclear] [and/or] [Clearstream, Luxembourg].</p>
<p>C.18</p>	<p>Return on securities:</p>	<p>The [Notes/Warrants] are "Underlying Security-Linked [Notes/Warrants]" and are linked to a [single underlying security] [basket of underlying securities] (the "Underlying").</p> <p>The Notes and Warrants are market access products, which are designed for investors who wish to be exposed to fluctuations in the price of the Underlying, but who do not wish to or are not able to hold the relevant Underlying itself. In addition, the Notes and Warrants are designed to allow investors to get exposure to the Underlying even though it may be priced locally in a less accessible currency or currencies.</p> <p>[A Noteholder will receive one type of payment under the Notes: the Final Redemption Amount] [There are [two/three] types of payment a Noteholder will receive under the Notes: the "Final Redemption Amount" [and/,] [any "Additional Payments"] [and] [the "Supplementary Amount"].</p> <p>[A Warranholder will receive one type of payment under the Warrants: the Cash Settlement Amount]. [There are [two/three] types of payment a Warranholder will receive under the Warrants: the "Cash Settlement Amount" [and/,] [any "Additional Payments"] [and] [the "Supplementary Amount"].</p> <p><i>Payments at maturity or on exercise</i></p>

		<p>[The [Notes/Warrants] are Underlying Security-Linked [Notes/Warrants] and accordingly the [Final Redemption Amount/Cash Settlement Amount] will be the greater of 0.03 per cent. of the issue price per [Note/Warrant] and the Realisable Sale Price. The Realisable Sale Price per [Note/Warrant] will be equal to:</p> <ul style="list-style-type: none"> • if the Issuer or any of its affiliate(s) hold the underlying assets and dispose of them, the amount per [Note/Warrant] received from such disposal, less any costs and converted into the currency of the [Note/Warrant] (if applicable); • if neither the Issuer nor any of its affiliate(s) hold the underlying assets but is party to a hedge or other arrangement relating to the [Notes/Warrants] being [redeemed/exercised], the effective price at which such hedge or other arrangement was realised or unwound, less any costs and converted into the currency of the [Notes/Warrants] (if applicable); or • if neither the Issuer nor any of its affiliate(s) hold the underlying assets nor are party to a hedge or other arrangement relating to the [Notes/Warrants] being [redeemed/exercised], the amount per [Note/Warrant] a notional, direct holder of the underlying assets of the [Notes/Warrants] would receive from disposing of them on [maturity/expiry], less any costs and converted into the currency of the [Note/Warrant] (if applicable).] <p>If the actual or notional amounts received need to be converted into the currency of the [Note/Warrant], the rate of exchange used will be either:</p> <ul style="list-style-type: none"> • if the Issuer or its affiliate(s) has an exchange transaction (whether implicit as part of a hedge or other arrangement for the underlying assets or as part of a separate arrangement), the rate of exchange obtained under that arrangement; or • if the Issuer or its affiliate(s) has not entered into an exchange transaction the rate of exchange which a notional, direct holder of the underlying assets of the [Notes/Warrants] would be able to obtain. <p><i>Additional Payments</i></p> <p>The [Notes/Warrants] are Underlying Security-Linked [Notes/Warrants] and the Additional Payments payable to holders of [Notes/Warrants] will be:</p> <ul style="list-style-type: none"> • if the Issuer or its affiliate(s) hold the appropriate underlying assets (that is, the shares, the aggregate amount of the net cash dividend or distribution received; • if the Issuer or its affiliate(s) hold a hedge or other arrangement for the purposes of performing its obligations under the [Notes/Warrants], the net cash dividend or distribution equivalent payment received under the hedge or other arrangement; • if the Issuer or its affiliate(s) do not hold any the underlying assets nor are party to a hedge or other arrangement relating to the [Notes/Warrants], the net amount a notional, direct holder of the underlying assets relating to the [Notes/Warrants] would receive by way of cash dividend or distribution; or
		<ul style="list-style-type: none"> • if a non-cash dividend or distribution is made, the net cash value of such non-cash dividend or distribution or, if the Issuer or its affiliate(s) holds a hedge or other arrangement relating to the [Notes/Warrants], the net cash adjustment or settlement received in

		<p>respect of such non-cash dividend or distribution under such hedge or other arrangement,</p> <p>in all cases, less any costs and converted into the currency of the [Notes/Warrants] (if applicable).</p> <p>If the actual or notional amounts need to be converted into the currency of the [Note/Warrant], the rate of exchange used is either:</p> <ul style="list-style-type: none"> • if the Issuer or its affiliate(s) has an exchange transaction (whether implicit as part of a hedge or other arrangement for the underlying assets or as part of a separate arrangement), the rate of exchange obtained under that arrangement; or • if the Issuer or its affiliate(s) has not entered into an exchange transaction, that which a notional, direct holder of the underlying assets of the [Notes/Warrants] would be able to obtain.] <p>Supplementary Amounts:</p> <p>[[This series of [Notes/Warrants] will entitle the holder of such [Notes/Warrants] to an amount (the "Supplementary Amount") calculated on the basis of a per annum rate applied to the initial price of the relevant equity security underlying the [Note/Warrant], adjusted to take into account any costs (including but not limited to brokers fees, transaction processing fees and actual and potential taxes, duties and other similar charges that would be incurred)[, less a percentage early exercise cost retained by the Issuer if the [Notes/Warrants] are exercised prior to their expiry date].</p> <p>[Such Supplementary Amount will be payable in cash, as converted (where applicable) from the Reference Currency into the Settlement Currency at a specified exchange rate.]</p> <p>Interest Payments:</p> <p>The [Notes][Warrants] do not bear interest.</p>
C.19	<p>Exercise price or final reference price of the Type of the underlying: underlying:</p>	<p>The calculations which are required to be made to calculate the [Final Redemption Amount/Cash Settlement Amount] will be based on the value of the [Underlying] [basket of Underlyings] determined by the Calculation Agent being HSBC Bank plc. The Calculation Agent will determine the value of the [Underlying] [basket of Underlyings] by reference to the actual or notional value upon disposal or realisation of the [Underlying] [basket of Underlyings] or the value of realising or unwinding a hedge or other arrangement in respect of such [Underlying] [basket of Underlyings], in all cases deducting costs and converting into the currency of the [Note][Warrant] (if applicable).</p>
C.20		<p>Each series of Notes and Warrants is linked to the performance of a security or basket of securities (together, the "Underlying Securities" and each, an "Underlying Security") issued by a company or companies (together, the "Underlying Companies" and each, an "Underlying Company") which is/are listed and/or admitted to trading on one or more stock exchanges (such Notes are referred to as, "Underlying Security-Linked Notes"); and such Warrants are referred to as, "Underlying Security-Linked Warrants").</p>
		<p>The [Notes][Warrants] are "Underlying Security-Linked [Notes/Warrants]", being [Notes/Warrants] in relation to which the [Final Redemption Amount/Cash Settlement Amount] is linked to [one security, namely] [a basket of securities, comprised of] [] such Security [is/are] the Underlying [Security/Securities] to which the [Notes/Warrants] are linked. Underlying Security-Linked [Notes/Warrants] are also referred to in the prospectus as "Underlying Equity-Linked [Notes/Warrants]".</p> <p>References to "Underlying", either in the singular or plural form, shall refer to any Underlying applicable to a series of [Notes/Warrants].</p>

		[Information on the Underlying can be found on [].]
Section D – Risks		
D.2	Key risks specific to the Issuer:	<p>The Group has exposure to counterparties in the eurozone which may be affected by a sovereign or currency crisis: In spite of austerity measures and structural reforms, peripheral eurozone countries continue to exhibit a high ratio of sovereign debt to gross domestic product or short to medium-term maturity concentration of their liabilities and further structural reforms are still needed to contain the threat of the exit of one or more countries from the eurozone. Although the Group’s exposure to the peripheral eurozone countries is limited and reduced further in 2013, the Group is still exposed to counterparties in core European countries which could be affected by any sovereign or currency crisis.</p> <p>The Issuer’s parent company is subject to regulatory commitments and consent orders: HSBC Holdings has entered into agreements with US and UK government agencies to comply with certain forward-looking obligations with respect to anti-money laundering and sanctions requirements. Failure to comply with the terms of such agreements may have a material adverse effect on the Group.</p> <p>UK and European banking structural reform legislation and proposals could materially adversely affect the Group: Major changes to the corporate structure and business activities of the Group, including the establishment of a ring-fenced bank for retail banking activities, are expected pursuant to UK and European banking structural reform legislation and proposals. The most likely restructuring will involve separating the Issuer’s retail activities from the Issuer.</p> <p>The Group is subject to a number of legal and regulatory actions and investigations: The Group is subject to a number of legal and regulatory actions and investigations, the outcomes of which are inherently difficult to predict. An unfavourable result in one or more of these could result in the Group incurring significant expense, substantial monetary damages, loss of significant assets, other penalties and injunctive relief, potential regulatory restrictions on the Group’s business and/or a negative effect on the Group’s reputation.</p> <p>Unfavourable legislative or regulatory developments, or changes in the policy of regulators or governments could materially adversely affect the Group: Financial service providers, including the Group, face increasingly stringent and costly legal, regulatory and supervisory requirements, particularly in the areas of capital and liquidity management, conduct of business (including sales processes and incentives and product and investment suitability), remuneration, recovery and resolution, operational structures and the integrity of financial services delivery. Increased government intervention and control over financial institutions, together with measures to reduce systemic risk, may significantly alter the competitive landscape in which the Group operates.</p> <p>The Group is subject to the substance and interpretation of tax laws in the jurisdictions in which it operates: The Group 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.</p> <p>The Group’s operations are highly dependent on its information technology systems: The reliability and security of the Group’s information and technology infrastructure and the Group’s customer databases are crucial to maintaining the service availability of banking applications and processes and to protecting the HSBC brand. Critical systems failure, prolonged loss of service, internet crime or fraud or a material breach of security could lead to</p>

		<p>financial loss and cause damage to the Group's business and brand.</p> <p>The Group's operations have inherent reputational risk: Reputational risk may arise from negative public opinion about the actual or perceived manner in which the Group conducts its business activities, its financial performance, and actual or perceived practices in banking and the financial services industry generally. Negative public opinion, which may be spread due to the rapid growth of social media, may adversely affect the Group's ability to keep and attract customers and, in particular, corporate and retail depositors, which in turn could have a material adverse effect on the Group.</p> <p>The Group has significant exposure to counterparty risk both within the financial sector and to other risk concentrations: Financial institutions are necessarily interdependent because of trading, clearing, counterparty or other relationships, which could affect its funding and its ability to manage the risks of its business.</p> <p>The Group is subject to risks associated with market fluctuations: The Group's businesses are exposed to changes in, and increased volatility of, interest rates, inflation rates, credit spreads, foreign exchange rates, commodity, equity, bond and property prices and the risk that the Group's customers act in a manner inconsistent with its business, pricing and hedging assumptions. It is difficult to predict with any accuracy changes in market conditions, and such changes could have a material adverse effect on the Group.</p> <p>Liquidity, or ready access to funds, is essential to the Group's business: If the Issuer or any member of the Group is unable to raise funds, its liquidity position could be adversely affected and it might be unable to meet deposit withdrawals or obligations under committed financing facilities and insurance contracts, to fund new loans, investments and businesses or to repay borrowings as they mature.</p>
D.6	Key risks specific to the securities and risk warning to the investor:	<p>Credit risk: The Notes and Warrants are direct, unsubordinated and unsecured obligations of the Issuer and not of any other person. If the Issuer's financial position were to deteriorate, there could be a risk that the Issuer would not be able to meet its obligations under the Notes and Warrants (the Issuer's credit risk). If the Issuer becomes insolvent or defaults on its obligations under the Notes and Warrants, in the worst case scenario, investors in the Notes and Warrants could lose all of their invested amounts.</p> <p>The Notes and Warrants are unsecured obligations: The Notes and Warrants are not secured over any asset. Therefore, the investor would not be able to enforce security as a method of recouping payments due under the Notes and Warrants if the Issuer were to become insolvent and cease to be able to pay such amounts.</p>
		<p>The Notes and Warrants are not ordinary debt securities: Neither the Notes nor the Warrants pay interest and, upon redemption, expiry or upon exercise (as applicable), may return less than the amount invested or nothing. The Notes and Warrants are designed to track the price or level of the Underlying. If the performance of such Underlying does not move in the anticipated direction or if the issuer thereof becomes insolvent, the Notes and Warrants will be adversely affected and, in a worst case scenario, may become worthless.</p> <p>Payments under the Notes or Warrants may be delayed: Payments to holders of Notes and Warrants which are calculated by reference to hedging arrangements will only be due if the proceeds would have been received by an investor outside the jurisdiction where the Underlying is listed or quoted. There is a risk that limitations on the importation and withdrawal of funds in such jurisdiction could lead to potential delays in payments under the Notes and Warrants or, in the worst case, the Notes and Warrants becoming worthless.</p>

	<p>No ownership rights: The Notes and Warrants do not confer any legal or beneficial interest or any voting or dividend rights in the Underlying.</p> <p>There may be no active trading market or secondary market for liquidity for the Notes and Warrants: Any series of Notes and Warrants may not be widely distributed and there may not be an active trading market, nor is there assurance as to the development of an active trading market. If there is no liquid market, investors may not be able to realise their investment until maturity of the Notes or specified exercise dates of the Warrants (as applicable) or may not realise a return that equals or exceeds the purchase price of their Notes and Warrants. Notwithstanding the foregoing, the Issuer may issue Notes and Warrants which provide for certain circumstances where the Issuer and/or Dealer may buy-back such Notes and Warrants (as applicable) from the holders of such securities.</p> <p>Certain factors affecting the value and trading price of Notes and Warrants: The Final Redemption Amount or Cash Settlement Amount payable (as applicable) under the Notes and Warrants may be affected by fluctuation in value of the Underlying, changes in currency exchange rates or, where applicable, the number and type of Underlyings included in a basket to which the relevant Notes or Warrants relate.</p> <p>Conflicts of interest may arise between the interests of the Issuer or its affiliates and those of the holders of the Notes and Warrants: The Issuer or its affiliates may enter into hedging or other transactions (i) relating to Underlyings or (ii) with issuers of Underlyings. The Issuer or its affiliates may also publish research or other reports relating to Underlyings. Any such activities may have a negative effect on the value of Notes and Warrants relating to such Underlyings. In addition, the Issuer may assume roles as hedging party, calculation agent under the Notes and Warrants or publisher of research reports. In respect of any of these roles the Issuer may have interests that conflict with the interests of holders of such securities.</p> <p>Commission and cost of hedging: The issue price of the Notes and Warrants may include commissions charged by Issuer or its affiliates and the cost or expected costs of hedging the Issuer's obligations under the Notes and Warrants (if any). Accordingly, there is a risk that, upon issue, the market price of Notes and/or Warrants may be lower than original issue price of the Notes or the original purchase price of the Warrants (as applicable). Also, fees, commission and hedging costs may be deducted from the Final Redemption Amount (in the case of Notes) or the Cash Settlement Amount (in the case of Warrants).</p>
	<p>[Exchange rate risks and exchange control risk: The Issuer will pay amounts in respect of the Notes and Warrants in the Settlement Currency. Since the Underlying is referenced in [] (the "Underlying Currency"), amounts payable under the Notes and Warrants may be affected by multiple currency conversion costs which may be passed on to investors. Where the Settlement Currency is not the same as the investor's home currency, the realisable value of the investment in the investor's home currency may be at risk from fluctuations in the exchange rate. Government and monetary authorities may impose or modify exchange controls that could adversely affect an applicable exchange rate or transfer of funds in and out of the country. As a result of such restrictions and controls the Issuer may suspend its obligations to make any payment under any Notes and Warrants if and for as long as such exchange controls have occurred and are continuing. Holders of the Notes and Warrants shall not be entitled to any interest or other compensation in respect of any such suspension.]</p> <p>Market Disruption Events and Additional Disruption Events: In the case of early closure of the relevant exchange (the "China Connect Market"), disruption of such exchange or suspension of trading on such exchange including the early closure or disruption of the securities trading and clearing links programme developed or to be developed by The Stock Exchange of</p>

	<p>Hong Kong Limited (the "SEHK"), the China Connect Market, the Hong Kong Securities Clearing Company Limited and the China Securities Depository and Clearing Corporation for the establishment of mutual market access with SEHK and the China Connect Market, where applicable ("Market Disruption Events") or a hedging disruption, a change in applicable laws, an increased cost of hedging, where applicable, an insolvency filing of the issuer of the Underlying, a foreign exchange disruption event, a ceasing by the relevant exchange to accept the Securities as "China Connect" securities, or a permanent suspension or termination of the "China Connect" service with respect to the Securities ("Additional Disruption Events"), postponement or adjustment of valuations in case of a Market Disruption Event or adjustment of terms or redemption or exercise of the Notes in case of an Additional Disruption Event in respect of such Notes and Warrants may have an adverse effect on the value of and/or the Final Redemption Amount in respect of such Notes and the value of and/or the Cash Settlement Amount in respect of such Warrants.</p> <p><i>Illegality or changes in tax law may cause the Issuer's obligations under the Notes and Warrants to be redeemed or terminated early:</i> If the Calculation Agent determines the performance of the Issuer's obligations under any Notes and Warrants shall have become unlawful or impracticable or if the Issuer determines that it would be required to pay additional amounts in respect of any withholding or deduction for taxes, duties and other similar charges on payments under the Notes, the Issuer may redeem such Notes or terminate its obligations under such Warrants and pay a sum representing the fair market value of such Notes and Warrants. As a result holders of Notes and Warrants will forgo any future appreciation in the relevant Underlying, may suffer a loss of some or all of their investments and lose the ability to exercise the Warrants on the relevant exercise date(s) (if applicable).</p> <p><i>Considerations regarding hedging:</i> The value of the Notes and Warrants may not exactly correlate with the value of the Underlying to which the Notes and Warrants relate.</p>
	<p><i>Tax risks:</i> The amount of a payment to the investor under the Notes and Warrants may be decreased to take into account the effect of taxes, duties and other similar charges on an investment in the Underlying. There is a risk that tax law or practice will change in the future resulting in the imposition of or increase in tax on an investment in, or disposition of the Underlying. This will result in a decrease of the amounts payable under the Notes and Warrants. Also, investors in the Notes and Warrants will be obliged to pay all taxes, duties and other similar charges payable in connection with the subscription, purchase or holding of such Note or Warrant and the payment of the Final Redemption Amount or Cash Settlement Amount (as applicable) and/or any Additional Payment.</p> <p><i>[Emerging market risks:</i> Investors in Notes and Warrants relating to Underlyings which are issued in or located in or listed on an exchange in an emerging market, namely [], should be aware that investments in emerging markets, and specifically [], are subject to greater risks than well-developed western markets. Institutions relied upon for the efficient functioning of capital markets, such as stock exchanges, economic, legal and regulatory institutions, systems for the clearing, settlement and registration of securities, may be less developed. Disclosure standards may be less onerous on issuers and accountancy practices may differ from those which are internationally accepted. Political conditions in certain geographic locations where the issuers of Underlyings may operate may be volatile or unstable, and there could be increased price volatility.]</p> <p><i>[Specific risks relating to Underlying Equity-Linked Notes and Warrants:</i> If a Potential Adjustment Event occurs and dilutes the theoretical value of the Underlying or an Extraordinary Event occurs, the Calculation Agent may make corresponding adjustments to the conditions of the Notes and Warrants which may adversely affect the Final Redemption Amount or Cash Settlement Amount payable (as applicable) or (in the case of Extraordinary Events) may</p>

		<p>redeem the Notes or terminate the Warrants (as applicable); as a result the holder of Notes and Warrants may lose some or all of its investment.]</p> <p>[RMB risks: There are restrictions on the conversion of RMB into other currencies. The amount of Offshore RMB deliverable outside PRC may be limited, which may affect the liquidity of Offshore RMB linked Notes and Warrants. The market for Offshore RMB is a different market to that of RMB deliverable in PRC. The Offshore RMB exchange rate may be influenced by the onshore RMB exchange rate. The Offshore RMB market may become illiquid or Offshore RMB may become inconvertible or non-transferable. In such circumstances the Issuer may settle payments under the Notes and Warrants in another currency. In addition, interest rates are government-controlled in PRC and changes therein may affect the Offshore RMB interest rate which may cause the value of the Notes and Warrants to fluctuate.]</p>
		Investors may lose the value of their entire investment or part of it, as the case may be.
Section E – Offer		
E.2b	Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks:	Not Applicable. The prospectus has been prepared solely in connection with the admission of Notes and Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Notes or Warrants and thus reasons for the offer and use of proceeds are not required.
E.3	Description of the Terms and conditions of the offer:	Not Applicable. The prospectus has been prepared solely in connection with the admission of Notes and Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Notes or Warrants and thus a description of the terms and conditions of the offer is not required.
E.4	Description of any interests material to the issue/offer, including conflicting interests:	<p>The Issuer or its affiliates may engage in hedging or other transactions involving the relevant Underlying which may have a positive or negative effect on the value of such Underlying and therefore on the value of any Notes or Warrants to which they relate. Certain affiliates of the Issuer may also be the counterparty to the hedge of the Issuer's obligations under an issue of Notes or Warrants and the Calculation Agent is responsible for making determinations and calculations in connection with the Notes and Warrants in its sole and absolute discretion acting in good faith. The Issuer or its affiliates may from time to time advise the issuer or obligors of, or publish research reports relating to, an Underlying. The views or advice may have a positive or negative effect on the value of an Underlying and may be inconsistent with purchasing or holding the Notes and Warrants relating to such an Underlying.</p> <p>[Fees [are] [may be] payable by the Issuer to the [Dealer[s]] [Manager[s]] acting as underwriter(s) of issues of the [Notes][Warrants].]</p> <p>[[Save as disclosed above, no] [No] person involved in the issue of the [Notes][Warrants] has an interest material to the issue.] [The following additional interest(s) are material to issues of the [Notes][Warrants]: [].]</p>
E.7	Estimated expenses charged to the investor by the Issuer or the offeror:	Not Applicable. The prospectus has been prepared solely in connection with the admission of Notes and Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Notes or the Warrants and expenses in respect of the listing of Notes and Warrants are not charged directly by the Issuer or Dealer(s) to the investor.

SECTION I.2 - RISK FACTORS

This section provides details of the principal risks associated with the Issuer and the Notes and Warrants.

*Any investment in the Notes and Warrants is subject to a number of risks. Prior to investing in the Notes and Warrants, investors should carefully consider risk factors associated with any investment in the Notes and Warrants, the business of the Issuer and the industry in which it operates together with all other information contained in this Base Prospectus, including, in particular the risk factors described below and the risk factors set out in the registration document of the Issuer dated 28 April 2014 (the "**Registration Document**"), incorporated by reference. The Issuer considers such risk factors to be the principal risk factors that may affect the Issuer's obligations under the Notes and Warrants and/or risk factors that are material for the purposes of assessing the market risk associated with the Notes and Warrants. Words and expressions defined in the Conditions or elsewhere in this Base Prospectus have the same meanings in this section.*

Investors should note that the risks relating to the Issuer, the industry in which it operates and the Notes and Warrants summarised in the section of this Base Prospectus headed "Summary" are the risks that the Issuer believes to be those key to an assessment by an investor of whether to consider an investment in the Notes and Warrants. However, as the risks which the Notes and Warrants are subject to and which the Issuer faces relate to events and depend on circumstances that may or may not occur in the future, investors should consider not only the information on the key risks summarised in the section of this Base Prospectus headed "Summary" (and set out in more detail below) but also, among other things, the other risks and uncertainties described below.

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

Risks relating to the Bank

A description of the risk factors relating to the Issuer that may affect the ability of the Issuer to fulfil its obligations under the Warrants and/or the Notes are set out in (i) the section entitled "*Risk Factors*" on pages 3 to 20 of the Registration Document (as defined in the section headed "*Incorporation by Reference*" below) and (ii) the sections entitled "*Principal Risks and Uncertainties*" on pages 7 to 11, "*Areas of Special Interest*" on pages 12 to 13, "*Regulation and Supervision*" on pages 13 to 14 and "*Legal proceedings, investigations and regulatory matters*" on pages 44 to 49, in each case, of the Unaudited Consolidated Interim Report (as defined in the section headed "*Incorporation by Reference*" below).

Risks relating to the Warrants

Guidance note in respect of this Risk Factors section

This Risk Factors section is divided into a number of sub-sections.

Details of these sub-sections are set out in the table below, alongside an indication of which Risk Factors are applicable to a particular issue of Notes and Warrants.

<i>Name of sub-section</i>	<i>Applicable to</i>	<i>Explanation</i>
(1) Risks applicable to all issues of Notes and Warrants	All Notes and Warrants.	This sub-section will be relevant for all issues of Notes and Warrants, as it details the risk factors which the Issuer deems to

Part I – Information Relating to the Programme Generally
Section I.2 – Risk Factors

<i>Name of sub-section</i>	<i>Applicable to</i>	<i>Explanation</i>
		be material in respect of all Notes and Warrants. <i>In addition, risk factors from the following sub-sections may be relevant to an issue of Notes or Warrants.</i>
(2) Risks relating to taxation of the Notes and Warrants	All Notes and Warrants.	This sub-section sets out certain withholding tax risks which may apply to issues of Notes and Warrants.
(3) Risks relating to the Notes	Notes only (not Warrants).	In some respects, the Notes and Warrants entail different risks from one another on account of the difference in the nature of Notes and Warrants and in their terms.
(4) Risks relating to the Warrants	Warrants only (not Notes).	
(5) Specific risk factors relating to Underlying Equity-Linked Notes and Warrants	Underlying Equity-Linked Notes and Underlying Equity-Linked Warrants.	Notes and Warrants will be linked to one security or a basket of securities (" Underlying Equity-Linked Notes " or " Underlying Equity-Linked Warrants ").
(6) Specific risks relating to Notes and Warrants linked to Underlyings tied to emerging markets	Notes and Warrants linked to Underlyings which are: <ul style="list-style-type: none"> • listed in an emerging markets country; and/or • issued by an entity incorporated in an emerging markets country. 	This section will only be relevant for Notes and Warrants which relate to Underlyings tied to emerging market countries.
(7) Specific risks relating to Notes and Warrants linked to Underlyings denominated in Offshore RMB and traded outside the PRC and Notes and Warrants settled in Offshore RMB outside the PRC	Notes and Warrants denominated in Offshore RMB or linked to Underlyings denominated in Offshore RMB and/or settled in Offshore RMB only.	This section details risks associated with Offshore RMB and will only be applicable where the Underlyings to which the Note or Warrant is linked is Offshore RMB or where the Settlement Currency of Notes and Warrants is denominated in Offshore RMB and/or where the Notes and Warrants are settled in Offshore RMB.
(8) Country-specific risks relating to Notes and Warrants	Notes and Warrants which link to Underlyings which are listed in or issued by entities incorporated in or comprised of underlying assets listed in or issued by entities incorporated in the PRC.	This sub-section discusses additional risk factors for the PRC which is the jurisdiction of the Underlying to which the Notes and Warrants are linked. The risk factors described in this section may give further detail on the risks identified in the section entitled " <i>Risks applicable to all issues of Notes and</i>

<i>Name of sub-section</i>	<i>Applicable to</i>	<i>Explanation</i>
		<i>Warrants".</i>

(1) Risks applicable to all issues of Notes and Warrants

The Issuer may issue Notes and Warrants linked to equity or debt securities issued by entities in one or more jurisdictions. A number of these Notes or Warrants may have features which contain particular risks for investors. Set out below is a description of the principal risks that should be taken into consideration by investors in Notes or Warrants.

Credit risk

The Notes and Warrants are direct, unsubordinated and unsecured obligations of the Issuer and not of any other person. If the Issuer's financial position were to deteriorate, there could be a risk that the Issuer would not be able to meet its obligations under the Notes and Warrants (the Issuer's credit risk). If the Issuer were insolvent or defaulted on its obligations under the Notes and Warrants, in the worst case scenario, investors in the Notes and Warrants could lose all of their invested amounts.

Investors should be aware that 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. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

The Notes and Warrants are unsecured obligations

It will be particularly important for the investor to evaluate the Issuer's credit risk when considering an investment in the Notes and Warrants as the Notes and Warrants are unsecured and so the investor would not have recourse to any Underlying or any other security/collateral. If the Issuer became unable to pay amounts owed to the investor under the Notes and Warrants, such investor does not have recourse to any Underlying or any other security/collateral and, in a worst case scenario, may not receive any payments under the Notes or Warrants.

The Notes and Warrants are not ordinary debt securities

The terms of the Notes and Warrants differ from those of ordinary debt securities and an investment in the Notes and Warrants is not equivalent to an investment in a time deposit. Notes and Warrants do not pay any interest and are not covered by the UK Financial Services Compensation Scheme.

The repayment of any amount invested in Notes and Warrants and any return on investment is variable and not guaranteed. Unlike a savings account or similar investment with a lower return and little or no capital risk, Notes and Warrants may potentially have a greater return but there is a greater risk of loss of capital.

This is because the Notes and Warrants are designed to track the price of the Underlying. The value of the Underlying can alter sharply because it reflects the performance of general stock and other market conditions. Therefore, there is a risk that, if the Underlying does not move in the anticipated direction, the Notes and Warrants may return less than the amount invested or, in a worst case scenario, nothing. In such circumstances, investors could lose their entire invested amount. In addition, investors should note that there is a risk that if the issuer of the Underlying becomes insolvent, the value of such Underlying will become zero. As a result thereof the value of the Notes and Warrants will be adversely affected and in a worst case scenario become zero as well. Investors in the Notes and Warrants would then lose all of their invested amounts.

Payments under the Notes or Warrants may be delayed

Payments to Noteholders and Warrantholders calculated by reference to the price of hedging arrangements (which may include disposal of the Underlying) will not be due unless or until the proceeds of disposal would have been received by a China Connect Investor (as defined below in the sub-section of the Risk Factors entitled "(8) Country-specific risks relating to Notes and Warrants" under the heading "People's Republic of China – Market Access"), and so there is a risk that limitations on the importation and withdrawal of funds may lead to potential delays or the non-receipt of funds. If China Connect

Investors become unable to invest directly in or hold Underlyings in the Reference Jurisdiction (as defined below) or they are not allowed to sell or receive proceeds from the sale of such Underlyings, then the Notes and Warrants may, in the worst case, become worthless.

No ownership rights

An investment in Notes or Warrants relating to an Underlying is not the same as an investment in an Underlying and does not provide a holder of Notes or Warrants with any of the rights that a holder of an Underlying may have (such as voting rights and rights to receive dividends).

Suspension of Issuer's Payment Obligation

The Issuer's obligation to make payments in respect of Notes and Warrants may be suspended so long as dealings in the relevant Underlying and related hedging transaction are or are wholly to be prevented, delayed or restricted by the closure of a relevant exchange or the suspension of trading or the occurrence of other circumstances, or if any circumstances arise which adversely affect the ability to carry out foreign exchange transactions or currency transfers. In the event of such suspension, Noteholders or Warrantholders will not be entitled to any interest or other compensation in respect of the suspension.

There may be no active trading market or secondary market liquidity for the Notes or Warrants

Any Series of Notes or Warrants 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). Accordingly, the investor is subject to the risk that its investment in the Notes or Warrants may be difficult or impossible to trade.

It is not possible to predict whether any trading market for the Notes and Warrants will develop or, if it does, the price at which Notes and Warrants will trade in the secondary market or whether such market will be liquid or illiquid. If any Notes and Warrants are not listed or traded on any exchange, pricing information for the Notes and Warrants may be more difficult to obtain and the liquidity of the Notes and Warrants may be adversely affected. Also, to the extent that Notes are redeemed or purchased and cancelled or Warrants are exercised or purchased and cancelled, the number of Notes or Warrants outstanding will decrease, resulting in a potential lessening of the liquidity of the Notes and Warrants. A lessening of the liquidity of the Notes and Warrants may cause, in turn, an increase in the volatility associated with the price of the Notes and Warrants. An investor in the Notes or Warrants is subject to the risk, therefore, that to the extent that there is no liquid market in the Notes and Warrants, an investor may have to wait until redemption of such Notes or 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 it may have to bear the economic risk of an investment in the Notes or Warrants until the maturity date of the Notes or until it is able to exercise such Warrants or, if he is able to sell the Notes or Warrants prior to the redemption date of the Notes, or the expiry or exercise date of the Warrants, the return received may be substantially less than the issue price or acquisition price of the Notes or Warrants, as the case may be. Notwithstanding the foregoing, the Issuer may issue Notes and Warrants which provide for certain circumstances where the Issuer and/or Dealer may buy back such Notes and Warrants from the Noteholders and Warrantholders, as the case may be.

Certain factors affecting the value and trading price of Notes and Warrants

The value of Notes and Warrants prior to expiry or maturity (as applicable) is expected to depend on a number of factors: (i) the trading price of the Notes and Warrants, (ii) the value and volatility of the Underlying, (iii) the time remaining to expiration, (iv) any change(s) in interim interest rates and dividend yields, (v) any change(s) in currency exchange rates, (vi) market conditions or liquidity of the Underlying and (vii) any related transaction costs. As a result of these factors the price at which a Noteholder or Warrantholder may be able to sell the Notes or Warrants prior to maturity or expiry (as applicable) may be less than the initial amount invested in the Notes or Warrants. Each of these factors interrelate in complex ways (for example, one factor may offset an increase in the trading value of the Notes or Warrants caused by another factor). Investors are subject to the risk that the value of Notes or Warrants may be adversely affected by one or more of the following factors:

- (a) *Fluctuations in the value of Underlyings*

Fluctuations in the price and/or value of the Underlying may affect the value of the Notes or Warrants. The price and/or value of the relevant Underlying may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro-economic factors and speculation.

(b) *Interest rates*

Changes in interest rates may affect the economy of a country in which the Underlying is traded, and which may adversely affect the value of the Notes and Warrants.

(c) *Dividend rates*

An investor in the Notes and Warrants is subject to the risk that changes in dividend or other distribution rates on the Underlying may adversely affect the trading value of the Notes and Warrants.

(d) *Value of baskets*

The value of a basket of debt or equity to which any Notes and Warrants relate may be affected by the number and type of Underlying included in such basket. Investors in the Notes and Warrants are subject to the risk that other risks relating to Underlyings which adversely affect the value of the Notes and Warrants will be exacerbated due to the number of and/or type of Underlyings in a basket.

If a particular Underlying, or a basket of Underlyings relate to companies which are all in or connected with a particular industry, the value of such basket will be affected to a greater extent by the economic, financial and other factors affecting that industry than if the Underlyings 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.

(e) *Currency rates*

Rising quoted currency rates (expressed as the number of units in the Settlement Currency per 1 unit of local currency) may lower the value of the Notes and Warrants. Changes in currency rates may also affect the economy of a country in which the Underlying is traded, and which may adversely affect the value of the Notes and Warrants.

Pricing

As part of the valuation mechanism, the Notes and Warrants may specify a time and an exchange or other venue in which the value of the Underlyings are to be observed. Depending on how the value of the Underlying is calculated, the value of such Underlying may fluctuate throughout the trading day, and they may change rapidly. As a result, investors should note that return on any Notes and Warrants may be particularly sensitive to the choice of valuation times and valuation methods. The "price discovery" mechanism used to ascertain the value of the Underlying at any given time on exchanges or other venues may not be uniform throughout the trading day. This may affect the valuation of any issuance of Notes and Warrants. For example, exchanges may conduct auctions to set an opening or closing price, and trading characteristics and participants in after-hours trading sessions may differ from those during regular hour sessions.

Potential conflicts of interests

The Issuer or its affiliates may from time to time (i) advise the issuers of or obligors in respect of Underlyings regarding transactions to be entered into by them; (ii) engage in transactions involving Underlyings for their proprietary accounts and for other accounts under their management; (iii) carry out hedging activities related to the Notes and Warrants by purchasing Underlyings; or (iv) publish, research reports relating to certain Underlyings or to the issuers of certain such Underlyings. Any such activities may have a negative effect on the value of such Underlyings and therefore on the value of any Notes and Warrants to which they relate.

Certain affiliates of the Issuer or the Issuer itself may (i) be the counterparty to the hedge of the Issuer's obligations under an issue of Notes or Warrants; (ii) be the Calculation Agent responsible for making

determinations and calculations in connection with the Notes and Warrants in its sole and absolute discretion acting in good faith; or (iii) publish research reports which express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes and Warrants referencing the Underlyings. Accordingly, there is a risk that 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 Noteholders and Warrantholders.

Calculation Agent's discretion and valuation

The determination of the Final Redemption Amount, Cash Settlement Amount, Supplementary Amount and/or the Additional Payment will be made by the Calculation Agent in its sole and absolute discretion acting in good faith with reference to the corresponding amounts under any relevant underlying hedge transactions as it deems appropriate. The Calculation Agent will also determine in certain circumstances the effect on the Notes and Warrants of restrictions and controls imposed on investors in Underlyings and the consequences for the Notes and Warrants which includes adjustments to the terms of the Notes and Warrants or redemption or termination (as applicable) of the Notes and Warrants at an amount which in the opinion of the Calculation Agent is fair. Accordingly, an investor in the Notes and Warrants is subject to the risk that the calculation of payment and other determinations under the Notes and Warrants are conclusively determined by one party which may be the Issuer itself or its affiliates and the investor cannot object to such calculation or determination.

The Calculation Agent may be permitted to use its proprietary models in setting the terms of an adjustment, and it may be difficult for investors to predict the resulting adjustments in advance. In such case, an investor would be subject to the risk that it would be difficult to verify that adjustments made to payments under the Notes and Warrants are legitimate and consistent with the terms of an issue of Notes and Warrants without expertise in applying valuation models.

Commission and cost of hedging

The original issue price of the Notes or Warrants includes the commission or fee charged by the Issuer and/or the Dealers and/or the Managers and/or their affiliates and the cost or expected cost of hedging the Issuer's obligations under the Notes and Warrants and may include a distribution fee payable to the distributor of the Notes and Warrants. Accordingly, there is a risk that, upon issue, the price, if any, at which the Issuer, the Dealers, the Managers or their affiliates would be willing to purchase Notes or Warrants from the investor in the secondary market would be lower than the original issue price or the market price, as applicable, of the Underlying. Such fee, commission and cost of hedging may also be deducted from the Final Redemption Amount payable on maturity or other redemption of the Notes or the Cash Settlement Amount payable on expiry or upon exercise of the Warrants. In addition, any such prices may differ from values determined by pricing models used by the Issuer, the Managers or their affiliates as a result of such compensation or other transaction costs.

Timing issues concerning dividend or coupon payments

Investors who own the Underlying Security-Linked Notes or Underlying Security-Linked Warrants immediately prior to the ex-dividend/coupon date may become entitled to receive an Additional Payment reflecting the dividend or coupon under the Underlyings that are shares or bonds. However, the amount paid to the investors in the Notes and Warrants could be lower than the relevant dividend or coupon paid by the issuer of the relevant Underlying as the amount payable to Noteholders and Warrantholders will be the net dividend or coupon amount after conversion of such amount from the currency in which it was paid into the relevant Settlement Currency (as referred to in the applicable Final Terms) and after the deduction of all costs, expenses, fees, levies, taxes, duties and other similar charges incurred or which the Calculation Agent considers may potentially be incurred in connection therewith, as determined by the Issuer in its sole and absolute discretion.

Disclosure of beneficial ownership

An investor might be treated as the beneficial holder of Underlyings to which its Notes or Warrants relate. Consequently, depending on the size of an investor's exposure to the Underlyings, an investor in the Notes or Warrants is subject to the risk that it (or the Issuer/its affiliates) may be required by laws, regulations, rules, guidelines or other administrative practice in the Reference Jurisdiction, where "**Reference Jurisdiction**" means the jurisdiction of the listing or quotation system on which any

Reference Asset or any security underlying a Reference Asset is principally listed or quoted (or of the exchange or quotation system indicated as the "Exchange" in the relevant Final Terms), or the jurisdiction in which the Issuer and/or its affiliates are incorporated or domiciled to provide information regarding the beneficial holder and the Notes or Warrants to any governmental or regulatory authority in the Reference Jurisdiction or the jurisdiction in which the Issuer and/or its affiliates are incorporated or domiciled. The Issuer and its affiliates reserve the right to request further information regarding the investor and the Notes or Warrants from the investor in order to comply with such disclosure requirements.

Exchange rate risks and exchange controls

The Issuer will generally pay amounts in respect of the Notes and Warrants in the Settlement Currency (as referred to in the relevant Final Terms). As a result thereof there are various potential exchange rate risks that investors in the Notes and Warrants need to consider.

Investor converting amounts paid in Settlement Currency into the Investor's Currency

If an investor anticipates that it will need to convert payments made under the Notes and Warrants from the Settlement Currency into a currency of its choice (the "**Investor's Currency**") (for instance, if other obligations of the investor are payable in the Investor's Currency), then the investor is subject to the risk that the currency conversion rate which it must pay for exchanging the Settlement Currency into the Investor's Currency becomes less attractive and therefore decreases the realisable value of its investment.

An appreciation in the value of the Investor's Currency relative to the Settlement Currency at any time would decrease (i) the value any redemption or exercise amount payable to the investor and (ii) the market value of the Notes and Warrants, in each case where converted into the Investor's Currency at that time. As a result, the amount that the investors receive in respect of the Notes and Warrants, as converted, may be less than expected or zero.

Issuer converting amounts received in Underlying Currency into the Settlement Currency

Equally, the investor bears a currency conversion risk where the Underlying Currency (in which the Underlying is principally denominated, as specified in the applicable Final Terms), is a currency other than the Settlement Currency. This is because, in order for the Issuer to make payments of the Final Redemption Amount, Cash Settlement Amount, Supplementary Amount and/or any relevant Additional Payment in respect of the Notes, it will need to convert the amounts it receives in respect of the underlying assets (or components of the same) (denominated in the Underlying Currency) into the Settlement Currency. The investor will pay the currency conversion costs and associated costs as a deduction from the Final Redemption Amount or Cash Settlement Amount payable at maturity or at expiry or upon exercise and therefore is subject to the risk that the rate applicable between the two currencies and/or associated costs becomes less attractive and therefore decreases the value of the investment in the Notes and Warrants.

In addition, where the Underlying Currency needs to be converted into another currency (e.g. USD) before conversion into the Settlement Currency, the associated multiple currency conversion costs (including, without limitation, bid/offer spreads and operating expenses) would be passed on to investors, thus reducing the amounts payable under such Notes and Warrants.

Exchange control risks

Investors in Notes and Warrants should also be aware that there is the risk that authorities with jurisdiction over the Investor's Currency, Settlement 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 or transfer of funds in and out of the country. It is impossible to predict whether the value of one such currency relative to another will rise or fall during the term of the Notes or Warrants. The Issuer may also suspend its obligations to make any payment under any Notes and Warrants if and for as long as such exchange controls have occurred and are continuing. Noteholders and Warrant holders shall not be entitled to any interest or other compensation in respect of any such suspension.

Alternative Payment Currency Risk

If "Payment of Alternative Payment Currency Equivalent" is specified as applicable in the relevant Final Terms, an investor is subject to the risk that payments in respect of such Notes or Warrants will be made in the Alternative Payment Currency specified in the relevant Final Terms instead of the Settlement Currency. To the extent the Issuer is not able, or it is impracticable for it, to satisfy its obligation to pay the Final Redemption Amount, Cash Settlement Amount, Additional Payments and/or Supplementary Amounts (if applicable) as a result of Inconvertibility, Non-transferability or Illiquidity (each, as defined in the Conditions), the Issuer shall be entitled to settle any such payment in the Alternative Payment Currency specified in the relevant Final Terms on the due date at the Alternative Payment Currency Equivalent (as defined in the Conditions) of any such Final Redemption Amount, Cash Settlement Amount, Additional Payments and/or Supplementary Amounts (if applicable). In this case, the risk factors in the section entitled "(1) Risks applicable to all issues of Notes and Warrants - Exchange rate risks and exchange controls" would apply as if the relevant Alternative Payment Currency were the Settlement Currency.

Market Disruption Events

Investors in the Notes and Warrants are subject to the risk that a Market Disruption Event will occur. A Market Disruption Event may occur in respect of Notes or Warrants if, in respect of a relevant stock exchange or the China Connect Service as determined by the Calculation Agent: there is an early closure without notice; limitations are imposed on trading; trading is suspended; or market participants are prevented from obtaining valuations or effecting transactions.

If the Calculation Agent determines that a Market Disruption Event has occurred, any consequential postponement of or adjustment of valuation provided in any Notes or Warrants may have an adverse effect on the value of such Notes and Warrants.

Inconvertibility, Non-transferability or Illiquidity

Notes and Warrants which are payable in an emerging market currency may provide that, if the Settlement Currency is not available at or about the time when a payment is due to be made under the Notes or Warrants (as applicable) or it is impracticable for the Issuer to satisfy its obligations to pay any amounts due under the Notes or Warrants (as applicable) because of circumstances beyond the control of the Issuer, then the Issuer is entitled to make the payments in an Alternative Payment Currency. These circumstances could include the imposition of exchange controls or a disruption in the currency market which prevents the Issuer from obtaining the Settlement Currency.

Additional Disruption Events

Investors should note that Additional Disruption Events may occur in relation to the relevant Notes and Warrants in certain circumstances described in the Conditions. If any Additional Disruption Event occurs in relation to the relevant Notes and Warrants, the Issuer may, at its sole and absolute discretion, declare a redemption date in respect of the Notes or a termination date in respect of the Warrants (as applicable) and the Noteholders or Warrantholders will receive an early redemption amount or early termination amount (as applicable) based on the determinations made by the Calculation Agent.

Investors should note that certain Additional Disruption Events such as Change in Law, Hedging Disruption Event, Increased Cost of Hedging, Insolvency Filing, Currency Event, China Connect Share Disqualification and China Connect Service Termination may be specified to be applicable in the relevant Final Terms:

- "Change in Law" may occur where the Issuer determines it will or has become illegal for it to hedge its obligations under the Notes and Warrants or where the Issuer or its designated affiliates would incur materially increased costs in performing its obligations under the Notes and Warrants, each due to a change in law;
- "Hedging Disruption" may occur if the Issuer or its affiliates become unable to hedge or would suffer material delay in conducting any hedging transactions relating to the Notes and Warrants;

- "Increased Cost of Hedging" may occur where the Issuer would incur a materially increased cost, other than as a consequence of deterioration in its own creditworthiness, in hedging its obligations under the Notes and Warrants;
- "Insolvency Filing" may occur where the issuer of an Underlying institutes or has instituted against it insolvency, bankruptcy or winding-up proceedings or proceedings for relief under similar laws;
- "China Connect Share Disqualification" may occur where the Underlying Securities cease to be accepted as "China Connect Securities" (as defined in the rules of The Stock Exchange of Hong Kong ("SEHK")) for the purpose of the China Connect Service; and
- "China Connect Service Termination" may occur where one or more of the China Connect Market, SEHK, the China Securities Depository and Clearing Corporation, Hong Kong Securities Clearing Company Limited or any regulatory authority with competent jurisdiction permanently suspends or terminates the China Connect Service or a part thereof for any reason which materially affects the routing of orders in respect of, or holding of, the Underlying Securities through the China Connect Service.

Investors in Underlying Security-Linked Notes and Warrants should also be aware that further Additional Disruption Events such as Currency Event, Security Redemption and Underlying Company Default may be specified to be applicable in the relevant Final Terms:

- "Currency Event" may occur where, in the opinion of the Calculation Agent, the Issuer or its designated affiliates are prevented, hindered, limited or restricted in their ability to convert the Underlying Currency into the Settlement Currency, deliver the Settlement Currency or Reference Currency or realise the value of an underlying hedge as a result of an event or condition; where the Calculation Agent determines that the imposition of capital controls will materially affect the ability of the Issuer or its designated affiliates in conducting any hedging transactions relating to the Notes and Warrants; or where the Settlement Currency is unavailable in the Reference Jurisdiction;
- "Security Redemption" may occur when an Underlying Security is redeemed, terminated or cancelled, in whole or in part, on or prior to its stated maturity; and
- "Underlying Company Default" may occur when an Underlying Company defaults on its obligations in respect of the Underlying Security.

Upon the occurrence of the declaration of such a redemption date or termination date prior to the originally scheduled redemption or maturity dates of the relevant Notes or early termination prior to the Exercise Dates or Expiry Date of the relevant Warrants, Noteholders, or as the case may be, Warrantholders may suffer a loss of some or of all of their investment and will forgo any future appreciation in the relevant Underlying that may occur following such redemption.

Illegality

Investors in the Notes and Warrants are subject to the risk that if the Calculation Agent determines in its sole and absolute discretion acting in good faith that the performance of the Issuer's obligations under any Notes or Warrants (or the Issuer's or the Issuer's designated affiliates' obligations under any hedging or funding arrangement established in connection therewith) shall have become unlawful or impracticable in whole or in part. Following such illegality event, the Issuer may redeem the Notes or terminate its obligations under the Warrants against payment of an amount determined by the Calculation Agent representing the Fair Market Value of such Note or Warrant immediately prior to such redemption or termination, as the case may be, (adjusted to account fully for any reasonable expenses and costs incurred by the Issuer and/or its designated affiliates in connection with the Issuer's obligations under the Notes or Warrants or any related hedging or funding arrangements as a result of such events). Noteholders and Warrantholders may suffer a loss of some or all of their investment as a result of such early redemption or termination (as applicable). Also, if the Notes or Warrants are to be redeemed or terminated (as applicable), the Noteholders or Warrantholders will forgo any future appreciation in the relevant Underlying.

Actions or omissions of the issuer of the securities or others

There is a risk that actions or omissions of the issuer of securities to which the Notes and Warrants relate or others outside the control of the Issuer may adversely affect the rights of the Noteholders and Warrantholders and/or the value of the Notes and Warrants (for instance, if the issuer of an Underlying were to amend the rights under the securities by amendment of its constitutive documents). There is a risk that such actions may give rise to an adjustment to, or early redemption or termination of, the Notes or an adjustment to, or early termination of, the Warrants (as applicable).

Change of Law

The Conditions are based on English law and United Kingdom tax law in effect as at the date of this Base Prospectus. There is a risk that the interpretation and/or effect of the Conditions may be subject to change in such a manner as to adversely affect the contractual rights of holders of the Notes and Warrants. The value of the Notes and Warrants may also be affected by changes in the laws of the Reference Jurisdiction of the Underlyings. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice or the law or administrative practice of the Reference Jurisdiction after the date of this Base Prospectus.

Certain considerations regarding hedging

Investors intending to invest in the Notes or Warrants to hedge against the market risk associated with investing in an Underlying should recognise that there is a risk that the value of the Notes or Warrants may not exactly correlate with the value of the Underlying to which they relate. This is, in part, due to fluctuating supply and demand for the Notes or Warrants and any transaction and other costs reflected in the value of the Notes or Warrants. For these reasons, among others, it may not be possible to purchase or liquidate Notes or Warrants at the prices used to calculate the value of any relevant Underlying to which such Notes or Warrants relate. Accordingly, investors who invest in Notes and Warrants as a means of hedging may be exposed to risks arising out of such differences in value.

Modification and substitution

Investors in the Notes and Warrants are subject to the risk that the Conditions may be modified without the consent of any Noteholders or Warrantholders where the Issuer determines that:

- the modification is not materially prejudicial to the interests of the Noteholders or Warrantholders as a whole; or
- where the modification of the Notes or Warrants is of a formal, minor or technical nature or is made to correct a manifest error or comply with mandatory provisions of the law of the Issuer's jurisdiction of incorporation; or
- where the Conditions are inconsistent with the termsheet relating to the relevant Notes or Warrants.

There is a commercial risk that the obligations of the Noteholder or Warrantholders will be owed by a principal debtor other than the Issuer. The Notes and Warrants permit the substitution of an affiliate of the Issuer as principal debtor in respect of the Notes and Warrants without the consent of any Noteholder, provided that the Issuer provides a guarantee.

Clearing systems

Notes and Warrants may be held by or on behalf of Euroclear and/or Clearstream, Luxembourg or DTC, as the case may be. While the Notes and Warrants are represented by a global Note or Warrant, investors will be able to trade their interests only through Euroclear and Clearstream, Luxembourg or DTC, as the case may be. Therefore, investors will have to rely on the procedures of such clearing systems for transfer, payment and communication with the Issuer to receive payments under the Notes or Warrants and for redemption of the Notes or exercise of the Warrants and investors in the Notes and Warrants are therefore subject to the risk of those settlement procedures failing such that payments due under the Notes or Warrants may be delayed and that book entries in the register are entered incorrectly which may lead to difficulties with an investor asserting ownership of its Notes or Warrants.

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

European Resolution Regime

A directive providing for the establishment of a European-wide framework for the recovery and resolution of credit institutions and investment firms (the "**RRD**") entered into force on 2 July 2014. Certain provisions of the RRD may also apply to holding companies of credit institutions and investment firms. The stated aim of the RRD is to provide supervisory authorities, including the relevant UK resolution authority, with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The powers to be granted to supervisory authorities under the RRD include (but are not limited to) a "write down and conversion of capital instruments" power and a "bail-in" power.

The write down and conversion of capital instruments power may be used where the relevant UK resolution authority has determined that the institution concerned has reached the point of non-viability. It may be used before resolution has commenced, and must be used before the bail-in power is used. Any write down effected using this power must reflect the insolvency priority of the written down claims – thus common equity must be written off in full before subordinated debt is affected. Where the write down and conversion of capital instruments power is used, the write down is permanent and investors receive no compensation (save that common equity tier 1 instruments may be required to be issued to holders of written down instruments). The write down and conversion of capital instruments power is not subject to the "no creditor worse off" safeguard.

The bail-in power will give the relevant UK resolution authority the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Notes and/or Warrants) of a failing financial institution or its holding company, and/or to convert certain debt claims (which could be amounts payable under the Notes and/or Warrants) into another security, including ordinary shares of the surviving entity, if any. The RRD provides that the relevant UK resolution authority must apply the "bail-in" power in accordance with a specified preference order which differs from the ordinary insolvency order. In particular, the RRD requires the relevant UK resolution authority to write down or convert debts in the following order: (i) additional tier 1, (ii) tier 2, (iii) other subordinated claims and (iv) eligible senior claims.

The RRD contemplates that the majority of measures (including the write-down and conversion of capital instruments power) will be implemented with effect from 1 January 2015, with the bail-in power required to be implemented before 1 January 2016. However, as discussed under "*Banking Act*" below, HM Treasury has indicated that it intends to introduce the bail-in power as from 1 January 2015.

Although the exercise of the bail-in power under the RRD is subject to certain pre-conditions, there remains uncertainty regarding the specific factors (including, but not limited to, factors outside the control of the Issuer or not directly related to the Issuer) which the relevant UK resolution authority would consider in deciding whether to exercise such power with respect to the Issuer and its securities (including the Notes and Warrants). Moreover, as the relevant UK resolution authority may have considerable discretion in relation to how and when it may exercise such power, holders of the Issuer's securities (including the Notes and Warrants) may not be able to refer to publicly available criteria in order to anticipate a potential exercise of such power and consequently its potential effect on the Issuer and its securities (including the Notes and Warrants).

As well as a "write-down and conversion of capital instruments" power and a "bail-in" power, the powers currently proposed to be granted to the relevant UK resolution authority under the RRD include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge institution" (an entity created for such purpose that is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to a bridge institution or one or more asset management vehicles to allow them to be managed with a view to maximising their value through

eventual sale or orderly wind-down. In addition, the RRD proposes, among the broader powers proposed to be granted to the relevant UK resolution authority, to provide powers to the UK resolution authority to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments and/or discontinuing the listing and admission to trading of debt instruments.

There remains significant uncertainty regarding the ultimate nature and scope of these powers and, if ever implemented, how they would (if exercised) affect the Issuer and its securities (including the Notes and Warrants). Accordingly, it is not yet possible to assess the full impact of the RRD on the Issuer and on holders of its securities (including the Notes and Warrants), and there can be no assurance that, the manner in which it is implemented or the taking of any actions by the relevant UK resolution authority currently contemplated in the RRD would not materially adversely affect the rights of holders of the Notes and/or Warrants, the market value of an investment in the Notes and/or Warrants and/or the Issuer's ability to satisfy its obligations under the Notes and/or Warrants.

Article 518 of Regulation (EU) No. 575/2013 (the "**CRD IV Regulation**") (which supplements the EU Capital Requirements Directive ("**CRD IV**")) states that if the RRD is not adopted by 31 December 2015, the European Commission should review and report whether the CRD IV Regulation should be amended so as to include write-down and conversion of capital instruments powers to ensure that relevant capital instruments fully absorb losses at the point of non-viability of the issuing institution and before any other resolution action is taken. This means that even if the RRD does not take effect, there is a strong possibility that powers equivalent to the "write-down and conversion of capital instruments" power described above could be brought into force in any event through this mechanism.

The powers which the RRD requires to be conferred on the UK resolution authorities (including especially the write-down and conversion of capital instruments power and the bail-in power) could, therefore, materially adversely affect the market value of all of the securities then in issue by the Issuer (including the Notes and Warrants), and could lead to the holders of those securities (including the Notes and Warrants) losing some or all of their investment. Moreover, trading behaviour, including prices and volatility, may be affected by the use or any suggestion of the use of these powers. As a result, in such circumstances, the Notes and Warrants are not necessarily expected to follow the trading behaviour associated with other types of securities.

Banking Act

The Issuer could be made subject to the special resolution regime under the Banking Act 2009 (the "**Banking Act**") which gives wide powers in respect of UK banks and their parent and other group companies to HM Treasury, the Bank of England, the Prudential Regulation Authority and the FCA in circumstances where a UK bank has encountered or is likely to encounter financial difficulties. These powers include powers to: (a) transfer all or some of the securities issued by a UK bank or its parent, or all or some of the property, rights and liabilities of a UK bank or its parent (which would include Notes and/or Warrants issued by the Issuer under the Programme), to a commercial purchaser or, in the case of securities, to HM Treasury or an HM Treasury nominee, or, in the case of property, rights or liabilities, to an entity owned by the Bank of England; (b) override any default provisions, contracts, or other agreements, including provisions that would otherwise allow a party to terminate a contract or accelerate the payment of an obligation; (c) commence certain new insolvency procedures in relation to a UK bank; and (d) override, vary or impose contractual obligations, for reasonable consideration, between a UK bank or its parent and its group undertakings (including undertakings which have ceased to be members of the group), in order to enable any transferee or successor bank of the UK bank to operate effectively. The Banking Act also gives power to HM Treasury to make further amendments to the law for the purpose of enabling it to use the special resolution regime powers effectively, potentially with retrospective effect.

The above powers could potentially be used in such a way as to result in Notes and/or Warrants absorbing losses in a manner similar to that described above in the discussion of the "bail-in" power under the RRD (see "*European Resolution Regime*" above).

In December 2013, the Financial Services (Banking Reform) Act (the "**Banking Reform Act**") received Royal Assent. The Banking Reform Act includes amendments to the Banking Act to add a bail-in option to the powers of the UK resolution authority. However, as of the date of this Base Prospectus, parts of the Banking Reform Act, including those relating to the bail-in option, have not yet come into force. In July

2014 HM Treasury published proposals for implementing the RRD in the United Kingdom in a consultation document (*Transposition of the Bank Recovery and Resolution Directive*), in which it announced that it does not propose to introduce the bail-in provisions of the Banking Reform Act in advance of the introduction of the RRD. Instead, the provisions will be amended to be consistent with the RRD save that they will take effect from 1 January 2015.

(2) Risks relating to taxation of the Notes and Warrants

UK stamp duty and stamp duty reserve tax in relation to Notes and Warrants

Transactions involving Notes and Warrants may be subject to United Kingdom stamp duty or stamp duty reserve tax, and are subject to the risk that instruments effecting or evidencing transfers of Notes and Warrants and executed in the United Kingdom may not be admissible in evidence in civil proceedings unless duly stamped. An instrument of transfer executed outside the United Kingdom is also subject to the risk that it may be inadmissible in United Kingdom civil proceedings unless duly stamped after it has been first received in the United Kingdom.

U.S. – FATCA Withholding

In certain circumstances payments made on or with respect to the Notes or Warrants after 31 December 2016 may be subject to U.S. withholding tax under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (commonly referred to as "**FATCA**").

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

Taxation issues concerning investment in Underlyings in the Reference Jurisdiction

Under the terms of the Notes and Warrants, the amount of a payment to the investor under the Notes and Warrants may be decreased to take into account the effect of taxes in the Reference Jurisdiction on an investment in the Underlyings.

In general, there is a risk that tax law or practice (including applicable double taxation treaties) will change in the future in any Reference Jurisdiction resulting in the imposition of or increase in tax on an investment in, or disposition of, Underlyings located in that Reference Jurisdiction.

The imposition of such taxes could:

- (i) decrease the following amounts payable:
 - (A) the Final Redemption Amount under the Notes; and/or
 - (B) the Cash Settlement Amount under the Warrants; and/or
 - (C) the amount of any Additional Payment under the Notes or Warrants; and/or

- (D) any Supplementary Amount under the Notes or Warrants; and/or
- (ii) impose a liability upon the Noteholder or Warrantholder or increase the liability that the Noteholder or Warrantholder has to pay any applicable stamp duty, documentary taxes and duties, transfer taxes, business taxes, value added taxes and other similar charges payable in connection with the subscription, purchase or redemption of the Notes or the purchase or exercise or termination.

The investor in the Notes and Warrants will be obliged to pay all taxes, duties and other similar charges payable in connection with the subscription, purchase, exercise or redemption of such Note or Warrant (as applicable) and the payment of the Final Redemption Amount and/or the Cash Settlement Amount and/or, if applicable, any Additional Payment and/or any Supplementary Amount. If taxes, duties and other similar charges would be payable by the Issuer or its designated affiliates in respect of Underlyings either because of holding the Underlying or because of a hedge or other arrangement which relate to the Notes and Warrants, the investor under the Notes and Warrants will be liable to reimburse the Issuer or its designated affiliates in respect of such tax irrespective of whether the Notes and Warrants have been redeemed or exercised.

In addition, there are risks of certain taxes, duties and other similar charges being imposed on an investment in, or disposition of, Notes and Warrants relating to China Connect Underlying, as described in the sub-section of the Risk Factors entitled "(8) Country-specific risks relating to Notes and Warrants" under the heading "*People's Republic of China – Taxation Issues*".

(3) Risks relating to the Notes

Notes may be redeemed prior to maturity

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of United Kingdom (or other country) imposed taxes, the Issuer may redeem all outstanding Notes in accordance with the Conditions. If the relevant Final Terms specify an early redemption amount equal to a percentage of the principal amount of the Notes or fair market value, the amount payable by the Issuer in such circumstances may be less than the amount invested in the Notes or what would have been received under the Notes if the Notes had not been so redeemed. The Noteholders will not benefit from any appreciation in value of the relevant Underlying that may occur following redemption.

Payments may be delayed or reduced upon the occurrence of an event of default

If the Calculation Agent determines that the Notes have become immediately due and payable following an Event of Default with respect to the Notes, investors may not be entitled to the entire principal amount of the Notes, but only to that portion of the principal amount specified in the relevant Final Terms or its Fair Market Value, if so specified in the relevant Final Terms as the Early Redemption Amount.

Meetings of Noteholders

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority, so investors in the Notes are subject to the risk that the Conditions may be modified without their consent.

(4) Risks relating to the Warrants

Limitations on exercise

If so indicated in the relevant 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.

(5) Specific risk factors relating to Underlying Equity-Linked Notes and Underlying Equity-Linked Warrants

Potential Adjustment Events

Investors in Underlying Equity-Linked Notes and Underlying Equity-Linked Warrants are subject to the risk that certain circumstances in respect of Underlyings occur (such as a subdivision, consolidation or reclassification of securities, a distribution of dividend or extraordinary dividend or any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Underlying). If the Calculation Agent determines that such circumstances have occurred, the Calculation Agent may make a corresponding adjustment(s) as it in its sole and absolute discretion acting in good faith determines to be appropriate, to the number of Underlyings to which each Underlying Equity-Linked Note or Underlying Equity-Linked Warrant relates and to any other redemption or exercise (as applicable), settlement, payment or other term of the relevant Underlying Equity-Linked Notes or Underlying Equity-Linked Warrants and determine the effective date(s) of such adjustment(s). In making such determinations, the Calculation Agent shall take into account any requirement, adjustment and/or limitation that may be imposed by the China Connect Service or any action or inaction by any one or more of the China Connect Market, SEHK, CSDCC and HKSCC in relation to such circumstances in respect of Securities held through the China Connect Service. As a result of such adjustments the value of the relevant Underlying Equity-Linked Notes or the Underlying Equity-Linked Warrants may be adversely affected and the Noteholders or Warrantheolders may suffer a loss of some or all of their investment as a result.

Extraordinary Events

There is a risk in respect of Underlying Equity-Linked Notes and Underlying Equity-Linked Warrants that certain events may occur in respect of Underlyings (such as a merger, a take-over or exchange offer, delisting, nationalisation or transfer to a governmental agency, the insolvency or bankruptcy of the issuer of the Underlying, or the disqualification of the Underlying as "China Connect Securities" for the purposes of the China Connect Service or the termination of the China Connect Service). If such an event has occurred, the Calculation Agent may take certain actions, such as adjusting certain terms of the Warrants or Notes or redeeming the Notes or exercising the Warrants, and Noteholders and/or Warrantheolders may suffer a loss of some or all of their investment as a result. In its determinations to adjust certain terms of the Warrants or Notes or to redeem the Notes or terminate the Warrants (as the case may be), the Calculation Agent shall take into account any requirement, adjustment and/or limitation that may be imposed by the China Connect Service or any action or inaction by any one or more of the China Connect Market, SEHK, CSDCC and HKSCC in relation to such events in respect of Securities held through the China Connect Service. If the Notes are to be redeemed or the Warrants are to be terminated, the Noteholders or Warrantheolders (as applicable) will forgo any future appreciation in the relevant Underlyings that may occur following such redemption or termination (as applicable).

Delisting or delay in allotment or listing of Underlying Securities

Certain Underlying Equity-Linked Notes and Underlying Equity Linked Warrants may be linked to Underlyings which are, at the Trade Date of such Notes or Warrants, not yet allotted or not yet listed on an exchange. The terms and conditions of the Notes or Warrants may specify that the exercise period only commences when a Notional Holder, had it entered into an agreement to purchase the Underlyings in respect of the Warrants on or around the Trade Date, would have received such Underlying, or, if later, the listing date of the Underlyings on the Exchange, as determined by the Calculation Agent. If the Calculation Agent determines that listing or trading of such Underlying has not commenced and will not commence in the foreseeable future prior to the Maturity Date of such Notes or the Expiry Date of such Warrants, then this may trigger an Extraordinary Event in relation to such Notes or Warrants, entitling the Issuer to terminate them. In such circumstances, the Issuer's obligations under the relevant Notes or Warrants will be satisfied in full upon payment of an amount determined by the Calculation Agent in accordance with the relevant terms and conditions. As a result, Noteholders and Warrantheolders may receive an amount which is less than the amount they could have received had they invested in a Note or Warrant linked to securities which were already listed on an exchange.

(6) Specific risks relating to Notes and Warrants linked to Underlyings tied to emerging markets

Notes and Warrants issued may relate to Underlyings which are located in an emerging market. Investors in such Notes and Warrants should be aware that these markets are subject to greater risks than well-developed markets. The price of the Underlyings which are linked to an emerging market country may therefore be volatile and investment in the Notes and Warrants will involve additional risks and special considerations not typically associated with investing in Notes and Warrants which are linked to other more established economies.

The Issuer considers the following risks to be material:

(a) *Settlement procedures*

Many emerging market countries have only recently developed organised securities markets, and the institutions on which they depend, with the result that the procedures for settlements, clearing and registration of securities transactions can give rise to technical and practical problems. In addition, since most emerging markets have civil law systems, which do not recognise a distinction between legal and beneficial ownership, it is not usually possible to use nominees (which may affect how interests in the Underlying are held) and the provision of custody services is a relatively novel practice in most emerging markets, and the controls put in place in more mature markets may not be available.

In the worst cases, the risk is that there will be disputes over the title to underlying securities which may cause a China Connect Investor not to receive the proceeds of a disposal of such Underlying, and in turn the Final Redemption Amount will not be due under the Notes or the Cash Settlement Amount will not be due under the Warrants. In other cases, inefficient systems may result in delayed payments on the Underlying, which may in turn delay payments under the Notes and Warrants.

(b) *Exchange controls and repatriation of profits*

Most emerging market countries operate exchange controls affecting the transfer of money in and out of the country and the convertibility of the local currency. Some countries also impose restrictions on the ability of foreign investors to repatriate profits or the proceeds of sale of their investments without an official permit. In some cases the currency is non-convertible although many currencies are "semi-convertible". An investor in the Notes and Warrants where the Underlyings are linked to an emerging market country are subject to the risk that, if the Underlying Currency of the Notes or Warrants ceases to be convertible into the Settlement Currency or becomes only semi-convertible, the Notes or Warrants may return less on redemption or exercise or expiry (as applicable) than the amount invested or nothing.

Moreover the value of investments in the Underlying can fluctuate significantly due to volatile exchange rates and high inflation. Emerging markets may experience higher volatility in their foreign exchange rate movements than other countries, and changes in the foreign exchange rates may have a negative impact on issuers of Underlyings whose businesses are heavily reliant on exports and, as a consequence, the general economic conditions in emerging market countries which are heavily reliant on exports. The risk for an investor in the Notes and Warrants is that the price of the Note or Warrant might be more volatile (as the amounts payable under the Note or Warrant are linked to the value of the Underlying) or that issuers of the Underlying will not perform at an expected level, which may cause payments due under the Notes or Warrants to be lower than expected.

(c) *Disclosure and information*

The level of disclosure of information relating to a company's business and ownership to shareholders, and to the stock exchange on which its shares are listed, is much less extensive in most emerging markets than in more sophisticated markets. Although many emerging markets now have insider dealing laws, it cannot be assumed that the regulatory authorities have both the ability and the will to enforce the legislation rigorously. Similarly, although money laundering

regulations have been introduced in some jurisdictions, their practical effect has yet to be assessed.

Accordingly, an investor in Notes and Warrants linked to an emerging market country are subject to the risk that information available on the Underlyings which might form the basis of its investment decision in respect of the Notes and Warrants may be of poorer quality than that available on Underlyings linked to well-developed markets and investors may not receive relevant information relating to the Underlyings at the same time as other market participants, which may cause price volatility and the market price of the Notes and Warrants may drop at a later point in time once all relevant information becomes available.

(d) ***Market liquidity and volatility***

The stock exchanges of emerging market countries are generally much smaller (in terms of market capitalisation, turnover, and number of stocks traded) and are still in a premature stage when compared to the well-developed markets. The likelihood of exchange or market disruption e.g. temporary exchange closures, broker defaults, settlement delays and broker strikes and disputes among listed companies, the stock exchanges and other regulatory bodies, could be higher than the well-developed markets. These disruptions could have adverse effect on the overall market sentiment and on the value of the Underlying. The capital markets of emerging market countries could be heavily influenced by government policies and a limited number of major shareholders. The governing bodies could from time to time impose restrictions on trading in certain securities, limitations on price movements and margin requirements. Such events in turn may affect overall market sentiment and lead to fluctuations in the market prices of the Underlying, thus adversely affecting the value of the Notes and Warrants.

Therefore, there is a risk that the trading price of such Notes and Warrants may be more volatile and that value of the Underlyings may be adversely affected (following which, amounts payable under the Notes and Warrants would be adversely affected as a consequence).

(e) ***Accounting standards***

In some emerging market countries, accounting standards and practices vary significantly from internationally accepted standards. It is therefore difficult in such jurisdictions to obtain reliable historic financial information on the Underlyings which may underlie the Notes and Warrants even where accountancy laws have been reformed to bring them into line with international standards (a problem which hyper-inflation has exacerbated in some markets). Great care must therefore be taken to assess asset and business valuations. Entities in emerging market countries may not generally be subject to uniform accounting, auditing and financial reporting standards and auditing practices and requirements may not be comparable to those applicable to obligors located in developed countries.

(f) ***Political risks***

The pace of political and social change will be more rapid than in well-developed markets. This is a common feature of emerging market countries and is often related to the transition from a centrally planned economy to a modern market economy. Far-reaching legal and political reforms have inevitably resulted in new constitutional and social tensions, and the possibility of continuing instability and even a reaction against market reforms cannot be discounted. Such instability may discourage investors from investing in the particular emerging market, which could reduce the market value of the Underlyings and therefore reduce the market value of the Notes or Warrants and the Final Redemption Amount or Cash Settlement Amount (as applicable) payable thereunder.

The unique political and diplomatic status of each emerging market relative to other countries may also make the equities and debt market in such emerging market more volatile and more price sensitive to global or regional economic and political developments than other markets. Such increased price volatility could lead to the Notes and Warrants' trading price (during the life of the Notes and Warrants) or the relevant Final Redemption Amount of the Notes (at maturity or upon redemption of the Notes) or the Cash Settlement Amount of the Warrants (at expiry or upon exercise of the Warrants) being lower than expected.

There is particular risk that policies in emerging markets encouraging foreign investment may be abandoned or reversed. Restrictions imposed on foreign investment or restrictions which concern the repatriation of capital invested in emerging markets may increase the transaction costs payable by the Issuer and/or its affiliates which, as such costs are passed to the investor, may thereby decrease the payments due under the Notes and Warrants, or entitle the Issuer to redeem the Notes or terminate the Warrants (as applicable) early. On a political level, such restrictions could lead to renationalisation of privatised industries and expropriation of private property without compensation which may have a negative effect on the financial position of the issuers of the Underlyings.

(g) ***Currency exchange rate fluctuations***

The rapid pace of political and social change in emerging market countries increases the likelihood that currency exchange risks will eventuate where the Reference Jurisdiction of the underlying asset or index is an emerging market country. Currency exchange risks are described in detail above in the section entitled "(1) Risks applicable to all issues of Notes and Warrants - Exchange rate risks and exchange controls".

(h) ***Economic risks***

The economies of individual emerging market countries may differ favourably or unfavourably from the economies of developed countries in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resource self sufficiency and the balance of payments position. In the past, a number of emerging market countries' markets have experienced significant adverse economic developments, including substantial depreciation in currency exchange rates against major currencies, increased interest rates and inflation, reduced economic growth rates, increases in foreign currency debts, corporate bankruptcies, declines in market values of listed shares and government imposed austerity measures. All of these economic factors may adversely affect the value and performance of Underlyings and therefore the value of the Notes and Warrants.

(i) ***Restrictions and controls***

Notes and Warrants will be subject to risk that restrictions and controls on the Underlyings are imposed by governments, governmental or regulatory bodies, regulators or exchanges of emerging markets jurisdictions on China Connect Investors. As a result of such restrictions and controls, potential delays might occur in respect of payments due under the Notes and Warrants linked to such Underlyings may not be payable under the Notes and Warrants on settlement following redemption, sale or redemption of the Notes or exercise, sale or termination of the Warrants. Also, taxes, duties and other similar charges levied on China Connect Investors in buying and selling equity or debt securities relating to such restrictions and controls may be deducted from amounts payable under the Notes and Warrants.

(j) ***Legal and Regulatory framework***

The sophisticated legal and regulatory systems necessary for the proper and efficient functioning of modern capital markets may yet to have been developed in some emerging market countries. A high degree of legal uncertainty may therefore exist as to the nature and extent of investors' rights and the ability to enforce those rights in the courts. Many advanced legal concepts which now form significant elements of mature legal systems are not yet in place or if they are in place, have yet to be tested in the courts. It is difficult to predict with any degree of certainty the outcome of judicial proceedings (often because the judges themselves have little or no experience of complex business transactions), or even the quantum of damages which may be awarded following a successful claim. It may also be difficult to obtain and enforce a judgment relating to emerging markets debt in the jurisdiction in which the majority of the assets of an obligor is located.

(7) Risks relating to Notes and Warrants settled in Offshore RMB outside the PRC

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

(a) *RMB is not freely convertible; Restrictions on RMB conversion through relevant Offshore RMB Centres (as specified in the relevant Final Terms) may adversely affect the liquidity of the Notes and Warrants*

RMB is currently not freely convertible. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong, Singapore and Taiwan have been permitted to engage in the settlement of current account trade transactions in Renminbi under certain pilot schemes. As a result of the restrictions imposed by the PRC government on cross-border RMB fund flows, the availability of RMB outside of the PRC is limited, which may adversely affect the liquidity of Notes and Warrants and thus the value of the Notes and Warrants.

(b) *RMB interest rate risk*

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation (if any) may or may not influence the Offshore RMB interest rate. However, should the prevailing Offshore RMB interest rates fluctuate as a result, the value of the Notes and Warrants may fluctuate as well.

(c) *RMB exchange rate risk*

Offshore RMB represents a market which is different from that of RMB deliverable in the PRC. The exchange rate of Offshore RMB against the U.S. dollar, Hong Kong dollar or other foreign currencies may be different from the exchange rate of RMB deliverable in the PRC against such currencies. Apart from its own supply and demand, the Offshore RMB exchange rate may be influenced by the onshore exchange rate (which currently trades within a band set by authorities in the onshore interbank market), and the two rates may converge with or diverge from each other.

Further liberalisation (if any) of foreign exchange control in Mainland China and further progress on RMB internationalisation may or may not occur, and even if it does occur, it may or may not influence the Offshore RMB exchange rate. Should the prevailing Offshore RMB exchange rate fluctuates as a result, the value of the Notes may fluctuate as well. If the value of Offshore RMB depreciates against the U.S. dollar, Hong Kong dollar or other foreign currencies, the value of a Noteholder or a Warrantholder's investment in U.S. dollar, Hong Kong dollar or other applicable foreign currency terms will decline.

(d) *RMB payment risk*

If the Settlement Currency for the Notes and Warrants is Offshore RMB and "Payment of Alternative Payment Currency Equivalent" is specified as applicable in the relevant Final Terms, an investor is subject to the risk that payments in respect of such Notes and Warrants will be made in the Alternative Payment Currency specified in the relevant Final Terms instead of Offshore RMB. To the extent the Issuer is not able, or it is impracticable for it, to satisfy its obligation to pay the Cash Settlement Amount, Additional Payments and/or Supplementary Amounts (if applicable) as a result of Inconvertibility, Non-transferability or Illiquidity (each, as defined in the Conditions), the Issuer shall be entitled to settle any such payment in the Alternative Payment Currency specified in the relevant Final Terms on the due date at the Alternative Payment Currency Equivalent (as defined in the Conditions) of any such Cash Settlement Amount, Additional Payments and/or Supplementary Amounts (if applicable). In this case, the risk factors in the section entitled "*(1) Risks applicable to all issues of Notes and*

Warrants - Exchange rate risks and exchange controls" would apply as if the relevant Alternative Payment Currency were the Settlement Currency.

- (e) ***Payments with respect to the Notes and Warrants may be made only in the manner through Renminbi bank accounts maintained at banks in the relevant Offshore RMB Centre.***

Investors in the Notes and Warrants should be aware that all Offshore RMB payments under the Notes and Warrants will be made solely by credit to Renminbi bank accounts maintained at banks in the relevant Offshore RMB Centre as specified in the relevant Final Terms in accordance with the law and applicable regulations and guidelines issued by the relevant authorities in the relevant Offshore RMB Centre as specified in the relevant Final Terms.

(8) Country-specific risks relating to Notes and Warrants

This section highlights some of the risks of an investment in the Notes and Warrants that are linked to China Connect Underlying. Prospective investors should note that for the Notes and Warrants linked to China Connect Underlying, the additional country-specific risk factors set out below will be relevant when considering whether to invest in such Notes and Warrants.

The Issuer believes that the following factors are material for the purposes of assessing the market risk associated with the Notes and 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. Each of the risks highlighted below could adversely affect the trading price of the Notes and Warrants or the rights of investors under the Notes and Warrants and, as a result, investors may lose the value of their entire investment or part of it.

People's Republic of China

Market Access

The Notes and Warrants are offshore products issued by the Issuer which offer a return that is linked to the performance of Underlyings of the securities market of the PRC but are otherwise unrelated to any Underlying Company or underlying government. In respect of Notes and Warrants linked to Underlyings that are eligible securities listed and traded on any stock exchange (each a "**China Connect Market**") in the PRC which are acceptable to The Stock Exchange of Hong Kong Limited (the "**SEHK**") under any securities trading and clearing links programme developed by SEHK, any such China Connect Market, the Hong Kong Securities Clearing Corporation and the China Securities Depository and Clearing Corporation for the establishment of mutual market assess between SEHK and any such China Connect Market ("**China Connect**", such securities being "**China Connect Underlying**" and the trading of China Connect Underlying through SEHK being "**Northbound Trading**"), such Notes and Warrants reflect the risks of an investment in such Underlyings by an investor (a "**China Connect Investor**") purchasing such Underlyings through Northbound Trading under China Connect; a China Connect Investor is an investor which 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 designated affiliates had the Issuer and/or its designated affiliates held the Securities.

If the rules and regulations relating to China Connect become subject to change in the future, the Calculation Agent may determine that a Hedging Disruption or Change in Law has occurred and redeem the Notes at fair market value or terminate the Warrants at an amount that the Calculation Agent determines to be fair in the circumstances, by way of compensation to the Noteholders or Warrantholders, respectively. The China Connect Investor is subject to the risk that such value may be less than what the Noteholders or Warrantholders have expected. Furthermore, if a China Connect Share Disqualification or a China Connect Service Termination occurs, the Issuer may, at its sole and absolute discretion, determine to adjust certain terms of the Notes or Warrants or terminate the Notes or Warrants early. Noteholders and/or Warrantholders may suffer a loss of some or of all of their investment as a result of such adjustment or early termination (as the case may be) and will forego any future appreciation in the relevant Underlying that may occur following such redemption.

Regulatory Requirement

Investments by China Connect Investors under Northbound Trading are subject to restrictions on maximum percentage holding of single equities quotas (and trading both daily and on an aggregate basis).

The investor in the Notes and Warrants will be subjected to the effect of equivalent restrictions and controls to those imposed on China Connect Investors. Therefore, if China Connect Investors became unable to invest directly in or alternatively hold China Connect Underlying or China Connect Investors were not allowed to sell or receive proceeds from the sale of such China Connect Underlying, the value of the Notes and Warrants may be adversely affected and, in the worst case, may become worthless.

Trading Quotas under China Connect

Purchases of China Connect Underlying through China Connect are subject to certain quota controls as detailed below. Unlike the Qualified Foreign Institutional Investor ("QFII") programme (where a certain amount of investment quota is granted to each QFII licence holder), the Aggregate Quota and Daily Quota (as defined below) under China Connect are applicable to the whole market and will be used by all China Connect Investors on a "first come first serve" basis. As a result, there is no assurance that a buy order can be successfully placed through China Connect. The aggregate quota (the "**Aggregate Quota**") caps the absolute amount of funds inflow into the PRC under Northbound Trading at a level specified by the SEHK and the China Connect Market. The daily quota (the "**Daily Quota**") caps the net buy value of cross-boundary trades under China Connect on each trading day. The Aggregate Quota or the Daily Quota may change from time to time and investors are advised to refer to the Hong Kong Exchanges and Clearing ("**HKEx**") website and other information published by the HKEx for up-to-date information.

Under the SEHK rules, it will be possible to sell China Connect Underlyings through China Connect irrespective of whether there is a breach of the Aggregate Quota or Daily Quota. If Northbound Trading is suspended as a result of a breach of the Aggregate Quota or Daily Quota, none of the entities in the HSBC Group will be able to submit any further buy orders and any buy orders received but not yet routed to the market may be rejected or delayed until sufficient quota is available. The regulators may also announce further requirements on China Connect which may vary, amend or supplement the requirements as currently known. Any corporate action adjustment shall be determined by the Calculation Agent in accordance with the terms of the Notes and Warrants, with reference to the then applicable laws, rules, regulations and guidance in relation to China Connect. Therefore, if China Connect Investors became unable to invest directly in or alternatively hold China Connect Underlying or China Connect Investors were not allowed to sell or receive proceeds from the sale of such China Connect Underlying, the value of the Notes and Warrants may be adversely affected and, in the worst case, may become worthless.

Taxation Issues

On 14 November 2014, the PRC Ministry of Finance, the State Administration of Taxation and China Securities Regulatory Commission jointly released Caishui [2014] No.81 dated 31 October 2014 granting temporary exemption from income tax (enterprise income tax ("**PRC EIT**")) and business tax ("**PRC BT**") for the gains arising from the sale of shares in a PRC company listed on the Shanghai Stock Exchange and traded through the China Connect, effective 17 November 2014. It is uncertain whether or when such exemptions may expire. If any PRC taxes, duties and similar charges (including, without limitation, any PRC EIT, any PRC BT or value-added tax) are applicable to the trading of any Underlyings in the PRC, this will reduce the Realisable Sale Price with respect to such Underlying(s) and will result in a lower payment by the Issuer to the Noteholder or Warrantholder (as the case may be) in respect of the relevant Notes or Warrants (as the case may be).

SECTION I.3 - INCORPORATION BY REFERENCE

This section provides details of the documents incorporated by reference which form part of this Base Prospectus and which are publicly available.

The following information contained in the base prospectus (the "**Market Access Notes and Warrants Base Prospectus**") relating to the Notes and Warrants Programme (the "**Programme**") dated 24 June 2014 and filed with the UK Listing Authority pursuant to Article 11 of the Prospectus Directive shall be deemed to be incorporated into and form part of the Base Prospectus, save that any documents incorporated by reference in the Market Access Notes and Warrants Base Prospectus do not form part of this Base Prospectus. Page references are to pages in the Market Access Notes and Warrants Base Prospectus.

The section entitled:	Page Reference
Section 1.5 – Taxation	54 to 71
Section 1.6 – Certain ERISA Considerations	72 to 73
Section II.3 – Form of Notes and Summary of Provisions Relating to Notes While in Global Form	149 to 155
Section II.4 – Clearing and Settlement of the Notes	156 to 158
Section II.6 – Subscription and Sale of Notes	168 to 181
Section III.3 – Form of Warrants and Summary of Provisions Relating to the Warrants While in Global Form	267 to 271
Section III.4 – Clearing and Settlement	272 to 274
Section III.6 – Purchase and Sale of Warrants	284 to 297

In addition, the following documents shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (a) the unaudited consolidated interim report for the six months ended 30 June 2014 submitted and filed with the FCA (the "**Unaudited Consolidated Interim Report**"), together with the 2013 Annual Report and Accounts and the Additional Information (as defined below);
- (b) the 2013 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2013 (the "**2013 Annual Report and Accounts**") and the additional financial information document in relation to the year ended 31 December 2013 submitted to and filed with the UK Listing Authority (the "**Additional Information**"). The Additional Information is additional financial information, which is intended to be read in conjunction with the 2013 Annual Report and Accounts, but which is not required to be included in the 2013 Annual Report and Accounts by either the UK Companies Act 2006 (the "**Companies Act**") or by International Financial Reporting Standards. It includes commentary on the results of the Issuer and its subsidiaries (the "**Group**") in 2012 versus 2011 and certain statistics and other information, including adjusted 2012 and 2011 segmental information comparatives to reflect changes to the Issuer's management structure. The Additional Information has been published by the Issuer together with the 2013 Annual Report and Accounts;
- (c) the 2012 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2012 submitted to and filed with the UK Listing Authority; and
- (d) the Registration Document of the Issuer dated 28 April 2014 submitted to and filed with the UK Listing Authority pursuant to Article 11 of the Prospectus Directive (the "**Registration Document**"),

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 information incorporated by reference in the above documents does not form part of this Base Prospectus and to the extent that only certain parts of the above documents are specified to be incorporated by reference herein, the non-incorporated parts of such documents are either not relevant for investors or are covered elsewhere in this Base Prospectus.

The Issuer will at its registered office and at the offices of the Principal Paying Agent and 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). Written or oral requests for inspection of such documents should be directed to the specified office of the Principal Paying Agent or the Principal Warrant Agent. Additionally, this Base Prospectus and all the documents incorporated by reference herein will be available for viewing at www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes'). For the avoidance of doubt, any websites referred to in this Base Prospectus or any information appearing on such websites and pages do not form part of this Base Prospectus.

SECTION I.4 - USE OF PROCEEDS

This section provides details of what the Issuer intends to do with the subscription monies it receives for the Notes or Warrants it issues.

Unless otherwise specified in the relevant Final Terms, the net proceeds from each issue of Notes or Warrants will be used by the Issuer for profit making or risk hedging purposes.

SECTION I.5 - TAXATION

This section is incorporated by reference pursuant to Section I.3 – Incorporation by Reference.

SECTION I.6 - CERTAIN ERISA CONSIDERATIONS

This section is incorporated by reference pursuant to Section I.3 – Incorporation by Reference.

SECTION I.7 - GENERAL INFORMATION

This section provides additional, general disclosure in relation to the Programme.

1. The continuation of the Programme and the issue of Notes and Warrants under the Programme have been duly authorised by and pursuant to resolutions of the board of directors of the Issuer (the "**Board**") and a committee of the Board passed on 30 July 2008 and 16 September 2014, respectively.
2. The Notes and Warrants have been accepted for clearance through Euroclear and Clearstream, Luxembourg, and DTC. The appropriate International Securities Identification Number ("**ISIN**"), common code ("**Common Code**"), Stock Exchange Daily Official List number ("**SEDOL**") and/or Committee on Uniform Securities Identification Procedures number ("**CUSIP**") in relation to the Notes and Warrants of each Series will be set out in the relevant Final Terms. The address of Euroclear Bank SA/NV 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. The address of DTC is 55 Water Street – 1SL, New York, NY 10041-0099, USA.
3. Settlement arrangements will be agreed between the Issuer, the relevant Dealer(s) or Manager(s), the Registrar or Warrant Register, and the Principal Paying Agent or Principal Warrant Agent, as applicable.
4. In relation to the Issuer, any transfer of, or payment in respect of, a Note or Warrant involving the government of any country which is at the relevant time the subject of United Nations, European Union or United Kingdom sanctions or other similar measures implemented or effective in the United Kingdom, any person or body resident in, incorporated in or constituted under the laws of, or carrying on a business in, 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 or other similar measures, or otherwise may be the target of any such sanctions or other similar measures.
5. Generally, any notice, document or information to be sent or supplied by the Issuer to its shareholder(s) may be sent or supplied in accordance with the Companies Act 2006 (the "**Act**") (whether authorised or required to be sent or supplied by the Act or otherwise) in hard copy form or in electronic form. If at any time by reason of the suspension or curtailment of postal services within the United Kingdom the Issuer is unable effectively to convene a general meeting by notices sent through the post, subject to the Act, a general meeting may be convened by a notice advertised in at least one United Kingdom national newspaper. Such notice shall be deemed to have been duly served on all members entitled thereto at noon on the day on which the advertisement first appears. In any such case the Issuer shall send confirmatory copies of the notice by post if at least seven days prior to the meeting the posting of notices to addresses throughout the United Kingdom again becomes practicable.
6. Notices to the Noteholders or Warrantholders are made in accordance with the Conditions of the relevant Notes or Warrants, as applicable.
7. Any tranche of Notes or Warrants intended to be admitted to listing on the Official List of the FCA and admitted to trading on the regulated market of the London Stock Exchange will be so admitted to listing and trading upon submission to the FCA and the London Stock Exchange of the relevant Final Terms and any other information required by the FCA and/or the London Stock Exchange, subject in each case to the issue of the relevant Notes or Warrants (as the case may be). Prior to listing and admittance to trading of Notes or Warrants (as the case may be), 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.
8. Save as disclosed in paragraphs 14 and 15 below, there has been no material adverse change in the prospects of the Issuer since 31 December 2013.

9. Save as disclosed in paragraphs 14 and 15 below, there has been no significant change in the financial position of the Group since 30 June 2014.
10. With effect from 9 June 2014 A P Simoes was appointed Chief Executive Officer for the UK.
11. C Couldrey, with effect from 1 June 2014, and R Phillips and T de Roux, with effect from 15 June 2014, have stepped down from the Issuer's Executive Committee.
12. Upon their appointments as Head of Regulatory Compliance Europe, Middle East and Africa ("EMEA") and Head of Global Banking and Markets EMEA, respectively, A Hewitt and J L Guerrero became members of the Executive Committee with effect from 1 June and 15 June 2014. The business address of both is 8 Canada Square, London, E14 5HQ, United Kingdom. A Hewitt and J-L Guerrero's functions in the Issuer are Head of Regulatory Compliance and Head of Global Banking and Markets EMEA, respectively. J-L Guerrero's principal activity performed outside the Issuer which is significant with respect to the Issuer is Group General Manager, HSBC Holdings plc. A Hewitt has no principal activities performed outside the Issuer which are significant with respect to the Issuer. There are no existing or potential conflicts of interest between any duties owed to the Issuer by its directors and its Executive Committee and the private interests and/or external duties owed by these individuals (including A Hewitt and J-L Guerrero).
13. Save as disclosed in paragraphs 14 and 15 below and Note 12 "Legal proceedings, investigations and regulatory matters" on pages 44 to 49 of the Unaudited Consolidated Interim Report and in Note 42 "Legal proceedings and regulatory matters" on pages 207 to 210 of the 2013 Annual Report and Accounts (each incorporated by reference herein), there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 month period before the date of 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/or the Group.
14. The following significant items were recognised in the third quarter of 2014 and included in the consolidated income statement for such period published by HSBC Holdings plc and principally relate to the Issuer:
 - (a) a provision of USD213 million arising from the ongoing review of compliance with the Consumer Credit Act in the UK;
 - (b) a provision for UK customer redress of USD701 million. This included additional estimated redress for possible mis-selling in previous years of payment protection insurance policies of USD589 million, which reflected an increase in the level of overall claims; and
 - (c) a provision of USD378 million relating to the estimated liability in connection with the foreign exchange investigation by the UK Financial Conduct Authority ("FCA").

In relation to item (c), the Issuer has since reached agreement with the FCA in relation to such investigation, as disclosed in paragraph 15 below.
15. The Issuer has reached agreements with the FCA and the US Commodity Futures Trading Commission ("CFTC") to resolve their ongoing investigations into the Issuer's trading and other conduct involving foreign exchange ("FX") benchmark rates. Under the terms of the agreement with the FCA, the Issuer will pay a financial penalty of GBP216.4 million for failures in the systems and controls in its London G10 spot FX voice trading business. Under the agreement with the CFTC, the Issuer will pay a civil monetary penalty of USD275 million to resolve allegations of attempted manipulation and aiding and abetting attempted manipulation by traders at other banks. The CFTC's Order contains certain additional undertakings by the Issuer, and it is expected that the FCA will require the Issuer to comply with a remediation programme to be determined by the FCA. The HSBC Group continues to cooperate fully with other regulatory, competition and law enforcement authorities in the United States, the United Kingdom and other jurisdictions relating to the previously disclosed

FX investigations. There is a high degree of uncertainty as to the terms and the timing of their resolution and it is possible that further fines and/or penalties imposed could be significant.

PART II – INFORMATION RELATING TO THE NOTES

SECTION II.1 – DESCRIPTION OF THE NOTES

This section provides details of how an investment in the Notes works and how payments under the Notes are calculated, including a number of worked examples.

The Notes are market access products, which are designed for investors who wish to be exposed to fluctuations in the price of one or more securities being eligible securities listed and traded on any stock exchange (each a "**China Connect Market**") in the People's Republic of China ("**PRC**", which shall for the purposes of this document exclude Hong Kong, Macau or Taiwan) which are acceptable to The Stock Exchange of Hong Kong Limited (the "**SEHK**") under any securities trading and clearing links programme developed or to be developed by SEHK, any such China Connect Market, the Hong Kong Securities Clearing Company Limited and the China Securities Depository and Clearing Corporation for the establishment of mutual market access between SEHK and any such China Connect Market ("**China Connect**", and such securities being "**China Connect Underlying**"), including shares which are China Connect Underlyings, but who do not wish to or are not able to hold the relevant China Connect Underlying themselves.

Accordingly, a Note can be linked to a single underlying security or basket of underlying securities which are China Connect Underlying (such Note being an "**Underlying Security-Linked Note**"). The China Connect Underlying relating to a particular Series of Notes is referred to in this document as an "**Underlying Security**" in respect of such Notes and references to to "**Underlying Security**," (an "**Underlying**") either in the singular or plural form, are to any Underlying Security applicable to a Series of Notes. Information regarding the Underlying Security relating to a particular Series of Notes (including the name of the issuer of the relevant securities and its international securities identification number ("**ISIN**") or applicable securities identification code) will be provided in the Final Terms relating to such Notes.

The Notes are designed to allow investors to get exposure to Underlyings priced locally in less accessible currencies. Therefore, investors will be exposed to currency risk if the Note and the relevant Underlying are not priced in the same currency. By way of illustration, if the price of the relevant Underlying was unchanged from the date of purchase of the Notes to the date of redemption of the Notes but the relevant foreign exchange rate (the "**FX Rate**") changed, this would have an impact on the return on the Notes.

An investor is entitled on the stated maturity of each Note to be paid a cash amount from the Issuer (the "**Final Redemption Amount**") that tracks the price of an Underlying Security (or a basket of Underlying Securities), converted into the currency in which the Notes are denominated (the "**Settlement Currency**") as the Issuer or its relevant affiliates or an institution subject to the same laws as the Issuer and/or its relevant affiliates (a "**Notional Holder**") would have received by disposing of the Underlying Security, securities underlying the hedge or other arrangement relating to the Underlying Security and converted into the Settlement Currency, as applicable.

Additionally, the Note will also entitle the Noteholder to receive cash payments that track the net distributions (converted into the Settlement Currency) that a direct investor in the Underlying Security would ordinarily receive (the "**Additional Payments**"), such as dividends, coupons or other distributions. Such Additional Payments are only ever payable to the extent the underlying net dividend or other distribution is made to the Issuer or its relevant affiliates or a Notional Holder within a period specified by the terms of the Notes and they become payable once the Issuer or its relevant affiliates or a Notional Holder have been paid in full and the relevant recipient has been able to convert the amount into the Settlement Currency.

None of the Notes bear interest.

Further details of the Final Redemption Amount and Additional Payments are provided below, together with additional information as to how they are affected by the value of the Underlying Security.

Final Redemption Amount

As the Final Redemption Amount payable is designed to track the quoted price (converted into the Settlement Currency) of the Underlying Security, in general (except to the extent the increase or decrease in the price of the relevant Underlying is offset by movements in the FX Rate) if the price of the

Underlying Security increases or decreases, the Final Redemption Amount for an Underlying Security-Linked Note increases or decreases, respectively.

The Final Redemption Amount payable may not exactly match the price of the Underlying Security to which it relates. This may be because:

- the currency in which the investment in the Notes is denominated (the "**Settlement Currency**") may differ from the currency in which the Underlying Security is quoted (the "**Underlying Currency**"); in such circumstances, the Issuer will determine the value of the Underlying Security in the Underlying Currency, and the Issuer will then translate this into the Settlement Currency at an exchange rate that would be available to the Issuer to determine the Final Redemption Amount payable, and the Issuer may deduct any conversion costs that would be incurred;
- the Issuer is entitled to deduct other cost items from the Final Redemption Amount (such as brokers' fees, transaction processing fees and actual and potential taxes, duties and other similar charges); such costs will differ depending on the Underlying Security to which the Notes are linked. The Final Redemption Amount will be subject to and could be reduced due to taxes, duties and other similar charges which the Issuer and/or its relevant affiliates would incur on disposing of an investment in the relevant Underlying Security and tax treatment may differ on the basis of which jurisdiction the Underlying Security is quoted or domiciled and the jurisdiction in which the Issuer or relevant affiliate is domiciled;
- the Final Redemption Amount payable under the Notes may reflect arrangements entered into by the Issuer or its relevant affiliates to hedge the price of the Underlying Security (noting that the Issuer or its relevant affiliates may choose not to enter into such arrangements), in which case the price, value or level used for calculating the Final Redemption Amount would be the amount the Issuer or its relevant affiliates receives in respect of such arrangement (or what it would have received had it entered into such arrangement). This might not exactly match the quoted price of the Underlying Security because, for example:
 - the Issuer may sell securities it holds which are Underlying Securities, in respect of which sale costs would be deductible from the Final Redemption Amount; or
 - the Issuer may sell or close out hedges or other arrangements relating to the Underlying Security, the payment in respect of which may for technical reasons fluctuate and diverge from the quoted price of the Underlying Security depending on, for instance, whether the quoted price of an Underlying Security was particularly volatile.

Fluctuations in the value of the Underlying Securities of the Notes and any relevant FX Rates will affect the Final Redemption Amount payable.

Noteholders are entitled to the Final Redemption Amount on the stated maturity date, which will be specified in the relevant Final Terms (the "**Maturity Date**"), **provided that** the Issuer or its relevant affiliates or a Notional Holder have been paid in full and the relevant recipient has been able to convert the amount into the Settlement Currency.

Final Redemption Amount for Underlying Security-Linked Notes

The Final Redemption Amount for an Underlying Security-Linked Note is the greater of 0.03 per cent. of the Issue Price per Note or an amount per Note which is known as the "**Realisable Sale Price**", as calculated below.

The Realisable Sale Price is calculated in the following manner.

- (1) The "**Aggregate Sale Amount**" is first calculated as being equal to the following:
 - if the Issuer or its relevant affiliate(s) holds the Underlying Securities underlying the Notes being redeemed, the amount received from the disposal of such Underlying Securities, less any costs;

- if the Issuer or its relevant affiliate(s) do not hold the Underlying Securities but closes out a hedge or other arrangement relating to the Notes being redeemed, the effective price at which such hedge or other arrangement was realised or unwound, less any costs multiplied by the relevant number of Underlying Securities; and
 - in all other cases, the amount a Notional Holder of the Underlying Securities underlying the Notes being redeemed would have received upon disposing of such Underlying Securities, less any costs. (This represents the net amount in the Underlying Currency a direct investment by a Notional Holder in the Underlying Securities of the Notes would be worth on the Maturity Date.)
- (2) The Aggregate Sale Amount is then translated into the currency of the Notes, the resulting amount being the "**Converted Amount**". This is done using one of the following rates of exchange:
- if the Issuer or its relevant affiliate(s) has entered into a foreign exchange transaction (whether implicit as part of the hedge or other arrangement for the Underlying Securities described in (1) above or as a separate arrangement), the rate of exchange obtained under such transaction;
 - if the Issuer or its relevant affiliate(s) has not entered into a foreign exchange transaction, the rate of exchange a Notional Holder of the Underlying Securities could obtain when translating the Aggregate Sale Amount into the currency of the Notes.

The costs associated with such translation are deducted from the Converted Amount to give the "**Net Converted Amount**".

- (3) The Realisable Sale Price is calculated by multiplying the Net Converted Amount by the Number of Underlying Securities per Note (being a number specified in the relevant Final Terms).

Worked example: Underlying Security-Linked Note

The hypothetical scenario

The following worked example is for calculating the Final Redemption Amount of an Underlying Security-Linked Note.

For the purposes of this example, it is assumed that the price of each Note issued is linked to 1 share in a company ("**PRC Corp**") listed and traded on the Shanghai Stock Exchange under China Connect and that, on the purchase date of the Note, the share price of PRC Corp is quoted on the Shanghai Stock Exchange as RMB 300 per share (which, at the exchange rate of RMB 10: GBP 1 available on that day, would be equivalent to GBP 30 per share).

Assuming that a 1 per cent. commission is charged upon issuance to the Noteholder, the Issuer might therefore issue Notes at a price of GBP 30.30 per Note.

It is assumed that the Issuer has chosen to purchase shares in PRC Corp to fully hedge its obligations under the Notes. The Issuer is not obliged to hedge and therefore this is only on the assumption that the Issuer has chosen to hedge by purchasing shares.

This example assumes that the Issuer disposes of its shares in PRC Corp on a single date.

The calculation

At maturity, how would the Final Redemption Amount be calculated?

- (1) First, the Aggregate Sale Amount must be determined. As the Issuer has hedged the price of the shares by purchasing one PRC Corp share per Note (at the time the Notes were sold to investors) and 10,000 Notes are outstanding at maturity, the Aggregate Sale Amount would be the price at which the Issuer could sell 10,000 shares of PRC Corp on the Shanghai Stock Exchange minus costs (which includes actual and potential taxes, costs, charges, duties (including stamp duty))

and other similar charges).

Let us assume that PRC Corp has performed well, and the price at which the Issuer could sell the hedge shares on the Maturity Date is RMB 360 per share and so RMB 3,600,000 in aggregate. Let us also assume that the Issuer incurs sale costs of RMB 4 per share which would be deductible from the price the shares are sold for.

The Aggregate Sale Amount will therefore be determined as follows:

RMB 3,600,000	<i>less</i>	
<u>RMB 40,000</u>	(aggregate sale costs)	
RMB 3,560,000		(Aggregate Sale Amount)

- (2) Next, the Aggregate Sale Amount (RMB 3,560,000) would be converted back into the currency in which the Notes are issued which, in this example, is GBP. This is calculated by dividing the Aggregate Sale Amount by the foreign exchange rate ("**FX rate**") the Issuer could have received on converting the Aggregate Sale Amount from RMB into GBP. The costs of currency conversion will be deducted from the Aggregate Sale Amount, which will either be embedded in the FX rate available to the Issuer or it will be charged separately.

The applicable FX rate at the time of redemption may have changed, such that, for example, Sterling is not worth as many Renminbi as it was when the Notes were bought by the investor. For instance, suppose the FX rate available to the Issuer is now RMB 9.4: GBP 1. This means for the purposes of calculating the Final Redemption Amount that the following calculation will be made:

RMB 3,560,000	÷	(Aggregate Sale Amount)
<u>9.4</u>		(Rate of exchange with embedded currency conversion costs)
GBP 378,723.40		(Converted Amount)

The Converted Amount of GBP 378,723.40 is then divided by 10,000 (the number of shares relating to the Notes outstanding) to give a figure per share (GBP 37.87) and the Realisable Sale Price is then calculated by multiplying such amount (GBP 37.87) by the number of shares per Note, in this case, 1. The Realisable Sale Price would therefore be GBP 37.87 per Note.

- (3) The Final Redemption Amount due to the investor in respect of each Note will be the greater of 0.03 per cent. of GBP 30.30 (the Issue Price per Note) and GBP 37.87 (the Realisable Sale Price per Note). The Final Redemption Amount would therefore be GBP 37.87 per Note and GBP 378,700 (GBP37.87 multiplied by 10,000) in aggregate.

Additional Payments

Additional Payments for Underlying Security-Linked Notes

Any Additional Payment is designed to track the dividends or other distributions paid by an Underlying Security or Securities of an Underlying Security-Linked Note, so in general an Additional Payment will be made if a dividend or distribution is paid in respect of the Underlying Security.

Any Additional Payments may not exactly equal the cash amount of the distribution announced as having been made to investors with a direct interest in the relevant Underlying Securities (the "**Component Securities**"). This may be because:

- the Additional Payments payable will be equal to the net distributions a direct China Connect investor in the Component Securities would be entitled to at the time of the distribution, if such China Connect investor were an institution subject to the same laws as the Issuer and/or its relevant affiliates; therefore, the Issuer is entitled to deduct cost items (such as actual and potential taxes, duties and other similar charges), which may mean the distribution differs from the cash value of the distribution announced by the issuer of the Underlying Security; or

- any Additional Payment will be payable in cash converted from the Underlying Currency into the currency of the Note at an exchange rate that the Issuer could have used in connection with any such conversion.

The Additional Payment under the Notes may reflect arrangements entered into by the Issuer or its relevant affiliates to track the dividends and distributions of the Underlying Security (noting that the Issuer or its relevant affiliates may choose not to enter into such arrangements), in which case the amounts used for calculating such Additional Payments would be the amount the Issuer or its relevant affiliates receives in respect of such arrangement (or what it would have received had it entered into such arrangement).

The Additional Payment per Note is calculated as follows:

- (1) First, the "**Underlying Currency Amount per Component Security**" is calculated.
 - (a) If the Issuer or its relevant affiliates hold any of the Component Securities, the Underlying Currency Amount per Component Security is the aggregate amount of the net cash dividend or distribution received less any costs, which is then divided by the number of Component Securities held.
 - (b) If the Issuer or its relevant affiliates hold hedge(s) for the purposes of performing its obligations under the Notes, the Underlying Currency Amount per Component Security is the aggregate amount of the net cash dividend or distribution equivalent payment received under such hedge(s) less any costs, which is then divided by the number of Component Securities to which the hedge(s) relate.
 - (c) If the Issuer or its relevant affiliates do not hold any of the Component Securities nor hold hedge(s) for the purposes of performing its obligations under the Notes, the Underlying Currency Amount per Component Security is the net amount which would have been received per Component Security by a Notional Holder of such Component Security less any costs.
 - (d) If a non-cash dividend or distribution is made in respect of the Component Securities, the Underlying Currency Amount per Component Security is:
 - (i) if the Issuer or its relevant affiliates holds the Component Securities, the net cash value received per Component Security in respect of such non-cash dividend or distribution; or
 - (ii) if the Issuer or its relevant affiliates do not hold the Component Securities but hold hedge(s) for the purpose of performing its obligations under the Notes, the net cash adjustment or settlement received per Component Security in respect of the non-cash dividend or distribution; or
 - (iii) if the Issuer or its relevant affiliates do not hold any of the Component Securities nor hold hedge(s) for the purposes of performing its obligations under the Notes, the net amount which would have been received per Component Security by a Notional Holder of such Component Security less any costs.
- (2) The Underlying Currency Amount per Component Security is then converted into the currency of the Note at a rate of exchange determined as follows:
 - (a) if the Issuer or a relevant affiliate enters into a relevant foreign exchange transaction for such a conversion, the rate obtained under that exchange transaction; or
 - (b) if the Issuer or a relevant affiliate does not enter into such an exchange transaction, the rate at which a Notional Holder of the relevant Component Securities would have been able to obtain.

Any conversion costs per Component Security are then deducted to give the "**Converted Amount per Component Security**".

- (3) The Additional Payment per Note is calculated by multiplying the Converted Amount per Component Security by the Number of Underlying Securities per Note (as specified in the relevant Final Terms).

Please note: The worked examples provided above are produced for illustrative purposes only. The analysis is based on simplifying assumptions and hypothetical figures, and does not reflect a complete analysis of all possible gain and loss scenarios that may arise under the investment in any actual Notes. No representation or warranty is made by the Issuer or any of its relevant affiliates that any scenario shown above can be duplicated under any actual investment in Notes. Actual results may vary from the results shown above, and variations may be material. The mark-to-market value of the Notes can fluctuate either upward or downward due to changes in prevailing market conditions. Accordingly, if an investment in Notes is unwound, repurchased or otherwise redeemed whether at or prior to its stated maturity, investors in such Notes may receive less than the purchase price of the Notes and therefore sustain a loss which in a worst case may be equal to their invested amount.

All references to RMB in this section are to Chinese Renminbi that is freely deliverable between accounts in an offshore RMB centre (in these examples, Hong Kong) in accordance with the law and applicable regulations and guidance issued by the relevant authorities in the relevant offshore RMB centre.

Underlying Security-Linked Note worked example:

The following worked example is for calculating an Additional Payment in respect of an Underlying Security-Linked Note.

The hypothetical scenario

For the purposes of this example, it is assumed that each Note issued is denominated in GBP and is linked to one share in a company ("**PRC Corp**") that is listed and traded on the Shanghai Stock Exchange under China Connect.

It is also assumed that the Issuer has chosen to hedge its obligations under the Notes by purchasing 1,000 shares in PRC Corp.

PRC Corp announces and pays a dividend. The Issuer receives RMB 1,000 in dividends relating to the 1,000 shares it holds. On the day of the payment of the dividend, the exchange rate is RMB 10: GBP 1. All foreign exchange transactions attract a conversion fee.

An investor holds 1,000 of such Notes.

The calculation

- (1) First, the Underlying Currency Amount per Component Security must be calculated. As the Issuer holds the shares underlying the Note, the Underlying Currency Amount per Component Security is the aggregate amount of the cash dividends (RMB 1,000) less any costs, divided by the number of the underlying shares held (1,000).

Before the deduction of costs, this works out to be RMB 1.00 (being (RMB 1,000)/1,000).

In addition, PRC enterprise income tax ("**PRC EIT**") is payable in relation to the cash dividend and is withheld at source by PRC Corp. Accordingly, the costs to be deducted in determining the Underlying Currency Amount per Component Security will include an amount calculated at a rate of 10 per cent. of the aggregate amount of the cash dividends.

The PRC EIT will therefore add a further amount to the deductible costs as follows:

RMB 1.00 (Underlying Currency Amount per Component Security before deduction of costs)

less

RMB 0.10 (i.e. the PRC EIT, 10 per cent. of the aggregate amount of the cash dividends)

= RMB 0.90

- (2) Next, the Underlying Currency Amount per Component Security is converted into the currency of the Note. As the Issuer does not have an exchange transaction for such a conversion, the Converted Amount per Component Security is calculated using the rate a Notional Holder would have been able to obtain to make such a conversion. Here, the Underlying Currency Amount per Component Security of RMB 0.90 converted at the rate of RMB 10: GBP 1 is GBP 0.090 per Security. The 1 per cent. conversion fee (GBP 0.00090) is deducted from GBP 0.090 to give GBP 0.0891. Therefore, the Converted Amount per Component Security is GBP 0.0891.
- (3) The Additional Payment per Note that the investor will receive is therefore GBP 0.0891 (being the Converted Amount per Component Security) multiplied by 1 (the Number of Underlying Securities per Note) which is GBP 0.0891.

The total Additional Payment the investor will receive in respect of its 1,000 Notes will be 1,000 x GBP 0.0891 = GBP 89.10.

SECTION II.2 – TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes (the "**Conditions**"). These Conditions are completed by the relevant Final Terms for each issue of Notes. The Conditions will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under the "Form of Notes and Summary of Provisions Relating to the Notes While in Global Form" section (as incorporated by reference).*

The Notes are issued by HSBC Bank plc (the "**Issuer**") pursuant to a programme for the issuance of notes and warrants (the "**Programme**") established by the Issuer, are constituted by, and have the benefit of, a deed of covenant dated 18 June 2014 (the "**Deed of Covenant**"). The Notes also have the benefit of a master note issuance agreement dated 24 February 1999 as most recently modified and restated 18 June 2014 (as further modified and/or amended from time to time, the "**Master Note Issuance Agreement**") and made between the Issuer and HSBC Bank plc as dealer (the "**Dealer**", which expression shall include any successor Dealer specified in the relevant Final Terms) and an issuing and paying agency agreement dated 24 February 1999 as most recently modified and restated 18 June 2014 (as further modified and/or amended from time to time, the "**Issuing and Paying Agency Agreement**") and made between the Issuer, HSBC Bank plc and HSBC France as calculation agents (HSBC Bank plc being the "**Calculation Agent**" with respect to the Notes, which expression includes any successor or other Calculation Agent appointed pursuant to the Issuing and Paying Agency Agreement), HSBC Bank plc and HSBC Bank USA, National Association as transfer agent (HSBC Bank plc or, as the case may be, HSBC Bank USA, National Association being the "**Transfer Agent**", which expression shall include any additional or successor or other Transfer Agent appointed pursuant to the Issuing and Paying Agency Agreement, as specified in the relevant Final Terms), HSBC Bank plc as the principal paying agent (HSBC Bank plc being the "**Principal Paying Agent**", which expression shall include any additional or successor or other Principal Paying Agent appointed pursuant to the Issuing and Paying Agency Agreement, as specified in the relevant Final Terms and, together with any additional paying agent appointed pursuant to the Issuing and Paying Agency Agreement, the "**Paying Agents**"), HSBC Bank plc as issue agent (HSBC Bank plc being the "**Issue Agent**", which expression shall include any additional or successor or other Issue Agent appointed pursuant to the Issuing and Paying Agency Agreement, specified in the relevant Final Terms), HSBC Bank plc and HSBC Bank USA, National Association as registrar (HSBC Bank plc or, as the case may be, HSBC Bank USA, National Association being the "**Registrar**", which expression shall include any additional or successor or other Registrar appointed pursuant to the Issuing and Paying Agency Agreement, as specified in the relevant Final Terms) and the other parties specified therein.

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

Copies of the Master Note Issuance Agreement, the Issuing and Paying Agency Agreement and the Deed of Covenant are available for inspection by Holders (as defined below) of Notes, and copies of the relevant Final Terms, this Base Prospectus and any supplemental prospectus may be obtained in each case during normal business hours at the specified office of the Issuer and of the Paying Agent in London. The Holders (as defined in Condition 2 (*Form, Denomination and Title*)) for the time being of Notes (the "**Noteholders**") are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Issuing and Paying Agency Agreement, the Deed of Covenant, the Master Note Issuance Agreement and the relevant Final Terms which are applicable to them.

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

1. **Definitions**

1A. ***Definitions relating to Notes generally***

"**Additional Disruption Event**" means any event specified as such in the relevant Final Terms, and such events include: Change in Law; Insolvency Filing; Hedging Disruption; Increased Cost of Hedging; China Connect Share Disqualification; and China Connect Service Termination;

"**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.

"**Agents**" means each of, the Paying Agents, the Transfer Agent, Issue Agent and the Registrar;

"**Alternative Payment Currency**" means the currency specified as such in the relevant Final Terms, which may be Offshore RMB;

"**Alternative Payment Currency Equivalent**" means the relevant amount in the Settlement Currency converted into the relevant Alternative Payment Currency using the Alternative Payment Currency Exchange Rate for the relevant Alternative Payment Currency Fixing Date;

"**Alternative Payment Currency Exchange Rate**" means the rate of exchange between the Settlement Currency and Alternative Payment Currency (expressed as the number of units of Alternative Payment Currency per one units of Settlement Currency, as determined by the Calculation Agent in good faith and published on the Alternative Payment Currency Fixing Page at the Alternative Payment Currency Fixing Time on the Alternative Payment Currency Fixing Date. The Calculation Agent shall round such rate to the closest four (4) decimal places, 0.00005 being rounded up. If such rate is not available, for any reason, and if an Alternative Payment Currency Exchange Rate Fall-Back is specified in the relevant Final Terms the Calculation Agent will determine the relevant Alternative Payment Currency Exchange Rate in accordance with the Alternative Payment Currency Exchange Rate Fall-Back provisions specified in the relevant Final Terms or if the Calculation Agent is not able to determine the relevant Alternative Payment Currency Exchange Rate in accordance with such Alternative Payment Currency Exchange Rate Fall-Back provisions specified in the relevant Final Terms, or if such Alternative Payment Currency Exchange Rate Fall-Back provisions are not specified in the relevant Final Terms, then the Calculation Agent will determine the Alternative Payment Currency Exchange Rate in its sole and absolute discretion, acting in good faith;

"**Alternative Payment Currency Fixing Date**" means the fifth day prior to the relevant date on which the relevant payment falls due. For the purposes of this definition, "**day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business and dealings in foreign exchange in the Settlement Currency Jurisdiction and Alternative Payment Currency Jurisdiction;

"**Alternative Payment Currency Fixing Page**" means the Reuters or other screen page specified as such in the relevant Final Terms or any successor page thereof;

"**Alternative Payment Currency Fixing Time**" means the time and place specified as such in the relevant Final Terms;

"**Alternative Payment Currency Jurisdiction**" means the jurisdiction specified as such in the relevant Final Terms;

"**Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms or, if applicable, these Conditions;

"**Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in London or such other places as specified as Business Centres in the relevant Final Terms and which is:

- (i) in relation to any sum payable in euro, a Euro Business Day; and

- (ii) in relation to any sum payable in a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments generally, in the principal financial centre of the relevant currency and/or Settlement Currency (as applicable);

"Calculation Amount" means, in respect of a Note, the denomination of such Note, or the amount in the Settlement Currency specified as such in the relevant Final Terms;

"Change in Law" means, in relation to any Notes, 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 it has become illegal for the Issuer or any of its designated affiliates to hold, acquire or dispose of or realise, recover or remit the proceeds of the sale or disposal of, Component Securities relating to such Notes 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 Notes (y) it has become illegal for the Issuer or any of its designated affiliates to hold, acquire, purchase, sell or maintain one or more (i) positions or contracts in respect of any securities, options, futures, derivatives or foreign exchange in relation to such Notes, or in relation to the Issuer's hedging activities in connection with the Notes or in relation to the hedging activities of the Issuer or any of its designated affiliates in connection with the Notes, (ii) stock loan transactions in relation to such Notes or (iii) other instruments or arrangements (howsoever described) held by the Issuer or any of its designated affiliates in order to hedge, individually or on a portfolio basis, such Notes or (z) the Issuer or any of its designated affiliates will incur a materially increased cost in performing its obligations under the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

"China Connect Business Day" means any Scheduled Trading Day on which the China Connect Service is open for order-routing during its regular order-routing sessions, notwithstanding the China Connect Service closing prior to its Scheduled Closing Time;

"China Connect Disruption" means (a) any suspension of or limitation imposed on routing of orders (including in respect of buy orders only, sell orders only or both buy and sell orders) through the China Connect Service, relating to the Securities on the Exchange or (b) any event (other than a China Connect Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of the market participants in general to enter orders in respect of Securities through the China Connect Service;

"China Connect Early Closure" means the closure on any China Connect Business Day of the China Connect Service prior to its Scheduled Closing Time unless such earlier closing time is announced by SEHK or the Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for order-routing through the China Connect Service on such China Connect Business Day and (ii) the submission deadline for orders to be entered into the China Connect Service system for execution on the Exchange at the Valuation Time on such China Connect Business Day;

"China Connect Market" means any stock exchange in the PRC which is acceptable to the SEHK under the securities trading and clearing links programme developed or to be developed by SEHK, any such China Connect Market, the HKSCC and the CSDCC for the establishment of mutual market access with SEHK and any such China Connect Market;

"China Connect Service Termination" means, on or after the Trade Date, the announcement by one or more of the China Connect Market, SEHK, the CSDCC, HKSCC or any regulatory authority with competent jurisdiction of a suspension or termination of the China Connect Service or a part thereof for any reason which materially affects the routing of orders in respect of, or holding of, the Securities through the China Connect Service and the Calculation Agent determines that there is a reasonable likelihood that such suspension or termination is not, or will not be, temporary;

"China Connect Service" means the securities trading and clearing links programme developed by the Exchange, China Connect Market, CSDCC and HKSCC, through which (i) SEHK and/or its affiliates provides order-routing and other related services for certain eligible securities traded on the China Connect Market and (ii) CSDCC and HKSCC provides clearing, settlement, depository and other services in relation to such securities;

"China Connect Share Disqualification" means, on or after the Trade Date, the Underlying Securities cease to be accepted as "China Connect Securities" (as defined in the rules of SEHK) for the purpose of the China Connect Service;

"China Connect Underlying" means eligible securities listed and traded on a China Connect Market under China Connect;

"Clearing System" means, in relation to a Series of Notes, Euroclear and/or Clearstream, Luxembourg in which Notes of the relevant Series are for the time being held, or, in relation to an individual Note, in which that Note is for the time being held, in each case as specified in the relevant Final Terms;

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

"Clearing System Business Day" means, in relation to any Securities, any day on which the principal domestic clearing system customarily used for settling trades in such Securities is (or, but for the occurrence of an event beyond the control of the Issuer as a result of which such clearing system cannot clear the transfer of such securities, would have been) open for the acceptance and execution of settlement instructions;

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

"CSDCC" means China Securities Depository and Clearing Corporation;

"Currency Event" means:

- (A) the occurrence of an event or a condition which, in the opinion of the Calculation Agent, on any day with respect to the Underlying 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 its affiliates directly or indirectly from:
- (i) converting the Underlying Currency into the Settlement Currency through any customary legal channel;
 - (ii) converting the Underlying 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 Underlying 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 any 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 Underlying Currency in the

Reference Jurisdiction which can be held by any party) which the Calculation Agent determines are likely to materially affect the ability of the Issuer or its affiliates to hedge the Issuer's position under the Notes 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;

"Default Rate" means such rate as specified in the relevant Final Terms;

"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 Calculation Agent 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 Notes.

"Dispute" has the meaning given to it in Condition 26(b) (*Governing Law – English courts*);

"Disrupted Day" means 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 the China Connect Service fails to open for order-routing during its regular order-routing session, or on which a Market Disruption Event has occurred;

"DTC" means the Depository Trust Company;

"Early Closure" means the closure on any Exchange Business Day of the relevant Exchange (in the case of Underlying Equity-Linked Notes) or any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the level of 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: (a) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (b) 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;

"Early Redemption Amount" means, in relation to each Note, an amount equal to its Fair Market Value;

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

- (i) the redenomination of any security into euro; or
- (ii) the change by any organised market, exchange or clearing, payment or settlement system in the unit of account of its operating procedures to the euro;

"Exchange" means with respect to a Security, 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 has temporarily relocated (**provided that** the Calculation Agent has determined that there is comparable liquidity relative to such Security as on the original Exchange), 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 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;

"Exchange Date" shall be the Relevant Banking Day following the day on which the relevant Bearer Note shall have been surrendered for exchange in the manner specified in Condition 11 (*Replacement, Exchange and Transfer*);

"Exchange Disruption" means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (a) to effect transactions in, or obtain market values for, the Securities on the Exchange (in the case of an Underlying Equity-Linked Note), or (b) to effect transactions in, or obtain market values for, future or options contracts relating to the Securities (in the case of an Underlying Equity-Linked Note) on any relevant Related Exchange;

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

"Extraordinary Event" means a Merger Event, Tender Offer, Nationalisation, Insolvency or Delisting or an event that affects the transferability or convertibility of the foreign currency in which an Underlying Security or any related hedge positions are denominated;

"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;

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

"Euroclear" means Euroclear Bank SA/NV;

"Euro Exchange Date" means the date on which the Euro Exchange Notice is given by the Issuer to the Noteholders pursuant to Condition 8 (*Redenomination*);

"Euro Exchange Notice" means the notice given by the Issuer to the Noteholders stating that replacement Notes denominated in euro are available for exchange (**provided that** such Notes are available) and no payments will be made in respect thereof pursuant to Condition 8 (*Redenomination*);

"Fair Market Value" means, in relation to any Note which is to be redeemed early, its fair market value in relation to its early redemption date, as determined by the Issuer (acting in good faith and a commercially reasonable manner) and/or the Calculation Agent (acting in a commercially reasonable manner), as applicable, less any reasonable costs and expenses of the Issuer and/or any affiliate of the Issuer of unwinding any underlying and/or related hedging and/or funding arrangements;

"Final 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 the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on such Valuation Date;

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

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

"Hedge Positions" means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, funds, options, futures, other derivatives or foreign exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by the Issuer or an affiliate in order to hedge, individually or on a portfolio basis, a Note;

"Hedging Disruption" means that the Issuer or an affiliate would be unable, after using commercially reasonable efforts, to conduct any Hedging (as defined below) or would suffer any material delay in conducting any Hedging and, for the avoidance of doubt, "using commercially reasonable efforts" to hedge the risks of the Issuer referred to in Hedging Disruption does not include the use of any quota granted to the Issuer or any of its designated Affiliates under the Qualified Foreign Institutional Investor (QFII) or Renminbi Qualified Foreign Institutional Investor (RQFII) schemes;

"Hedging" means to:

- (i) 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, but not limited to, any currency risk) of entering into and performing its obligations with respect to the Notes; or
- (ii) freely realise, recover, receive, repatriate, remit or transfer the proceeds of Hedge Positions or the relevant transaction between accounts within a relevant jurisdiction of the Hedge Positions (an "**Affected Jurisdiction**") or from accounts within an Affected Jurisdiction to accounts outside of such Affected Jurisdiction; or
- (iii) without prejudice to (ii) above, transfer (A) amounts denominated in the Settlement Currency (1) between accounts inside a relevant Underlying Country or (2) from accounts inside a relevant Underlying Country to accounts outside such Underlying Country or to a party that is a non-resident of such Underlying Country or (B) amounts denominated in a relevant Underlying Currency from accounts within the related Underlying Country to other accounts within such Underlying Country, to accounts outside such Underlying Country or to the accounts of a non-resident of such Underlying Country; or
- (iv) without prejudice to (ii) above, transfer amounts denominated in the Settlement Currency (1) between accounts inside the relevant Underlying Country or (2) from accounts inside a relevant Underlying Country to accounts outside such Underlying Country or to a party that is a non-resident of such Underlying Country; or
- (v) without prejudice to (ii), (iii) and (iv) above, convert the Settlement Currency into a relevant Underlying Currency or a relevant Underlying Currency into the Settlement Currency;

"HKSCC" means the Hong Kong Securities Clearing Company Limited;

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

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

"Increased Cost of Hedging" means that the Issuer or any one of its affiliates would incur a materially increased cost (as compared with circumstances existing on the Issue Date), including, without limitation, amount of tax, duty, expense or fee (other than brokerage commissions) (which amount of tax shall include, without limitation, any potential tax which the Calculation Agent considers may arise and any amount of tax due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position) to (A) hold, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the Issuer's obligations with respect to the Notes, or (B) freely realise, repatriate, recover,

remit or transfer the proceeds of any such transaction(s) or asset(s), **provided that** any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging. For the avoidance of doubt, references to "**tax**" relating to Increased Cost of Hedging shall include "**Taxes**";

"**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 Strike Date;

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

"**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;

"**Issue Date**" means the date specified as such in the relevant Final Terms;

"**Issue Price**" means the amount in the Settlement Currency per Note specified as such in the relevant Final Terms;

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

"**Market Disruption Event**" means the occurrence or existence of (a) a Trading Disruption, (b) an Exchange Disruption, (c) a China Connect Disruption, which in each case the Calculation Agent determines is material, at any time during the one-hour period that ends at the relevant Valuation Time, (d) an Early Closure, or (e) a China Connect Early Closure

"**Merger Event**" means in respect of any relevant Securities, any (a) reclassification or change of such Securities that results in a transfer of or an irrevocable commitment to transfer all of such Securities outstanding to another entity or person, (b) 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), (c) 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 (d) 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 Underlying Equity-Linked Note

which is to be redeemed by delivery of a Securities transfer amount, the Maturity Date or, in any other case, the final Valuation Date;

"Maturity Date" has the meaning given to it in the relevant Final Terms;

"Nationalisation" means that all the 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;

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

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

"Northbound Trading" means trading of eligible securities listed and traded on the SEHK through China Connect;

"Notional Holder" means an institution subject to the same tax laws, securities laws, rules and regulations of any tax authorities, securities regulators, exchanges or self-regulating organisations as would apply to the Issuer or its affiliate had they held the Underlying Securities or Relevant Hedge(s);

"Offshore RMB" means RMB that is freely deliverable between accounts in the Offshore RMB Centre in accordance with the law and applicable regulation and guidelines issued by competent authorities in the Offshore RMB Centre prevailing as of the Trade Date of the Notes;

"Offshore RMB Centre" means the jurisdiction specified as such in the relevant Final Terms;

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

"Postponed Early Redemption Date" means, in relation to any early redemption of any Notes, the date which is the third Relevant Financial Centre Day following (i) the day (determined by the Calculation Agent) on which the Issuer or an affiliate received the net proceeds converted into the Settlement Currency arising out of the unwinding of any Underlying and/or related hedging and/or funding arrangements, and (ii) the day on which a Notional Holder of the Underlying would have received the net proceeds arising from the disposal thereof converted into the Settlement Currency;

"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; (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; (iii) an Extraordinary Dividend; (iv) a call by the Underlying Company in respect of relevant Securities that are not fully paid; (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; (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;

"**PRC**" means, solely for the purpose stated herein, the People's Republic of China excluding the Hong Kong and Macau Special Administrative Regions of the People's Republic of China and Taiwan;

"**Redenomination Date**" means a date which:

- (i) is specified by the Issuer in the notice given to the Noteholders pursuant to Condition 8 (*Redenomination*); and
- (ii) falls on or after such date as the country of the Settlement Currency becomes a Participating Member State;

"**Reference Jurisdiction**" means any jurisdiction in which a relevant Exchange is located;

"**Related Exchange**" means, subject to the proviso below, in respect of a Security, each exchange or quotation system specified as such for such Security 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 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 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;

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

"**Relevant Financial Centre Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres for the currency in which payment falls to be made (or, where such currency is a National Currency Unit and the Notes have been redenominated into euro pursuant to Condition 8 (*Redenomination*), the former principal financial centre or centres) and in any other place set out in the Final Terms. In the case of payments which fall to be made in euro (save for payments in relation to Notes which have been redenominated into euros pursuant to Condition 8 (*Redenomination*)), a Euro Business Day. The Relevant Financial Centre Days in relation to any Tranche determined in accordance with the above provisions as at the Issue Date shall be specified in the relevant Final Terms;

"**Renminbi**", "**RMB**" and "**CNY**" all refer to the lawful currency of the People's Republic of China (excluding the Hong Kong Special Administrative Region of the People's Republic of China and the Macau Special Administrative Region of the People's Republic of China and Taiwan);

"**Scheduled Closing Time**" means, in respect of an Exchange, Related Exchange or the China Connect Service and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange, Related Exchange or the China Connect Service on such Scheduled Trading Day, without regard (in the case of any Exchange or Related Exchange) to after hours or any other

trading outside of the regular trading session hours or (in the case of the China Connect Service) any after hours or any other order-routing outside of the regular order-routing session hours;

"Scheduled Early Redemption Date" means, in relation to any early redemption of any Notes, the date specified for the redemption of such Notes in the relevant notice of redemption;

"Scheduled Trading Day" means any day on which (a) the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading for their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time and (b) the China Connect Service is scheduled to be open for order-routing for its regular order-routing sessions;

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

"Securities" means, in relation to a Series of Notes, the equity securities, debt securities (including without limitation Government Bonds) or other securities or property, as adjusted pursuant to Condition 18 (*Adjustments and Events affecting Securities*), to which such Notes, as the case may be, relate, as specified in the relevant Final Terms and for the avoidance of doubt shall include Underlying Securities and **"Security"** shall be construed accordingly;

"SEHK" means The Stock Exchange of Hong Kong Limited;

"Settlement Currency" means the currency specified as such in the relevant Final Terms;

"Settlement Cycle" means, in respect of a Security, the period of Clearing System Business Days following a trade in the relevant Security on the Exchange in which settlement will customarily occur according to the rules of such Exchange;

"Settlement Date" has the meaning given to it in the relevant Final Terms;

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

"Supplementary Amount" has the meaning given to it in Condition 5(d) (*Redemption and Purchase – Supplementary Amount*);

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

"transfer date" shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer;

"Treaty" means the Treaty on the Functioning of the European Union, as amended;

"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;

"Trade Date" has the meaning given to it in the relevant Final Terms;

"Trading Disruption" means 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 (a) relating to the Securities on the Exchange (in the case of an Underlying Equity-Linked Note); or (b) in futures or options contracts relating to the Securities on any relevant Related Exchange;

"Underlying" each Underlying Security;

"Underlying Company" means the issuer of the Security as specified in the relevant Final Terms and subject to adjustment in accordance with Condition 18 (*Adjustments and Events affecting Securities*);

"Underlying Country" means the country to which the relevant Underlying relates;

"Underlying Currency" means the currency in which the relevant Underlying is referenced;

"Underlying Equity-Linked Note" means a Series of Notes in respect of which an amount, which shall be calculated by reference to the value of a Security or Securities, is payable in the manner specified in the relevant Final Terms and shall include Underlying Security-Linked Notes;

"Underlying Security" means each Security specified as such in the relevant Final Terms;

"Underlying Security-Linked Note" means Notes linked to a single Underlying Security or a basket of Underlying Securities;

"Valuation Date" means 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), in each case subject to Condition 16 (*Consequences of Disrupted Days*); and

"Valuation Time" means in relation to each Security to be valued 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. 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.

1B. ***Definitions relating to Notes linked to Underlying Security-Linked Notes only***

"Additional Payment" has the meaning given to it in Condition 4B(a) (*Interest and Additional Payments – Additional Payments – Additional Payments relating to Underlying Security-Linked Notes*);

"Aggregate Sale Amount" has the meaning given to it in Condition 5(a)(A)(i)(1),(2),(3) or (4) (*Redemption and Purchase – At Maturity – Redemption at Maturity of Underlying Security-Linked Notes*) as applicable;

"ASA Receipt Date" has the meaning given to it in Condition 5(a)(A)(i)(5) (*Redemption and Purchase – At Maturity – Redemption at Maturity of Underlying Security-Linked Notes*);

"Cash Settlement Payment Date" has the meaning given to it in Condition 5(a)(A)(ii) (*Redemption and Purchase – At Maturity – Redemption at Maturity of Underlying Security-Linked Notes*);

"Conversion Costs" shall mean the costs of conversion for the purposes of converting an Aggregate Sale Amount into a Converted ASA and an Underlying Currency Amount or Event Receipt into a Converted Amount respectively, the amount being determined by the Calculation Agent by reference to actual costs incurred by the Issuer or any of its affiliates or, as the case may be, the costs which, in the determination of the Calculation Agent, would have been incurred by a Notional Holder;

"Converted Amount" has the meaning given to it in Condition 4B(a)(x)(ii) (*Interest and Additional Payments – Additional Payments – Additional payments relating to Underlying Security-Linked Notes*), Condition 4B(a)(y) (*Interest and Additional Payments – Additional Payments – Additional payments relating to Underlying Security-Linked Notes*) or Condition 18(v) (*Adjustments and Events affecting Securities – Payments pursuant to Condition 18(ii) and Condition 18(iii) in respect of Underlying Security-Linked Notes*) as applicable;

"Converted ASA" has the meaning given to it in Condition 5(a)(A)(ii) (*Redemption and Purchase – At Maturity – Redemption at Maturity of Underlying Security-Linked Notes*);

"Costs" shall mean all costs, expenses, fees and levies taken into account in determining an Aggregate Sale Amount, an Underlying Currency Amount or an Event Payment (as appropriate) including, without limitation, all brokers' fees, bank and custody charges, transaction processing fees and expenses and all taxes (in each case, including any interest) imposed or the Calculation Agent considers may potentially be imposed by the tax authority on any unpaid taxes of the relevant jurisdiction and other duties in respect of the relevant Underlying Security whether such Costs are or would be withheld at source or would otherwise be required to be paid, all as determined by the Calculation Agent;

"Determination Date" means the Valuation Date;

"Effective FX Rate" has the meaning given to it in Condition 5(a)(A)(ii) (*Redemption and Purchase – At Maturity – Redemption at Maturity of Underlying Security-Linked Notes*);

"Event Occurrence Date" has the meaning given to it in Condition 18(v)(A) (*Adjustments and Events affecting Securities – Payments pursuant to Condition 18(ii) and Condition 18(iii) in respect of Underlying Security-Linked Notes*);

"Event Payment" has the meaning given to it in Condition 18(v) (*Adjustments and Events affecting Securities – Payments pursuant to Condition 18(ii) and Condition 18(iii) in respect of Underlying Security-Linked Notes*);

"Event Receipt Date" has the meaning given to it in Condition 18(v)(A),(B) or (C) (*Adjustments and Events affecting Securities – Payments pursuant to Condition 18(ii) and Condition 18(iii) in respect of Underlying Security-Linked Notes*) as applicable;

"Event Receipt" has the meaning given to it in Condition 18(v)(A)(B) or (C) (*Adjustments and Events affecting Securities – Payments pursuant to Condition 18(ii) and Condition 18(iii) in respect of Underlying Security-Linked Notes*) as applicable;

"Fee" represents the fee to be retained by the Dealer(s) or any of their affiliates in relation to each Note as separately notified to the Noteholder, which is calculated as a percentage of the gross consideration payable for the purchase of the Notes;

"Final Redemption Amount" has the meaning given to it in Condition 5(a)(A) (*Redemption and Purchase – At Maturity – Redemption at Maturity of Underlying Security-Linked Notes*);

"Gross Sale Amount" has the meaning given to it in Condition 5(a)(A)(i)(1), 5(a)(A)(i)(2) or 5(a)(A)(i)(4) (*Redemption and Purchase – At Maturity – Redemption at Maturity of Underlying Security-Linked Notes*) as applicable;

"holding" has the meaning given to it in Condition 23(a) (*Miscellaneous – Miscellaneous provisions in relation to Underlying Security-Linked Notes*) and **"hold"** and **"holder"** shall be construed accordingly;

"Mark Date" has the meaning given to it in Condition 4B(a)(x) (*Interest and Additional Payments – Additional Payments – Additional Payments relating to Underlying Security-Linked Notes*);

"NDF transaction" has the meaning given to it in Condition 5(a)(A)(ii)(1) (*Redemption and Purchase – At Maturity – Redemption at Maturity of Underlying Security-Linked Notes*);

"Number of Underlying Securities per Note" shall mean the number of the relevant Underlying Security to which each Note relates as specified in the Final Terms;

"Realisable Sale Price" has the meaning given to it in Condition 5(a)(A) (*Redemption and Purchase – At Maturity – Redemption at Maturity of Underlying Security-Linked Notes*);

"Receipt Date" has the meaning given to it in Condition 4B(a)(x)(i), (ii) or (iii) (*Interest and Additional Payments – Additional Payments – Additional Payments relating to Underlying Security-Linked Notes*) as applicable;

"Redemption Commission" shall be defined as the equivalent amount, in the Settlement Currency, of the Redemption Commission Percentage of the Gross Sale Amount;

"Redemption Commission Percentage" means the percentage amount specified as such in the relevant Final Terms;

"Redemption Costs" shall mean the greater of zero, and the Redemption Commission giving credit in respect of an amount which is the equivalent, in the Settlement Currency, of the Transaction Costs;

"Relevant Hedge" has the meaning given to it in Condition 5(a)(A)(i)(3) (*Redemption and Purchase – At Maturity – Redemption at Maturity of Underlying Security-Linked Notes*);

"relevant person" has the meaning given to it in Condition 23(a) (*Miscellaneous - Miscellaneous provisions in relation to Underlying Security-Linked Notes*);

"Relevant Reference Price" means the CNY equivalent of the purchase price (excluding commission charged by the Issuer or its affiliate) of one Note at the time a Noteholder purchased the Notes;

"Transaction Costs" shall mean the value of the relevant Costs and Conversion Costs aggregated together;

"Underlying Currency Amount" has the meaning given to it in Condition 4B(a)(x)(i), (ii) or (iii) (*Interest and Additional Payments – Additional Payments – Additional Payments relating to Underlying Security-Linked Notes*); or Condition 4B(a)(y) (*Interest and Additional Payments – Additional Payments – Additional Payments relating to Underlying Security-Linked Notes*) as applicable;

"Underlying per Note Amount" means an amount equal to the Aggregate Sale Amount, *divided by*, the total number of Underlying Securities to which the Notes outstanding relate, *multiplied by*, the Number of Underlying Securities per Note; and

"Unpaid Costs" has the meaning given to it in Condition 5(a)(A)(ii) (*Redemption and Purchase – At Maturity – Redemption at Maturity of Underlying Security-Linked Notes*).

2. **Form, Denomination and Title**

(a) **Form**

Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") as set out in the relevant Final Terms. Bearer Notes issued in definitive form are referred to as "**Definitive Notes**". Definitive Notes will be serially numbered. In the case of Registered Notes, a certificate will be issued to each Noteholder in respect of its registered holding. Each such certificate will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") maintained by the Registrar in respect of the Registered Notes. No single Tranche or Series of Notes offered in reliance on Rule 144A may include Bearer Notes.

(b) **Bearer Notes**

(i) *Denomination*

Subject to Condition 8 (*Redenomination*), Bearer Notes will be in the denomination(s) set out in the relevant Final Terms. Bearer Notes of one denomination will not be exchangeable after their initial delivery for Notes of any other denomination.

(ii) *General; Title*

Subject as set out below, title to Bearer Notes will pass by delivery. References herein to the "**Holders**" of Bearer Notes are to the bearers of such Bearer Notes.

To the extent permitted by law, the Issuer, the Principal Paying Agent, any other Paying Agents and the Registrar may deem and treat the Holder of any Bearer Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for the purpose of receiving payment on account thereof and for all other purposes.

(c) **Registered Notes**

(i) *Denomination*

Registered Notes will be in the denomination(s) set out in the relevant Final Terms.

(ii) *General; Title*

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

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

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

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

(iv) *Rule 144A Legends*

Upon the transfer, exchange or replacement of Registered Notes bearing (x) the private placement legend for the purpose of Rule 144A under the Securities Act ("**Rule 144A**") in the case of Registered Notes forming part of such Tranche which are sold in reliance on Rule 144A ("**Restricted Global Registered Notes**") or Registered Notes offered and sold solely within the United States or to U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) in reliance on Rule 144A, such Tranche of Registered Notes will be represented by a Registered Note in global form without interest coupons ("**Rule 144A Global Registered Notes**"), or (y) the private placement legend for the purpose of Rule 144A and Regulation S in the case of Registered Notes in global form eligible for sale in the United States to "qualified institutional buyers" pursuant to Rule 144A under the Securities Act and to non-U.S. Persons (as defined in Regulation S under the Securities Act) pursuant to Rule 144A and/or Regulation S ("**Combined Global Registered Notes**") (in each case, a "**Rule 144A Legend**"), each as set forth in the form of the relevant Registered Notes, the Registrar shall deliver only Registered Notes 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 144 or Regulation S under the

Securities Act or that such Registered Notes are not "restricted securities" within the meaning of Rule 144.

3. **Status**

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

4. **Interest and Additional Payments**

4A. **Interest**

The Notes shall be non-interest bearing Notes, save to the extent that, if any amount in respect of the Notes is not paid when due pursuant to the Conditions, interest shall accrue on such amount at the Default Rate.

4B. **Additional Payments**

(a) **Additional Payments relating to Underlying Security-Linked Notes**

(x) If during the period from and including the Issue Date to but including the Determination Date any Underlying Security is marked on the relevant Exchange as ex-dividend or ex-distribution (the date on which it is so marked being the "**Mark Date**"), then, where in the determination of the Calculation Agent, such dividend or distribution is to be paid by the related Underlying Company, the Issuer shall make an additional payment per Note calculated as follows:

(i) if the Calculation Agent determines that on the Business Day prior to the Mark Date the Issuer or any of its affiliates held any of the relevant Underlying Securities, the Calculation Agent shall determine the net aggregate amount of the cash dividend or distribution which the Issuer or such affiliate would have received in respect of such holding after deduction of Costs (the date on which it would have been received being the "**Receipt Date**"), and divide that net aggregate amount by the number of Underlying Securities so held to give a per Underlying Security amount (the "**Underlying Currency Amount**"); or

(ii) if the Calculation Agent is satisfied that the Issuer or any of its affiliates held Relevant Hedge(s) on the Business Day prior to the Mark Date, then the Calculation Agent shall determine the net aggregate amount of the cash dividend or distribution equivalent payment which the Issuer or such affiliate would have received in respect of such Relevant Hedges(s) after deduction of Costs (the date on which it would have been received being the "**Receipt Date**"), and divide that net aggregate amount by the number of Underlying Securities to which such Relevant Hedge(s) relate to give a per Underlying Security amount (a "**Converted Amount**" if in the Settlement Currency and otherwise an "**Underlying Currency Amount**"); and

(iii) in all other cases, the net amount which, in the determination of the Calculation Agent, would have been receivable per Underlying Security by a Notional Holder which was a holder of one of the relevant Underlying Security on the Business Day prior to the Mark Date after deduction of Costs shall be the "**Underlying Currency Amount**", and the date on which, in the determination of the Calculation Agent, such Notional Holder would have received the Underlying Currency Amount shall be the "**Receipt Date**".

(y) In respect of any non-cash dividend or distribution, the cash value of any non-cash dividend or distribution shall be as determined by the Calculation Agent, save that:

(i) where the Calculation Agent determines that the Issuer or any of its affiliates held any of the relevant Underlying Securities on the Business Day prior to the

Mark Date and that the Issuer or such affiliate disposed of any relevant non-cash dividend or distribution received in respect of such Underlying Security for cash on the date it received the same, the Calculation Agent shall have regard to the value at which the Issuer or such affiliate disposed of such relevant non-cash dividend or distribution in determining the cash value of the relevant additional payment;

- (ii) where the Calculation Agent determines that the Issuer or any of its affiliates held any Relevant Hedge(s) on the Business Day prior to the Mark Date and that the Issuer or such affiliate received, in respect of such Relevant Hedge(s), cash by way of adjustment or settlement of such non-cash dividend or distribution, the Calculation Agent shall have regard to such value received by the Issuer or such affiliate in determining the cash value of the relevant additional payment; and
- (iii) in all other cases, the net amount which, in the determination of the Calculation Agent, would have been receivable per Underlying Security by a Notional Holder which was a holder of one of the relevant Underlying Security on the Business Day prior to the Mark Date after deduction of Costs.

The Receipt Date for this purpose shall be: (1) in the case of (i) above, the date on which the Issuer or such affiliate received the cash disposal proceeds, (2) in the case of (ii) above, the date on which the Issuer or such affiliate received such a cash payment by way of such adjustment or settlement and, in any other case, the date on which a Notional Holder which received such relevant dividend or distribution and disposed of it immediately would have received the cash disposal proceeds, all as determined by the Calculation Agent (such cash value being a "**Converted Amount**" if in the Settlement Currency and otherwise an "**Underlying Currency Amount**").

Any Underlying Currency Amount shall then be converted into the Settlement Currency. If the Calculation Agent is satisfied that in relation to the Receipt Date the Issuer or any of its affiliates in connection with the determination of the relevant additional payment actually entered into an exchange transaction to convert Underlying Currency into the Settlement Currency, the rate of exchange for the purposes of such conversion shall be the rate actually obtained by the Issuer or such affiliate, as determined by the Calculation Agent. In other cases, the rate of exchange shall be that determined by the Calculation Agent to be the rate at which a Notional Holder which received an Underlying Currency Amount on the Receipt Date would have been able to convert such Underlying Currency Amount into the Settlement Currency. In each case the Calculation Agent shall deduct from the converted Settlement Currency amount any Conversion Costs per Underlying Security. The resulting amount (the "**Converted Amount**") multiplied by the Number of Underlying Securities per Note shall be the amount of the additional payment (the "**Additional Payment**") per Note.

Any Additional Payments shall be payable by the Issuer but in any case not earlier than the third Relevant Financial Centre Day following (i) the day (determined by the Calculation Agent) on which the Issuer or its affiliate would have received an amount equal to the Converted Amount in respect of an exchange transaction entered into in relation to the Receipt Date or, as the case may be, (ii) the day on which a Notional Holder entering into an exchange transaction in relation to the Receipt Date would have received an amount equal to the Converted Amount.

Any Additional Payments shall be payable, where the Notes are held in a clearing system such as DTC, Euroclear and/or Clearstream, Luxembourg to the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg (as the case may be) as Noteholders on the Business Day immediately preceding the Mark Date, and in any other case to the holders for the time being of the Notes (irrespective of whether or not they were Noteholders on the Business Day immediately preceding the Mark Date).

- (b) *Intentionally left blank.*

- (c) *Intentionally left blank.*
- (d) *Intentionally left blank.*
- (e) ***Notifications etc.***

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

5. **Redemption and Purchase**

(a) ***At Maturity***

A. Redemption at Maturity of Underlying Security-Linked Notes

Unless previously redeemed or purchased and cancelled, and subject to the other Conditions, the Issuer shall redeem each Note outstanding linked to a single Underlying Security or a basket of Underlying Securities by paying on the later of the Maturity Date and the Cash Settlement Payment Date an amount in the Settlement Currency determined by the Calculation Agent to be equal to the Realisable Sale Price per Note, as defined below, or 0.03 per cent. of the Issue Price per Note (whichever is greater) (the "**Final Redemption Amount**").

Realisable Sale Price ("**Realisable Sale Price**") is an amount per Note calculated as follows:

- (i) The Calculation Agent shall determine the Aggregate Sale Amount(s) in respect of each Underlying Security issued by each Underlying Company as follows:
 - (1) if the Calculation Agent is satisfied that the Issuer, or any of its affiliates held a number of such Underlying Securities ("**X**", being equal to the total number of such Underlying Securities to which the Notes outstanding relate) on the Determination Date and that on and from the Determination Date the Issuer or such affiliate has in good faith in relation to the redemption of these Notes disposed or otherwise realised **X** of such Underlying Securities through the Exchange or otherwise (in the Issuer's or such affiliate's absolute discretion), then the "**Aggregate Sale Amount**" shall be the aggregate amount at which the Issuer or such affiliate effects the disposal or realisation of that number of such Underlying Security ("**Gross Sale Amount**"), less any Costs incurred in connection with such disposal or realisation; or
 - (2) if the Calculation Agent is satisfied that the Issuer or any of its affiliates held such Underlying Securities on the Determination Date and that on and from the Determination Date the Issuer or such affiliate has in good faith disposed of or otherwise realised the value of a number ("**Y**") (where **Y** is less than **X**) of such Underlying Securities through the Exchange or otherwise (in the Issuer's or such affiliate's absolute discretion), the Calculation Agent shall:
 - (A) determine the average price per Underlying Security ("**M**") at which the Issuer or such affiliate effected the disposal or realisation of **Y** of such Underlying Securities (such average price **M** multiplied by **X** being the "**Gross Sale Amount**"), and
 - (B) deduct any Costs per Underlying Security from **M** (the resulting price being "**N**"), and
 - (C) multiply **N** by **X** (the resulting figure being the "**Aggregate Sale Amount**"); or

- (3) if the Calculation Agent is satisfied that the Issuer or any of its affiliates acting reasonably held any other relevant instrument(s) or had entered into any other relevant arrangements relating to or referencing the Underlying Security, in each case for the purposes of hedging, funding or otherwise performing the Issuer's obligations in respect of the Notes (each, a "**Relevant Hedge**") on the Determination Date and that on and from the Determination Date the Issuer or such affiliate has in good faith in relation to the redemption of these Notes disposed of, unwound or otherwise realised or closed out part or all of such Relevant Hedge(s) through an Exchange or otherwise (in the Issuer's or such affiliate's absolute discretion), then the Calculation Agent shall determine the average reference net price per Underlying Security ("**N**") at, or in relation to, which the Relevant Hedge(s) were disposed of, unwound or otherwise realised or closed out by the Issuer or such affiliate after deducting any Costs per Underlying Security incurred in connection with such disposal, unwind, realisation or closeout, with such average reference net price N multiplied by X being the "**Aggregate Sale Amount**"; and
 - (4) in all other cases, the "**Aggregate Sale Amount**" shall be the aggregate amount, as determined by the Calculation Agent, at which a Notional Holder of X of such Underlying Securities on the Determination Date would have on and from the Determination Date been able to dispose of such Underlying Securities through any applicable Exchange (in the Calculation Agent's absolute discretion) (the "**Gross Sale Amount**"), less any Costs which, in the determination of the Calculation Agent would have been incurred in effecting such disposal; and
 - (5) any such disposal, realisation, unwind or closeout effected by the Issuer or any of its affiliates (and the disposal that for the purposes of sub-paragraph (4) above the Calculation Agent determines a Notional Holder would have been able to effect) may be effected in one lot of the Underlying Security or divided up into smaller lots whose disposal is effected over a number of days. The Calculation Agent shall also determine (i) in the case where the Issuer or any of its affiliates disposes or realises the value of any such Underlying Securities, the date on which the Issuer or such affiliate received the related aggregate amount in respect of them or (ii) the date on which an unwind or closeout of the Relevant Hedge(s) was effective and (iii) in other cases, the date on which a Notional Holder could reasonably be expected to have completed such disposals and received the aggregate amount (which date not be earlier than the date on which the Issuer or any of its affiliates received the aggregate amount in respect of any of such Underlying Securities which it did so dispose of or otherwise realise) (in each case, such date being the "**ASA Receipt Date**").
- (ii) The Aggregate Sale Amount received or deemed received shall then be translated into the Settlement Currency as follows:
- (1) if the Calculation Agent is satisfied that in relation to the ASA Receipt Date the Issuer or any of its affiliates in respect of the redemption of these Notes, actually entered into an exchange transaction to convert the relevant Aggregate Sale Amount into the Settlement Currency, the rate of exchange for the purposes of such translation, as determined by the Calculation Agent, shall be the rate obtained by the Issuer or such affiliate, adjusted to take into account the effect of any non-deliverable forward transaction ("**NDF transaction**") if such is entered into by the Issuer or such affiliate in relation to the ASA Receipt Date in respect of the Aggregate Sale Amount; or
 - (2) if the Calculation Agent determines that Relevant Hedge(s) are denominated in the Settlement Currency, then the rate of exchange for the purpose of such translation shall be that rate implicit in the determination of the final value under such Relevant Hedge(s); or

- (3) in other cases, the rate of exchange for such translation shall be that determined by the Calculation Agent to be the rate at which a Notional Holder which received the Aggregate Sale Amount on the ASA Receipt Date would have been able to convert the Aggregate Sale Amount into the Settlement Currency, taking into account the effect of any NDF transaction that such Notional Holder would have entered, or would have been able to enter, into in respect of the Aggregate Sale Amount in relation to the ASA Receipt Date; and
- (4) in each case, the Calculation Agent shall deduct from the translated Settlement Currency amount any Conversion Costs. The sum of the resulting amount(s) (each, a "**Converted ASA**") less applicable Redemption Costs divided by the associated X and then multiplied by the relevant Number of Underlying Securities per Note shall be the contribution to the Realisable Sale Price for such Underlying Security.

The Realisable Sale Price shall be payable by the Issuer on the later of the Maturity Date and the day (the "**Cash Settlement Payment Date**") which is the third Relevant Financial Centre Day following (i) the day (determined by the Calculation Agent) on which the Issuer or any of its affiliates received the Converted ASA in respect of an exchange transaction entered into in relation to the ASA Receipt Date or, as the case may be, (ii) the day on which a Notional Holder entering into an exchange transaction in relation to the ASA Receipt Date would have received the Converted ASA and, in each case, the effective translation rate including Conversion Costs being the "**Effective FX Rate**".

Where (i) the amount of Costs or the basis on which it is to be determined is not confirmed before the applicable Determination 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 Realisable Sale Price, each Noteholder will be required to pay to the Issuer an amount equal to such Unpaid Costs upon notification from the Issuer. Any Noteholder's obligation to pay such Unpaid Costs shall survive the redemption of the Notes and any transfers made by any such Noteholder prior to such date.

(b) ***Redemption for Taxation Reasons***

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

- (i) on a subsequent date for payment on such Series of Notes the Issuer would be required to pay any additional amounts in accordance with the provisions of Condition 6 (*Taxation*); or
- (ii) if the Issuer were to seek to redeem such Notes (for which purpose no regard shall be had to whether or not the Issuer would otherwise be entitled to redeem such Notes), the Issuer would (notwithstanding its having made such endeavours as the Principal Paying Agent shall determine, in its sole and absolute discretion, to be reasonable) be required to pay any additional amounts in accordance with the provisions of Condition 6 (*Taxation*);

the Issuer may, having given not less than 30 nor more than 45 days' notice to the Noteholders in respect of such Series of Notes, redeem all, but not some only, of such Notes, at their Early Redemption Amount; **provided, however, that** (a) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due; and (b) such payment shall be made on the later of the Scheduled Early Redemption Date and the Postponed Early Redemption Date.

Subject only to the obligation of the Issuer to use such endeavours as aforesaid, it shall be sufficient to establish the circumstances required to be established pursuant to this Condition 5(b) (*Redemption and Purchase – Redemption for Taxation Reasons*) if the Issuer shall deliver to the Principal Paying Agent a certificate of an independent legal adviser or accountant satisfactory to the Principal Paying Agent to the effect either that such a circumstance does exist or that, upon a

change in or amendment to the laws of the United Kingdom (including any regulations pursuant thereto), or in the interpretation or administration thereof, which at the date of such certificate is proposed and in the opinion of such legal adviser or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal in respect of the Notes would otherwise be made, becoming so effective, such circumstances would exist.

(c) ***Early Redemption for Illegality***

The Issuer shall have the right to terminate its obligations under the Notes, if the Calculation Agent shall have determined in its absolute discretion that the performance of such obligations under the Notes (or the Issuer's or the Issuer's designated affiliates' obligations under any hedging arrangements 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 Noteholder the Early Redemption Amount. Payment will be made in such manner and on such date as shall be notified to the Noteholders in accordance with Condition 12 (*Notices*); **provided, however, that** payment shall be made on the later of the Scheduled Early Redemption Date and the Postponed Early Redemption Date.

(d) ***Supplementary Amount***

In respect of each Note for which "Supplementary Amount" is specified as applicable in the relevant Final Terms the Issuer shall periodically pay the Noteholder a Supplementary Amount as determined below in accordance with those Final Terms or, if earlier redeemed for any reason, the Issuer shall pay the Noteholder any Supplementary Amount accrued up to the relevant early redemption date, and not already paid, upon such redemption of the Note, which amount shall be payable in addition to any applicable Early Redemption Amount or other payment due from the Issuer. Such Supplementary Amount shall be payable by the Issuer not later than 5 Business Days following the end of the relevant Calculation Period, or, if earlier, on the date that the Note is redeemed early, but in any case not later than the Maturity Date of such Note; **provided, however, that**, if any such day is a Disrupted Day or a Currency Event occurs, the Issuer may postpone payment of any Supplementary Amount until the day which is 5 Business Days after the first succeeding day which is not a Disrupted Day or on which such Currency Event is no longer continuing (as applicable).

"**Supplementary Amount**" means, in relation to any Calculation Period, an amount per Note calculated in accordance with the following formula, and such amount shall be adjusted to take into account any Costs:

$$(\text{Supplementary Rate} \times \text{Day Count Fraction} \times \text{Initial Note Price})$$

For the purposes of this Condition, the following definitions apply:

"**Calculation End Date**" means, in relation to the initial Calculation Period, the date specified as such in the relevant Final Terms, and, in relation to any subsequent Calculation Period, the earlier of (i) the Maturity Date and (ii) the day numerically corresponding to the first Calculation End Date falling in the next calendar month succeeding the calendar month in which the last Calculation End Date fell; **provided, however, that**, if such day is not a Business Day, the Calculation End Date shall be the next succeeding Business Day (and for these purposes the Business Centres in relation to the definition of "Business Day" shall be the principal financial centres of the Settlement Currency and the Underlying Currency).

"**Calculation Period**" means a period from and including a relevant Calculation Start Date to but excluding the next following Calculation End Date.

"**Calculation Start Date**" means, in relation to the initial Calculation Period, the date specified as such in the relevant Final Terms and, for any subsequent Calculation Period, the Calculation End Date related to the immediately preceding Calculation Period.

"**Day Count Fraction**" means, in respect of a Calculation Period, the actual number of calendar days from (and including) the Calculation Start Date in relation to such Calculation Period or the

Purchase Date if later to (but excluding) the Calculation End Date in relation to such Calculation Period or, if earlier, the Sale Date if Sale Date Restriction is applicable in respect of such Calculation Period or the early redemption date (as the case may be) divided by the number of days (the “**Base Days**”) as specified in the Final Terms. For these purposes “Sale Date Restriction” shall be applicable or not applicable in relation to any Calculation Period as follows:

- (i) in relation to the initial Calculation Period, “Sale Date Restriction” shall be applicable or not applicable as specified in the relevant Final Terms; and
- (ii) in relation to each subsequent Calculation Period for which the Supplementary Rate is advised to the Noteholders as being greater than zero, “Sale Date Restriction” shall be applicable unless advised to the Noteholders as being not applicable in respect of such subsequent Calculation Period,

provided, however, that notwithstanding (i) and (ii) above, “Sale Date Restriction” shall be applicable in relation to any Calculation Period if the Sale Date arises at the request of the Noteholder.

“**Initial Note Price**” means, in relation to the initial Calculation Period, the price specified as such in the relevant Final Terms, or otherwise determined as provided in the relevant Final Terms or, if no such price is so specified or otherwise determined, the price at which the Noteholder acquires the Note on the Purchase Date as determined by the Calculation Agent and, in relation to any subsequent Calculation Period for which the Supplementary Rate is advised to Noteholders as being greater than zero, such price as is likewise advised to Noteholders in respect of such subsequent Calculation Period or if, no such price is advised to Noteholders the Note price on the relevant Calculation Start Date or the Purchase Date, if later, each as determined by the Calculation Agent.

“**Purchase Date**” means the Transfer Reference Date on which the Noteholder acquires the Notes from the Issuer or an affiliate of the Issuer.

“**Sale Date**” means the Transfer Reference Date on which the Issuer or an affiliate of the Issuer reacquires the Notes from the Noteholder.

“**Supplementary Rate**” means, in respect of the initial Calculation Period, the percentage rate per annum specified as such in the relevant Final Terms and, for each subsequent Calculation Period, the greater of zero (0%) and the rate per annum, if any, advised to Noteholders by the Issuer or an affiliate of the Issuer via the Clearing System or otherwise in respect of such subsequent Calculation Period.

“**Transfer Reference Date**” means, in respect of any transfer of the Notes between the Noteholder and the Issuer or an affiliate of the Issuer, either the “Trade Date” or “Settlement Date” of such transfer, as specified in the relevant Final Terms.

(e) ***Purchases***

Each of the Issuer and any person directly or indirectly connected with the Issuer may at any time purchase Notes at any price in the open market or otherwise, and such Notes may be held, reissued, resold or provided such Notes are held by the Issuer, at the option of the Issuer, re-issued or cancelled.

(f) ***Cancellation***

All Notes which are redeemed pursuant to Condition 5(a) (*Redemption and Purchase – At Maturity*), Condition 5(b) (*Redemption and Purchase – Redemption for Taxation Reasons*) and Condition 5(c) (*Redemption and Purchase – Early Redemption for Illegality*) shall, and all Notes purchased, pursuant to Condition 5(e) (*Redemption and Purchase – Purchases*) may, at the option of the Issuer, be cancelled forthwith. All Notes redeemed or purchased and cancelled as aforesaid may not be re-issued or resold.

(g) ***No Other Redemption Provisions***

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 5(a) (*Redemption and Purchase – At Maturity*), Condition 5(b) (*Redemption and Purchase – Redemption for Taxation Reasons*) and Condition 5(c) (*Redemption and Purchase – Early Redemption for Illegality*).

6. **Taxation**

All payments by the Issuer in respect of the Notes will be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature, present or future, as are imposed or levied by or on behalf of the United Kingdom unless the Issuer is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges.

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

- (a) to, or to a third party on behalf of, a Holder of a Note who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of it having some connection with the United Kingdom or any other relevant jurisdiction, other than the mere holding of such Note;
- (b) unless it is proved, in the case of Bearer Notes, to the satisfaction of the Principal Paying Agent or the Paying Agent to whom the same is presented, or, in the case of Registered Notes, to the satisfaction of the Registrar, that the Holder is unable to avoid such withholding or deduction by satisfying any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to the relevant tax authorities or by notifying (and/or presenting evidence of such notification to) any tax authorities of such payment or by presenting the relevant Note at the specified office of another Paying Agent;
- (c) more than 30 days after the Relevant Date (defined below) except, in the case of Bearer Notes, to the extent that the Holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days;
- (d) in the case of Registered Notes, unless it is proved to the satisfaction of the Registrar that the Holder, immediately upon becoming the Holder, (i) was eligible for the benefits of a tax treaty with the United Kingdom or any other relevant jurisdiction that provides for a complete exemption from withholding taxes on payments under the Notes, or (ii) was otherwise entitled to a complete exemption from withholding taxes on payments under the Notes;
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) to, or to a third party on behalf of, a Holder who is not the sole beneficial owner of the Note, or a portion of such Note, or that is a fiduciary or partnership, but only to the extent that a beneficiary or settlor with respect to the fiduciary, a beneficial owner or member of the partnership would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment.

As used herein, the "**Relevant Date**" means the date on which such payment first becomes due but, in the case of Bearer Notes, if the full amount of the money payable has not been received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it

means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given to the relevant Holders in accordance with Condition 12 (*Notices*).

If the Issuer becomes resident for tax purposes in any taxing jurisdiction other than the United Kingdom, references in this Condition 6 (*Taxation*) to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

Any reference in these Conditions to payments in respect of the relevant Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable under this Condition 6 (*Taxation*);
- (ii) the principal amount payable on the relevant Notes on the Maturity Date;
- (iii) the principal amount payable on redemption of the relevant Notes prior to such Maturity Date;
- (iv) any Supplementary Amounts payable in respect of the relevant Notes;
- (v) any Additional Payments payable in respect of the relevant Notes; and
- (vi) any premium and any other amounts which may be payable under or in respect of the relevant Notes.

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

7. **Payments**

(a) ***Bearer Notes***

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

If the due date for payment of any amount due in respect of any Bearer Note is not both a Relevant Financial Centre Day and, if such Bearer Note is a Definitive Note or if the Final Terms so specify, a local banking day (each, as defined below), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day.

(b) ***Registered Notes***

Payment of the amount due on final redemption in respect of Registered Notes will be made against presentation and, save in the case of partial payment of any such amount, surrender of the relevant certificate at the specified office of the Registrar or of the Transfer Agent. If the due date for payment of the Final Redemption Amount or any other redemption amount, as the case may be, of any Registered Note is not both a Relevant Financial Centre Day and, if such Registered Note is not in global form or if the Final Terms so specify, a local banking day (each, as defined below), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day.

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

Payment will be made in the currency in which such amount is due either by cheque posted to the Noteholder's registered address (or, in the case of joint Holders, the first-named) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar or to the Transfer Agent and the Registrar or, as the case may be, the Transfer Agent has acknowledged such application for payment to be made to a designated account denominated in the relevant Settlement Currency (as defined in Condition 1 (*Definitions*)), in each case as specified in paragraph (c) below.

(c) **General Provisions**

The following provisions apply to both Bearer Notes and Registered Notes. Payments of amounts due (whether principal or otherwise) in respect of Notes will be made in the relevant Settlement Currency (as defined in Condition 1 (*Definitions*)) either by cheque or, at the option of the payee, by transfer to an account in the relevant Settlement Currency specified by the payee other than, for payments in respect of Bearer Notes, any such account in the United States.

Payments and deliveries will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6 (*Taxation*).

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

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

(d) **Payment of Alternative Payment Currency Equivalent**

If "Payment of Alternative Payment Currency Equivalent" is specified as applicable in the relevant Final Terms, then if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments in respect of the Notes when due in the Settlement Currency, the Issuer may settle any such payment in the relevant Alternative Payment Currency on the due date at the Alternative Payment Currency Equivalent of any such amount due.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7(d) (*Payments – Payment of Alternative Payment Currency Equivalent*) by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Holders. By acceptance hereof purchasers of Notes will be deemed to have acknowledged and agreed and to have waived any and all actual or potential conflicts of interest that may arise as a result of the calculation of the Alternative Payment Currency Equivalent by the Calculation Agent.

8. **Redenomination**

Where redenomination is specified in the relevant Final Terms as being applicable, and in respect of Notes denominated in a National Currency Unit (as defined in Condition 1 (*Definitions*)), the Issuer may, without the consent of the Noteholders, upon giving at least 30 days' prior notice to the Noteholders in accordance with Condition 12 (*Notices*), designate a Redenomination Date.

With effect from the Redenomination Date:

- (i) each Note shall (unless already so provided by mandatory provisions of applicable law) be deemed to be redenominated into such amount of euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Settlement Currency, converted into euro at the rate for the conversion of the relevant Settlement Currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with EC regulations); **provided, however, that** if the Issuer determines, with the agreement of the Principal Paying Agent, then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;
- (ii) if Notes are in definitive form:
 - (A) the payment obligations contained in all Notes denominated in the Settlement Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 8 (*Redenomination*)) shall remain in full force and effect; and
 - (B) new Notes denominated in euro will be issued in exchange for Notes denominated in the relevant Settlement Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the relevant Settlement Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro, as though references in the Notes to the Settlement Currency were to euro. Such payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Union; and
- (iv) such other changes will be made to the Conditions as the Issuer may decide, with the prior approval of the Principal Paying Agent, to conform such Notes to conventions then applicable to Notes denominated in euro. Any such other changes will not take effect until after it has been notified to the Noteholders in accordance with Condition 12 (*Notices*).

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

9. **Events of Default**

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

- (a) there is a default for more than 14 days in the repayment of any principal due on the Notes of such Series or any of them, **provided that** it shall not be such a default to withhold or refuse any such payment (1) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (2) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers acceptable to the Principal Paying Agent as to such validity or applicability; or

- (b) an order is made or an effective resolution is passed for the winding-up of the Issuer in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved in writing by an Extraordinary Resolution (as defined in the Master Note Issuance Agreement) of the Holders of the relevant Series of Notes),

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

10. **Prescription**

Notes will become void unless presented for payment within a period of 10 years from the Relevant Date (as defined in Condition 6 (*Taxation*)) in respect thereof. Any monies paid by the Issuer to the Principal Paying Agent for the payment of the principal and remaining unclaimed when such Notes become void will then revert to the Issuer and all liability of the Principal Paying Agent with respect thereto will thereupon cease.

11. **Replacement, Exchange and Transfer**

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

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

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

If so set out in the relevant Final Terms, the Holder of Bearer Notes may exchange the same for the same aggregate principal amount of Registered Notes upon the terms and subject to the conditions set forth in the Issuing and Paying Agency Agreement. In order to exchange a Bearer Note for a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office outside the United States of the Principal Paying Agent or of the Registrar or the Transfer Agent, together with a written request for the exchange.

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

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

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

12. **Notices**

(a) ***Notices to Noteholders***

All notices to the Holders of Notes will be valid: (i) if published, in the case of Bearer Notes, in one leading daily newspaper with circulation in London (which is expected to be the *Financial Times* or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe); (ii) in the case of Registered Notes, if mailed to their registered addresses (as advised by the Registrar) or to that of the first named of them in the case of joint Holders; **provided that**, in each case, in the case of Notes admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system the rules of such listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation have been complied with. Any such notice shall be deemed to have been given on the date of such publication or delivery or, if published more than once, on the date of the first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

(b) ***Notices from Noteholders***

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

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

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

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

- (i) so long as any Bearer Notes are outstanding, there will at all times be a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000;
 - (ii) so long as any Bearer Notes are outstanding, there will at all times be a Principal Paying Agent; and
 - (iii) so long as any Registered Notes are outstanding, there will at all times be a Registrar and a Transfer Agent.
- (b) In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the second paragraph of Condition 7(a) (*Payments – Bearer Notes*). Any variation, termination, appointment or change shall only take effect (other than in the case of an insolvency, when it shall be of immediate effect) after notice has been given to the Noteholders in accordance with Condition 12 (*Notices*).
- (c) All calculations and determinations made by the Calculation Agent pursuant to the Conditions for the purposes of the Notes shall be made in good faith.

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

(a) ***Meetings of Noteholders***

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

(b) ***Modification***

Subject in case of the Issuing and Paying Agency Agreement or the Master Note Issuance Agreement (as applicable) to the agreement of the other parties thereto the Issuer may agree, without the consent of the Noteholders, to:

- (i) any modification (except as mentioned above) of the Issuing and Paying Agency Agreement or the Master Note Issuance Agreement or the Conditions which is not materially prejudicial to the interests of the Noteholders as a whole;
- (ii) any modification of the Conditions or the Issuing and Paying Agency Agreement or the Master Note Issuance Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated; or
- (iii) any modification of the Notes which is made to correct an inconsistency between the final terms and conditions of the Note issue (comprising these Conditions as completed by the relevant Final Terms) and the relevant termsheet relating to the Notes.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 12 (*Notices*) as soon as practicable thereafter.

(c) ***Substitution***

The Issuer may also agree, without the consent of the Noteholders, 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 Notes of any Series, **provided that** such Notes 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 Noteholders in accordance with Condition 12 (*Notices*). In connection with such right of substitution, the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Noteholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon such Noteholder.

15. **Further Issues**

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

16. **Consequences of Disrupted Days**

If any Scheduled Valuation Date is a Disrupted Day, then 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 (such eighth day, the "**Eighth Scheduled Trading Day**"). In that case, the Calculation Agent shall determine in its absolute discretion that:

- (aa) the Valuation Date shall be the Eighth Scheduled Trading Day; or
- (bb) the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event.

(A) *Intentionally left blank.*

(B) In respect of an Underlying Equity-Linked Note, in the case of (aa) above, the Calculation Agent shall determine its good faith estimate of the value for the relevant Security as of the Valuation Time on the Eighth Scheduled Trading Day.

(C) *Intentionally left blank.*

(D) In respect of an Underlying Equity-Linked Note which relates to a basket of Securities, in the case of (aa) above, the Calculation Agent shall determine, in its sole and absolute discretion, its estimate of the value for that Security as of the Valuation Time on the Eighth Scheduled Trading Day.

17. *Intentionally left blank.*

18. **Adjustments and Events affecting Securities**

This Condition 18 (*Adjustments and Events affecting Securities*) is applicable only in relation to Underlying Equity-Linked Notes.

(i) *Potential Adjustment Events*

The Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Potential Adjustment Event has occurred and where it determines such an event has occurred, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Securities and, if so, will make such adjustment(s) as it in its sole and absolute discretion determines to be appropriate, if any, to the formula for the Final Redemption Amount or any other amount set out in the relevant Final Terms, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and/or any other adjustment(s) and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes as the Calculation Agent determines, in its sole and absolute discretion, to be appropriate to account for that diluting or concentrative effect and determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s). In addition, in making such determinations, the Calculation Agent may (but need not) take into account any requirement, adjustment and/or limitation that may be imposed by the China Connect Service or any action or inaction by any one or more of the Exchange, SEHK, CSDCC and HKSCC in relation to such Potential Adjustment Event in respect of Securities held through the China Connect Service.

(ii) *Extraordinary Events*

Following the occurrence of any Extraordinary Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Issuer determines that the relevant Notes shall continue, the Calculation Agent may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the formula for the Final Redemption Amount or any other amount set out in the relevant Final Terms, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion. If the Issuer determines in its sole and absolute discretion that the relevant Notes shall be redeemed, then the Notes shall be redeemed as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Noteholders to receive the relevant Final Redemption Amount (or any other payment to be made by the Issuer) as the case may be, shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the redemption of the Notes. In making such determinations, the Calculation Agent may (but need not) take into account any requirement, adjustment and/or limitation that may be imposed by the China Connect Service or any action or inaction by any one or more of the Exchange, SEHK, CSDCC and HKSCC in relation to such Merger Event or Tender Offer in respect of Securities held through the China Connect Service.

(iii) *Conversion*

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

(iv) *Correction of Prices*

In the event that any price published or announced on a given day and utilised or to be utilised for the purpose of any calculation or determination under the Notes is subsequently corrected and the correction is published or announced by the Exchange within one Settlement Cycle after the original publication, the Calculation Agent will make such adjustment(s) as it in its sole and absolute discretion determines to be appropriate, if any, to the amount payable in respect of the Notes and their terms to account for such correction and the Calculation Agent shall determine, in its sole and

absolute discretion, the effective date(s) of such adjustment(s) **provided that** if any amount has been paid in an amount which exceeds the amount that would have been payable if the correction had been taken into account, no further amount in an amount at least equal to the excess is payable in respect of the Notes and the Calculation Agent determines that it is not practicable to make such an adjustment to account fully for such correction, the Issuer shall be entitled to reimbursement of the relevant excess payment (or, as the case may be, the proportion thereof not accounted for by an adjustment made by the Calculation Agent) by the relevant Noteholder, together with interest on that amount for the period from and including the day on which payment was originally made to (but excluding) the day of payment of reimbursement by the Noteholder (all as calculated by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall determine.

- (v) *Payments pursuant to Condition 18(ii) (Adjustments and Events affecting Securities – Extraordinary Events) and Condition 18(iii) (Adjustments and Events affecting Securities – Conversion) in respect of Underlying Security-Linked Notes*

In respect of Underlying Security-Linked Notes, for the purposes of payments (if any) made pursuant to Condition 18(ii) (*Adjustments and Events affecting Securities – Extraordinary Events*) or Condition 18(iii) (*Adjustments and Events affecting Securities – Conversion*) (each, an "**Event Payment**"):

- (A) if the Calculation Agent is satisfied that the Issuer or an affiliate held any relevant Underlying Security on the Business Day immediately preceding the occurrence of the Extraordinary Event or Conversion (the "**Event Occurrence Date**"), the Calculation Agent shall determine the net cash value of any payment which the Issuer or such affiliate actually received in respect of such holding after deduction of Costs (the date on which it would have received being the "**Event Receipt Date**") and divide that net cash value by the number of such Underlying Security so held by the Issuer or such affiliate to give a per Underlying Security amount (the "**Event Receipt**"); or
- (B) if the Calculation Agent is satisfied that the Issuer or an affiliate held Relevant Hedge(s) on the Business Day prior to the Event Occurrence Date, then the Calculation Agent shall determine the net cash value of any payment which the Issuer or such affiliate would have received in respect of such Relevant Hedges(s) after deduction of Costs (the date on which it would have been received being the "**Event Receipt Date**"), and divide that net cash value by the number of Underlying Securities to which such Relevant Hedge(s) relate to give a per Underlying Security amount (the "**Event Receipt**"); and
- (C) in all other cases, the net cash value of the payment per Underlying Security which, in the determination of the Calculation Agent, would have been received by a Notional Holder which was a holder of such Underlying Security on the Business Day prior to the Event Occurrence Date after deduction of Costs shall be the "**Event Receipt**" and the date on which, in the determination of the Calculation Agent, such Notional Holder would have received the Event Receipt shall be the "**Event Receipt Date**").

Where the Event Receipt is in the same currency as the Settlement Currency, the Event Receipt multiplied by the relevant Number of Underlying Securities per Note shall be the amount of the Event Payment per Note. Where this sub-paragraph applies, the Event Payment shall not be made sooner than the Event Receipt Date.

Where the Event Receipt is not in the same currency as the Settlement Currency, it shall then be translated into the Settlement Currency. If the Calculation Agent is satisfied that on the Event Receipt Date the Issuer or an affiliate, in connection with the determination of the relevant Event Payment, actually entered into an exchange transaction to convert the relevant Underlying Currency into the Settlement Currency, the rate of exchange for the purposes of such translation shall be the rate obtained by the Issuer or such affiliate, as determined by the Calculation Agent. In other cases, the rate of exchange for such

translation shall be that determined by the Calculation Agent to be the rate at which a Notional Holder which received the Event Receipt on the Event Receipt Date would have been able to convert the Event Receipt into the Settlement Currency. In each case, the Calculation Agent shall deduct from the translated Settlement Currency amount any Conversion Costs per Underlying Security. The resulting amount (the "**Converted Amount**") multiplied by the relevant Number of Underlying Securities per Note shall be the amount of the Event Payment per Note. Where this sub-paragraph applies, the Event Payment shall not be made sooner than the day on which the Issuer or an affiliate actually received the Converted Amount in respect of an exchange transaction entered into in relation to the Event Receipt Date or on which a Notional Holder entering into an exchange transaction in relation to the Event Receipt Date would have received the Converted Amount as determined by the Calculation Agent.

Event Payments shall be payable, where the Notes are held in a clearing system such as DTC, Euroclear and/or Clearstream, Luxembourg to the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the case may be, as Noteholders on the Business Day immediately preceding the Event Occurrence Date, and in any other case to the holders for the time being of the Notes (irrespective of whether or not they were Noteholders on the Business Day immediately preceding the Event Occurrence Date).

- (vi) *Intentionally left blank.*
- (vii) *Intentionally left blank.*
- (viii) *Intentionally left blank.*

19. **Additional Disruption Events**

- (i) *General*

Following the occurrence of any Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Issuer determines that the relevant Notes shall continue, the Calculation Agent may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the formula for the Final Redemption Amount or any other amount set out in the relevant Final Terms, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion. If the Issuer determines in its sole and absolute discretion that the relevant Notes shall be redeemed, then the Notes shall be redeemed as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Noteholders to receive the relevant Final Redemption Amount (or any other payment to be made by the Issuer), as the case may be, shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the redemption of the Notes.

- (ii) *Additional Disruption Events relating to Underlying Security-Linked Notes only*

The following terms, if specified as an Additional Disruption Event in the relevant Final Terms, shall have the following meanings unless otherwise provided in the relevant Final Terms:

"Currency Event" has the meaning given to it in Condition 1 (*Definitions*);

"Security Redemption" means any Underlying Security is early redeemed, terminated or cancelled, in whole or in part, on or prior to its stated maturity for whatever reason; and

"Underlying Company Default" means a default of the Underlying Company of its obligations under the Underlying Security.

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

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

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

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

21. **Dealing restrictions in relation to Underlying Securities and Currency Events**

Whenever any sum is due in respect of Underlying Security-Linked Notes (whether upon early redemption or upon final redemption or otherwise), the Issuer shall be entitled to suspend its obligation to make such payment in respect of the Notes if, and for as long as, in the determination of the Calculation Agent, (a) dealing by the Issuer, any affiliate or Notional Holders or hypothetical investors generally in the relevant Underlying Security, or Relevant Hedge(s) is or is likely to be prevented, delayed or restricted by closure of a relevant Exchange or Related Exchange, suspension of trading in such Underlying Security, Shares of the Relevant Hedge(s) or other circumstances or (b) a Currency Event has occurred. The Noteholders shall not be entitled to any interest or other compensation in respect of any such suspension nor shall such a suspension constitute a default. The Issuer shall give notice to the Noteholders as soon as practical of any such suspension and, subsequently, of the termination of any such suspension.

22. **Buy-Back Provisions for the Notes**

Unless the relevant Final Terms specify otherwise, **provided that** the Calculation Agent determines that normal market conditions exist the Issuer shall, during local market hours on each local business day from and including the Issue Date to but excluding the Valuation Date, publish on Bloomberg indicative Settlement Currency bid and ask prices in respect of the Notes calculated from (i) the bid and ask prices/ levels respectively of each of the relevant Underlying(s) on any applicable Exchange(s) divided by (ii) the relevant Underlying Currency/ Settlement Currency exchange rate(s), each, as published on Bloomberg as of such time on such local business day. For the avoidance of doubt, such Settlement Currency bid and ask prices for the Notes as published on Bloomberg are for indicative purposes only, and are subject to change in accordance with normal market movements.

In addition, **provided that** the Calculation Agent determines that normal market conditions exist, the Issuer shall, following a request from a Noteholder received by the Issuer/ Dealer during normal local market hours on any local business day from and including the Issue Date to but excluding the Valuation Date, (a) provide such Noteholder with a firm bid price at which the Issuer/ Dealer will purchase a specified number of Notes from such Noteholder and/or (b) accept

a related sale order from such Noteholder specifying a maximum number of Notes to be sold, subject to any specified local price/ level and volume conditions. In respect of (a) above, any such firm bid price will only be valid and binding at the time it is given and, thereafter, will be subject to change in accordance with normal market movements. In respect of (b) above, any order shall be executed in good faith and a commercially reasonable manner in line with the specified conditions (if any) of the sale order and underlying market liquidity at such time. For the avoidance of doubt, the extent to which a Note order will be filled and the price at which such fill is achieved will be fully consistent with the liquidity and the prices/ level(s) traded in each relevant Underlying on any applicable Exchange(s), at such time on such business day and within any conditions specified for the order by such Noteholder. Further, the exchange rates used for converting the local price(s)/ level(s) of each relevant Underlying into Settlement Currency prices of the Notes for any filled orders will be determined by the Calculation Agent using such exchange rate(s) that are available to the Issuer at the relevant time on the relevant business day(s) consistent with the Issuer's normal market practice for such trades.

If the Calculation Agent considers that exceptional market conditions make it impossible to provide an indicative and/or firm bid and/or ask price for the Notes, and/or to accept or execute an order in the Notes, then the Issuer's related obligations hereunder shall be postponed to the following local business day on which the Calculation Agent, acting in a commercially reasonable manner, determines that such exceptional market conditions have ceased to exist and that it considers possible to determine such bid and ask prices or to accept or execute an order, as the case may be.

23. **Miscellaneous**

Miscellaneous provisions in relation to Underlying Security-Linked Notes

- (a) Any person (the "**relevant person**") shall be treated as "**holding**" Underlying Securities where the relevant person is registered as registered owner of such Underlying Securities in the Underlying Company's share register or where the registered owner of such Underlying Securities in the Underlying Company's share register is a custodian or agent and directly or indirectly the person for whose account those Underlying Securities are held is the relevant person. The terms "**hold**" and "**holder**" shall, in the context of holding Underlying Securities, be construed accordingly.
- (b) Where there is a dividend or distribution in respect of any Underlying Security or any disposal or transfer of Underlying Securities, the dividend distribution or proceeds of disposal or transfer shall not be treated as having been received by any person unless and until it or they have been paid or delivered to that person or to any bank, custodian or agent on behalf of that person in circumstances where that person may (i) (in the case of a payment denominated in a currency other than the Settlement Currency) freely convert such payment into the Settlement Currency and (ii) freely withdraw and transfer the payment (or, as the case may be, the Settlement Currency conversion proceeds of such payment) or delivery.

24. **Provision of Information**

The Issuer shall, during any period in which it is not subject to and in compliance with the periodic reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any Holder of a Note which is a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act or to any prospective purchaser of such securities designated by such Holder, upon the written request of such Holder or (as the case may be) prospective Holder addressed to the Issuer and delivered to the Issuer or to the specified office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

25. **Third Party Rights**

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

26. **Governing Law**

(a) ***Governing law***

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

(b) ***English courts***

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising out of or in connection with the Notes (including any Dispute regarding the existing, validity or redemption of the Notes or the consequence of their nullity).

**SECTION II.3 – FORM OF NOTES AND SUMMARY OF PROVISIONS RELATING TO THE
NOTES WHILE IN GLOBAL FORM**

This section is incorporated by reference pursuant to Section I.3 – Incorporation by Reference.

SECTION II.4 – CLEARING AND SETTLEMENT OF THE NOTES

This section is incorporated by reference pursuant to Section I.3 – Incorporation by Reference.

SECTION II.5 – FORM OF FINAL TERMS FOR NOTES

Set out below is the template of the "Final Terms", a document which will be filled out for each issue of Notes and which will complete the terms and conditions in respect of each such issue of Notes.

Final Terms dated: [•]

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

[Further] Issue of

[Aggregate Principal Amount of Tranche] [Title of Notes]

[(to be consolidated and form a single series with the existing Tranche[s] [])]

PART A – CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes relating to China Connect Underlying (the "**Conditions**") set forth in the Base Prospectus dated [•] 2014 in relation to the above Programme, together with each supplemental prospectus relating to the Programme published by the Issuer after [•] 2014 but before the issue date or listing date of the Notes, whichever is later, to which these Final Terms relate which together constitute a base prospectus ("**Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC, as amended) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus. However, a summary of the issue of the Notes is annexed to these Final Terms.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an offering document with an earlier date.]

[This document constitutes the Final Terms relating to the issue of the Tranche of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated [•] which are incorporated by reference in the Base Prospectus dated [•] 2014 and are applicable to the Notes. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [•] 2014 together with each supplemental prospectus relating to the Programme published by the Issuer after [•] 2014 but before the issue date or listing date of the Notes to which the Final Terms relate, whichever is later, which together constitute a base prospectus ("**Prospectus**") for the purposes of the Prospectus Directive. However, a summary of the issue of the Notes is annexed to these Final Terms.]

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing during normal business hours at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.

1. Issuer: HSBC Bank plc
2. Tranche Number: [] [The Notes issued under these Final Terms are to be consolidated and form a single series with [] (the "**Original Issue**") issued on [] [(ISIN):[]].]
3. Settlement Currency: []
4. Aggregate Principal Amount [of Notes

admitted to trading]:

- (i) Series: []
- (ii) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Principal Amount
6. (i) Denomination(s): []
- (ii) Calculation Amount: []
7. Issue Date: []
8. Maturity Date: []

PROVISIONS RELATING TO ADDITIONAL PAYMENTS AND INTEREST (IF ANY) PAYABLE

9. Default Rate: [[] per cent. [per annum]] []

PROVISIONS RELATING TO REDEMPTION

10. Redemption Commission Percentage: []
11. Early Redemption Amount: Fair Market Value
12. Buy-Back provisions: [Applicable] [Not Applicable]

PROVISIONS APPLICABLE TO EQUITY-LINKED NOTES

13. Provisions for Underlying Equity-Linked Notes: [Applicable] [Not Applicable]
- Underlying Security-Linked Notes: [Applicable] [Not Applicable]

Underlying Securities (including ISIN or other security identification code)	Underlying Companies	Number of Underlying Securities per Note	Exchange(s)	Related Exchange(s)
[]	[]	[]	[]	[All Exchanges]

- (i) Underlying Securities: [] [Government Bonds]
- (ii) Underlying Companies: [] [Not Applicable]
- (ii) Extraordinary Dividend: [] [Not Applicable]
- (iii) Exchange(s): []
- (iv) Related Exchange(s): []
- (v) Underlying Currencies: []
- (vi) China Connect Underlying: [Yes] [No]

- (vii) Additional Disruption Events: [Change in Law] [Insolvency Filing] [Hedging Disruption] [Increased Cost of Hedging] [Currency Event] [Security Redemption] [Underlying Company Default] [China Connect Share Disqualification] [China Connect Service Termination] [Not Applicable]
14. Further provisions applicable to all Underlying Equity-Linked Notes: [Applicable] [Not Applicable]
- (i) Initial Price: [] [Not Applicable]
- (ii) Final Price: [] [Not Applicable]
- (iv) Strike Date: []

VALUATION PROVISIONS

15. Valuation Date(s): []
16. Valuation Time: []

GENERAL PROVISIONS APPLICABLE TO THE NOTES

17. Form of Notes:
- (i) Form of Notes: [Bearer Notes] [Registered Notes]
- (ii) Bearer Notes exchangeable for Registered Notes: [Yes] [No] [Not Applicable]
18. If issued in bearer form:
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: [Temporary] [Permanent] Global Note
- (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: [Yes] [No] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only in limited circumstances specified in the Permanent Global Note]
- (iii) Permanent Global Note exchangeable at the option of the Issuer in circumstances where the Issuer would suffer a material disadvantage following a change of law or regulation: [Yes] [No. The Issuer waives its right to elect to exchange a Permanent Global Note for Definitive Notes in the circumstances described in paragraph (d) of the Permanent Global Note]
19. Exchange Date for exchange of Temporary Global Note: [Not earlier than 40 days after the Issue Date] [Not Applicable]
20. If issued in registered form: [Applicable] [Not Applicable]
- Initially represented by: [Regulation S Global Registered Note] [Rule 144A Global Registered Note] [Unrestricted Global Registered Note and Restricted Global Registered Note] [Combined Global Registered Note] [Definitive Registered Notes]

21. Payments:
- (i) Relevant Financial Centre Day: []
 - (ii) Business Centre(s): []
 - (iii) Payment of Alternative Payment Currency Equivalent: [Applicable][Not Applicable]
 - Alternative Payment Currency: [USD] []
 - Alternative Payment Currency Jurisdiction: []
 - Settlement Currency Jurisdiction: []
 - Alternative Payment Currency Fixing Page: []
 - Alternative Payment Currency Fixing Time: []
 - Alternative Payment Currency Exchange Rate Fall-Back provisions: [] [Condition 1 applies]
 - Offshore RMB Centre: [Hong Kong][Singapore][Taiwan][][Not Applicable]
22. Redenomination: [Applicable] [Not Applicable]
23. Supplementary Amount: [Applicable][Not Applicable]
- (i) Supplementary Rate: [] per cent. per annum
 - (ii) Calculation Start Date: []
 - (iii) Calculation End Date: []
 - (iv) Sale Date Restriction: [Applicable][Not Applicable]
 - (v) Initial Note Price: []
 - (vi) Base Days: [360] [365]
 - (vii) Transfer Reference Date: [Trade Date] [Settlement Date]

CONFIRMED

HSBC BANK plc

By:
Authorised Signatory

Date:

PART B – OTHER INFORMATION

LISTING

1. (i) Listing: Application [will be] [has been] made to admit the Notes to listing on the Official List of the United Kingdom Financial Conduct Authority. No assurance can be given as to whether or not, or when, such application will be granted.
- (ii) Admission to trading: [The Original Issue was admitted to trading on the regulated market of the London Stock Exchange plc on [].] [Application [will be] [has been] made for the Notes to be admitted to trading on the regulated market of the London Stock Exchange plc]. No assurance can be given as to whether or not, or when, such application will be granted.]

2. **[REASONS FOR THE OFFER AND USE OF PROCEEDS, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]**

- (i) Reasons for the offer [] and use of proceeds:
- (ii) Estimated net proceeds: []
- (iii) Estimated total [] expenses:

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

[Save for any fees payable to the [Dealer(s)] [[Lead] Manager(s)], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the [issue/offer]. The [Dealer(s)] [[Lead] Manager(s)] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.] [Not Applicable]

4. **INFORMATION ABOUT THE UNDERLYING**

Details of past and further performance and volatility of the Underlying Securities are obtainable from the following display pages on [Bloomberg] and such information does not form part of this document: (Source: [Bloomberg Financial Markets Information Service]) [].] / [Additional details] [Details] relating to the [Underlying Securities] [and the] [issuer[s] of the Underlying Securities] are available on the following website[s] [of the issuer[s] of such Underlying Securities: [].] [The Issuer confirms that the information sourced from [Bloomberg Financial Markets Information Service] [and] [the website of the issuer[s] of the Underlying Securities, []] has been accurately reproduced. As 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.

OPERATIONAL INFORMATION

5. ISIN Code: [Not Applicable]
6. Common Code: [Not Applicable]
7. [SEDOL: [Not Applicable]]
8. [CUSIP: [Not Applicable]]
9. Clearing System: [Euroclear] [Clearstream, Luxembourg] [DTC]
10. TEFRA Rules applicable to Bearer Notes: [TEFRA C Rules] [TEFRA D Rules] [TEFRA Not Applicable]
11. Principal Paying Agent/Registrar/Issue Agent/Transfer Agent: [HSBC Bank plc] [HSBC Bank USA, National Association]
12. Additional Paying Agent(s) (if any): [Not Applicable]

SECTION II.6 – SUBSCRIPTION AND SALE OF NOTES

This section sets out selling restrictions relating to the Notes and the People's Republic of China. For further information regarding the arrangements between the Issuer and the Dealer(s) as to the offer and sale of Notes generally and a summary of the selling restrictions that apply to the subscription and sale of the Notes in various other jurisdictions, see pages 168 to 181 of the Market Access Notes and Warrants Base Prospectus, incorporated by reference.

People's Republic of China

Notes linked to China Connect Underlying may not be offered or sold in the People's Republic of China (excluding Hong Kong, Macau and Taiwan, for the current purposes, the "**PRC**") directly or indirectly or offered or sold to any Domestic Investor, where "**Domestic Investor**" means:

- (a) a PRC Citizen resident or domiciled in the PRC; and/or
- (b) a legal entity incorporated or registered in the PRC.

"**PRC Citizen**" means any person holding a resident identification card or other equivalent government issued identification of the PRC.

**SECTION II.7 – TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS IN
RELATION TO THE NOTES**

This section sets out restrictions on transfers of the Notes in different jurisdictions which may be applicable to a purchaser of the Notes and a number of representations which the purchaser is deemed to make in respect of the Notes.

1. Transfer restrictions

Each purchaser of the Notes will be subject to the transfer restrictions below under the headings "Australia", "Korea", "Malaysia", "People's Republic of China", "United States" and "Vietnam", together with any other transfer restrictions listed below to the extent the country heading corresponds to the Reference Jurisdiction (as specified in the relevant Final Terms) of the relevant Series of Notes. By purchasing the Notes, each purchaser of the Notes shall be deemed to have agreed to (1) comply with such transfer restrictions as at the date on which it acquires (whether through purchase, exchange or other transfer), redeems or sells any of the Notes; and (2) provide notice of all applicable transfer restrictions to any subsequent transferees of the Notes.

AUSTRALIA

(I) NO PROSPECTUS OR OTHER DISCLOSURE DOCUMENT (AS DEFINED IN THE CORPORATIONS ACT) IN RELATION TO THE PROGRAMME OR THE NOTES HAS BEEN, OR WILL BE, LODGED WITH ASIC OR THE ASX. THE PURCHASER IS A "**PROFESSIONAL INVESTOR**" WITHIN THE MEANING OF SECTION 708(11) OF THE CORPORATIONS ACT AND, UNLESS THE RELEVANT FINAL TERMS OTHERWISE PROVIDES, IN CONNECTION WITH THE DISTRIBUTION OF THE NOTES, IT:

- (A) SHALL NOT (DIRECTLY OR INDIRECTLY) OFFER OR INVITE APPLICATIONS FOR THE ISSUE, SALE OR PURCHASE OF THE NOTES IN, TO OR FROM AUSTRALIA (INCLUDING AN OFFER OR INVITATION WHICH IS RECEIVED BY A PERSON IN AUSTRALIA); AND
- (B) SHALL NOT DISTRIBUTE OR PUBLISH THIS BASE PROSPECTUS OR ANY OTHER OFFERING MATERIAL OR ADVERTISEMENT RELATING TO THE NOTES IN AUSTRALIA,

UNLESS:

- I. EACH OFFEREE, AND ANY PERSON ON WHOSE ACCOUNT OR BEHALF AN OFFEREE IS ACTING, IS A "PROFESSIONAL INVESTOR" WITHIN THE MEANING OF SECTION 708(11) 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.

KOREA

ANY TRANSFER OF NOTES TO A KOREAN RESIDENT AS THE TERM IS DEFINED IN THE FOREIGN EXCHANGE TRANSACTION LAW OF KOREA AND ITS PRESIDENTIAL DECREE SHALL GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO REDEEM ANY NOTES HELD BY SUCH TRANSFEREE.

MALAYSIA

ANY PLEDGE, SALE OR OTHER TRANSFER OF NOTES TO A PERSON THAT IS A MALAYSIAN RESIDENT AS THE TERM IS DEFINED IN THE PROSPECTUS SHALL GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO REDEEM ANY NOTES HELD BY SUCH TRANSFEREE. THE FOREGOING SHALL NOT APPLY TO ANY PLEDGE, SALE OR OTHERWISE TRANSFER OF NOTES WHERE:

- (A) SUCH PLEDGE, SALE OR TRANSFER TO OR FOR THE BENEFIT OF A RESIDENT IS WHOLLY CONDUCTED OUTSIDE MALAYSIA; AND
- (B) THE INVESTMENT BY SUCH PERSON IN THE NOTES IS IN ACCORDANCE WITH THE PROVISIONS OF THE MALAYSIAN EXCHANGE CONTROL ACT 1953 AND THE NOTICES ISSUED THEREUNDER.

PEOPLE'S REPUBLIC OF CHINA

In respect of Notes linked to China Connect Underlyings:

ANY PLEDGE, SALE OR OTHER TRANSFER OF NOTES TO A PERSON THAT IS A "DOMESTIC INVESTOR", AS THE TERM IS DEFINED IN THE PROSPECTUS SHALL GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO REDEEM ANY NOTES HELD BY SUCH TRANSFEREE.

UNITED STATES

Because of the following restrictions, purchasers of Notes 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 Notes.

Each prospective purchaser of Notes offered in reliance on Rule 144A (a "**144A Offeree**"), by accepting delivery of the Final Terms and this Base Prospectus, will be deemed to have represented and agreed with respect to such Notes as follows:

- (a) such 144A Offeree acknowledges that the Final Terms and this 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 Notes other than pursuant to Rule 144A or to non-U.S. persons 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 is unauthorised, 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 this Base Prospectus or the Final Terms.

Each purchaser of Notes represented by a Restricted Global Registered Note, a Rule 144A Global Registered Note or a Combined Global Registered Note 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 Note to or for a person who takes delivery in the form of Notes represented by a Restricted Global Registered Note or a Rule 144A Global Registered Note, (A) the purchaser is a qualified institutional buyer within the meaning of Rule 144A, (B) it is acquiring the Note for its own account or for the account of a qualified institutional buyer, and (C) each beneficial owner of such Note is aware that the sale of the Note to it is being made in reliance on Rule 144A, or (b) in the case of the issue or transfer of a Note to or for a person who takes delivery in the form of Notes represented by a Combined Global Registered Note, either (A)(i) the purchaser is a qualified institutional buyer within the meaning of Rule 144A, (ii) it is acquiring the Note for its own account or for the account of a qualified institutional buyer, and (iii) each beneficial owner of such Note is aware that the sale of the Note to it is being made in reliance on Rule 144A, or (B) the purchaser is outside the United States, is

Part II – Information Relating to the Notes

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not a U.S. person and is aware that the sale of the Note is being made in reliance on Regulation S.

- (2) The purchaser understands that the Restricted Global Registered Notes, Rule 144A Global Registered Notes and Combined Global Registered Notes (as applicable) 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 Notes 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 Notes, Rule 144A Global Registered Notes or Combined Global Registered Notes will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE HAS 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 NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE 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. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR THE RESALE OF NOTES REPRESENTED HEREBY. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

EACH PURCHASER OR TRANSFEREE OF THIS NOTE (OR ANY INTEREST HEREIN) WILL BE DEEMED BY ITS ACQUISITION AND HOLDING OF THIS NOTE 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 NOTE (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."

- (4) Each purchaser of Restricted Global Registered Notes, Rule 144A Global Registered Notes or Combined Global Registered Notes acknowledges that the Issuer, the Registrar, the Dealers 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 Notes, Rule 144A Global Registered Notes or Combined Global Registered Notes 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 Note (or any interest therein) will be deemed to represent, on each day from the date on which the purchaser or transferee acquires a Note through and including the date on which the purchaser or transferee disposes of its interest in such offered Note, 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 Note (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 this Base Prospectus.

VIETNAM

ANY PLEDGE, SALE OR OTHER TRANSFER OF NOTES TO A PERSON THAT IS A VIETNAMESE RESIDENT AS THE TERM IS DEFINED IN THE PROSPECTUS AND/OR THE FINAL TERMS SHALL GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO REDEEM ANY NOTES HELD BY SUCH TRANSFEREE.

2. Investor Representations

Except to the extent expressly otherwise agreed between the Issuer and any purchaser of the Notes, each purchaser of the Notes, by its purchase of the Notes, will be deemed to represent, warrant, undertake, acknowledge and agree, to, with and for the benefit of the Issuer, the Programme Arranger and each Dealer and each affiliate of the Issuer to which it acquires the Notes from, as at the date on which it acquires (whether through purchase, exchange or other transfer), redeems or sells any of the Notes, as follows:

- 2.1 It represents and warrants that it has all requisite power and authority in connection with the purchase and holding of the Notes, and its acquisition of and payment for any Notes 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.
- 2.2 It represents and warrants that it is not purchasing any Notes with a view toward resale, distribution or other disposition thereof in violation of the Securities Act. It further agrees that none of the Notes acquired by it or any interest therein may ever be offered, sold, pledged, assigned, delivered or otherwise transferred 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 Note), except (x) to the Issuer or a Dealer 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.
- 2.3 It acknowledges and agrees that the Issuer has the right, at its option, to compel any legal or beneficial owner of Notes that has acquired such Notes in violation of the transfer restrictions thereon or the representations, warranties, undertakings, acknowledgements and agreements in this section (*Transfer Restrictions and Investor Representations*) at the time it acquired such Notes to redeem the Notes held by such legal or beneficial owner.
- 2.4 It acknowledges and agrees that the Issuer, the Programme Arranger and each Dealer will rely upon the representations, warranties, undertakings, acknowledgments and agreements set out in this section (*Transfer Restrictions and Investor Representations*) in connection with offering and sales, from time to time, of Notes.

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Section II.7 – Transfer Restrictions and Investor Representations in relation to the Notes

- 2.5 It acknowledges that information contained in this Base Prospectus, the Final Terms and the term sheet relating to the Notes shall not be considered investment advice or a recommendation to acquire such Notes.
- 2.6 It represents and agrees that it shall not acquire any Notes, unless:
- (i) it acquires such Notes solely for its own account or for the account of one or more entities 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 representations, warranties, undertakings, acknowledgements and agreements set forth in this section (*Transfer Restrictions and Investor Representations*), based upon its own judgment and upon advice of such business, financial, investment, legal, regulatory, accounting, tax or other advisers as it deems necessary;
 - (ii) apart from this Base Prospectus and any relevant Final Terms, it has not relied upon any communication (written or oral) of the Issuer, the Programme Arranger or any Dealer, 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 Notes in assessing the merits, risks and suitability of subscribing for or purchasing the Notes, and it will only invest in the Notes after carefully considering, with its financial, legal, regulatory, tax, accounting and other advisers, the suitability of the Notes in light of its particular circumstances (including without limitation its own financial circumstances and investment objectives and the impact the Notes will have on its overall investment portfolio) and the information contained in this Base Prospectus and the relevant Final Terms; and
 - (iii) it has read and understand the information contained in this Base Prospectus and the Final Terms relating to the Notes.
- 2.7 It acknowledges that the Notes will be derivative-linked securities and that (i) Notes are highly speculative and in some instances they could suffer a partial or complete loss of their investment; (ii) any investment return on a Note determined by reference to changes in the value of the Underlying described in the Final Terms is subject to fluctuation and may be less than would be received by investing in a conventional debt instrument; and (iii) changes in value of the Underlying cannot be predicted.
- 2.8 It acknowledges that there may be publicly available information relating to the Underlying or securities underlying the Underlying, as applicable, which is not required to be included in this Base Prospectus including, without limitation, any offering documentation relating to such underlying securities and the financial statements and annual and interim reports of the issuer(s) of such underlying securities, and that investors are advised to read and consider such information prior to making an investment decision to invest in such Notes.
- 2.9 It represents that the purpose of the acquisition of such Notes is to secure a profit or minimise a loss by reference to fluctuations in the price or level, as applicable, of the Underlying, and accordingly, that it is an express term of such Notes that:
- (i) it shall not acquire any interest in or right to acquire any relevant Underlying or the Component Security underlying the Underlying by virtue of holding any Note;
 - (ii) neither the Issuer, the Programme Arranger, the Dealers or any entity acting for the Issuer, Programme Arranger or Dealers is obliged to sell, purchase, hold, deliver, pledge, transfer or receive any relevant Underlying or the Component Security underlying the Underlying;
 - (iii) the primary right of the Noteholder and the primary obligation of the Issuer for any Notes is to receive or make the respective payments referred to in this Base Prospectus; and
 - (iv) it will not in any way have any rights with respect to any Underlying or the Component Security underlying the Underlying, including, but not limited to, voting rights.

Section II.7 – Transfer Restrictions and Investor Representations in relation to the Notes

- 2.10 It acknowledges and agrees, in connection with any acquisition by it of any Note that the Issuer, the Programme Arranger, the Dealers and their affiliates will not be responsible for determining the legality or suitability of an investment by it in such Notes and that the Issuer, the Programme Arranger, the Dealers and/or their affiliates may be acting at any time in respect of any Notes through a separate and segregated part of its business as an underwriter, distributor or other similar agent for the issuer, owner, guarantor or sponsor of the relevant Underlying or Security underlying the Underlying in connection with the acquisition by the investor of such Notes.
- 2.11 It acknowledges that no representation is made by the Issuer, the Programme Arranger or any Dealer as to the tax consequences for any person of acquiring, holding or disposing of any Notes or any other transaction involving any Notes; and that it understands and accepts the tax risks associated with the Reference Jurisdiction set out in this Base Prospectus (including, but not limited to, the risk of such jurisdiction renegotiating its double taxation treaties or the applicability of any general anti-avoidance rules); those who are in any doubt about such matters or any other tax issues relating to the Notes should consult and rely on their own tax advisers.
- 2.12 It acknowledges and agrees that none of the Issuer, the Programme Arranger, any Dealer 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 Notes or with respect to this Base Prospectus, or has recommended or otherwise will recommend to it the investment in any Notes.
- 2.13 It acknowledges that the Issuer, the Programme Arranger, each Dealer 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.
- 2.14 It acknowledges that the Issuer, the Programme Arranger, each Dealer and/or their affiliates may be acting at any time during in respect of any Notes through a separate and segregated part of its business as an underwriter, distributor or other similar agent for any Underlying Company independent of the acquisition by the investor of such Notes and that they are under no 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 or were so acting.
- 2.15 It acknowledges that from time to time, the Issuer or any of its affiliates may provide or make available to the investor, as well as to others, research, opinions and other information in regard to securities (including any Notes), commodities, other financial assets, and market participants or events which include the Underlying or any Underlying Company in respect of such Notes. It acknowledges that if such information provided to it by the Issuer, the Programme Arranger or a Dealer, it is so provided without regard to the investor'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 Notes linked to such Underlying 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 investor. 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 the Underlying including Notes linked to such Underlying and such transactions may have an adverse effect on the price of the Underlying and/or Notes linked to such Underlying; it agrees that it has requested the Issuer to structure and sell Notes of any particular Series to it through the relevant Dealer 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 Underlying to which such Notes are linked.
- 2.16 It represents that it does not have any material, non-public information regarding any relevant Underlying Company at the time it purchases the Notes and it undertakes that it will not sell the Notes prior to or on their Maturity Date if it has any material, non-public information regarding any relevant Underlying Company at that time.

Part II – Information Relating to the Notes

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- 2.17 It represents that 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 or such list of any other relevant government body and it has established procedures to identify clients on such lists;
- 2.18 It agrees 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 (including those pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (commonly known as "FATCA")) and tax structure of the offering of the Notes pursuant to this Base 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.
- 2.19 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.
- 2.20 It authorises the Issuer to provide information regarding the Noteholder and the Notes to any governmental or regulatory authority, any court of competent authority or any relevant exchange from time to time, or if applicable, to any the Programme Arranger, any Dealer or any of their respective affiliate for onward transmission to any such governmental or regulatory authority, court of competent authority or relevant exchange, in order to comply with the request by such governmental or regulatory authority, court of competent authority or relevant exchange, or if so required under applicable laws, regulations, lawful orders or exchange rules in the Reference Jurisdiction, the jurisdiction of incorporation or domicile of the Issuer or other applicable jurisdictions as determined by the Issuer in its sole and absolute discretion.
- 2.21 It undertakes and agrees that it will provide the Issuer with such additional information, from time to time, that the Issuer, the Programme Arranger, the Dealers and/or their respective affiliate deems necessary or appropriate in order to comply with the request by any governmental or regulatory authority, any court of competent authority or any relevant exchange or if so required under applicable laws, regulations, lawful orders or exchange rules in the Reference Jurisdictions or the jurisdictions of incorporation or domicile of the Issuer or other applicable jurisdictions as determined by the Issuer in its sole and absolute discretion.
- 2.22 It represents that it is not currently the subject of any investigation or enquiry by any governmental or regulatory authority in the Reference Jurisdictions in connection with a failure to disclose information relating to such holder or to an offshore transaction linked to underlying securities.
- 2.23 It represents and warrants that it will comply with all applicable selling restrictions set out in this Base Prospectus and the relevant Final Terms.
- 2.24 It acknowledges and agrees that the Issuer is not engaging in any hedging activities (including, without limitation, any activities or transactions undertaken in connection with the establishment, maintenance, adjustment or termination of a Hedge Position, the "**Hedging Activities**") on behalf or for the account of or as agent or fiduciary for any purchaser of the Notes, and that it will not have any direct economic or other interest in, or beneficial ownership of, the Hedge Positions or Hedging Activities of the Issuer.
- 2.25 It represents that the purpose of its investment in the Notes is to follow fluctuations in the price of the Underlying Security. It is a term of each of the Notes that:
- (i) the Issuer is not obliged to hedge the Note by holding a corresponding Hedge Position in the relevant Underlying Security and has discretion to decide its hedging strategy;

Section II.7 – Transfer Restrictions and Investor Representations in relation to the Notes

- (ii) the Noteholder does not acquire any beneficial, economic, legal, proprietary or other interest in (including, without limitation, voting rights) or right to acquire or dispose of any Underlying Security by virtue of any investment in the Notes;
 - (iii) the Noteholder is not obliged to sell, purchase, hold, deliver or receive any Underlying Security or to act in any specific manner in respect of any corporate action (including, without limitation, voting) relating to any Underlying Security; and
 - (iv) the primary right and obligation of the Noteholders under each Note is to receive and/or make the respective payments of cash hereunder.
- 2.26 It represents that it will at all times comply with all applicable laws, regulations, administrative rules and exchange rules, including, without limitation, those in relation to disclosure of interests (and any related holding limits or disposal restrictions) and its purchase of any Notes will not constitute abnormal trading behaviour that may seriously impact the normal trading orders on the relevant exchange.
- 2.27 It acknowledges that due to the foreign ownership limits, trading quota limits and other restrictions that the relevant exchanges and authorities may impose from time to time with respect to trading of China Connect Underlying through China Connect, the Issuer may determine in its absolute discretion for any reason to early terminate, redeem or unwind any Notes in accordance with its terms and conditions, including without limitation where the Issuer is unable to enter into any Hedging Activities as a result of restrictions arising from any regulatory requirement relating to China Connect.

PART III – INFORMATION RELATING TO THE WARRANTS

SECTION III.1 – DESCRIPTION OF THE WARRANTS

This section provides details of how an investment in the Warrants works and how payments under the Warrants are calculated, including a number of worked examples.

The Warrants are market access products, which are designed for investors who wish to be exposed to fluctuations in the price of one or more securities being eligible securities listed and traded on any stock exchange (each a "**China Connect Market**") in the People's Republic of China ("**PRC**", which shall for the purposes of this document exclude Hong Kong, Macau or Taiwan) which are acceptable to The Stock Exchange of Hong Kong Limited (the "**SEHK**") under any securities trading and clearing links programme developed or to be developed by SEHK, any such China Connect Market, the Hong Kong Securities Clearing Company Limited and the China Securities Depository and Clearing Corporation for the establishment of mutual market access between SEHK and any such China Connect Market ("**China Connect**", and such securities being "**China Connect Underlying**"), including shares which are China Connect Underlying, but who do not wish to or are not able to hold the relevant Underlying Securities themselves.

Accordingly, a Warrant can be linked to a single underlying security or basket of underlying securities which are China Connect Underlying (such Warrant being an "**Underlying Security-Linked Warrant**"). The China Connect Underlying relating to a particular Series of Warrants is referred to in this document as an "**Underlying Security**" in respect of such Warrants and references to to "**Underlying Security**," (an "**Underlying**") either in the singular or plural form are to any Underlying Security applicable to a Series of Warrants. Information regarding the Underlying Security relating to a particular Series of Warrants (including the name of the issuer of the relevant securities and its international securities identification number ("**ISIN**") or applicable securities identification code) will be provided in the Final Terms relating to such Warrants.

The Warrants are designed to allow investors to get exposure to Underlyings priced locally in less accessible currencies. Therefore, investors will be exposed to currency risk if the Warrant and the relevant Underlying are not priced in the same currency. By way of illustration, if the price of the relevant Underlying was unchanged from the date of purchase of the Warrants to the date of expiry of the Warrants but the relevant foreign exchange rate (the "**FX Rate**") changed, this would have an impact on the return on the Warrants.

An investor is entitled, upon exercise of the Warrant, to be paid a cash amount from the Issuer (the "**Cash Settlement Amount**") that tracks the price of an Underlying Security (or a basket of Underlying Securities) converted into the currency in which the Warrants are denominated (the "**Settlement Currency**") as the Issuer or its relevant affiliates or an institution subject to the same laws as the Issuer and/or its relevant affiliates (a "**Notional Holder**") would have received by disposing of the Underlying Security, or the hedge or other arrangement relating to the Underlying Security and converted into the Settlement Currency, as applicable. Each Warrant has a finite term (expiring on a date specified in the relevant Final Terms as the "**Expiry Date**") on or before which the Warrants may be exercisable either automatically or upon delivery of an exercise notice by the investor. The investor may be able to exercise the Warrants either on a specific date or on more than one date, depending on the terms of the specific issue.

Additionally, if "Additional Payments" is specified as applicable in the relevant Final Terms, the Warrant will also entitle the Warrantholder to receive cash payments that track the net distributions (converted into the Settlement Currency) that a direct investor in the Underlying Security would ordinarily receive (the "**Additional Payments**"), such as dividends, coupons or other distributions. Such Additional Payments are only ever payable to the extent the underlying net dividend or interest distribution is made to the Issuer or its affiliates or a notional, direct holder within a period specified by the terms of the Warrants and they become payable once the Issuer or its affiliates or a notional, direct holder have been paid in full and the relevant recipient has been able to convert the amount into the Settlement Currency.

None of the Warrants bear interest.

Further details of the Cash Settlement Amount and Additional Payments are provided below, together with additional information as to how they are affected by the value of the Underlying Security.

Cash Settlement Amount

As the Cash Settlement Amount payable is designed to track the quoted price (converted into the Settlement Currency) of the Underlying Security, in general (except to the extent the increase or decrease in the price of the relevant Underlying is offset by movements in the FX Rate) if the price of the Underlying Security increases or decreases, the Cash Settlement Amount for an Underlying Security-Linked Warrant increases or decreases.

The Cash Settlement Amount payable may not exactly match the price of the Underlying Security to which it relates. This may be because:

- the currency in which the investment in the Warrants is denominated (the "**Settlement Currency**") may differ from the currency in which the Underlying Security is quoted (the "**Underlying Currency**"); in such circumstances, the Issuer will determine the value of the Underlying Security in the Underlying Currency, and the Issuer will then translate this into the Settlement Currency at an exchange rate available to the Issuer to determine the Cash Settlement Amount payable, and the Issuer may deduct any conversion costs that would be incurred;
- the Issuer is entitled to deduct other cost items from the Cash Settlement Amount (such as brokers' fees, transaction processing fees and actual and potential taxes, duties and other similar charges); such costs will differ depending on the Underlying Security to which the Warrants are linked. The Cash Settlement Amount will be subject to and could be reduced due to taxes which the Issuer and/or its affiliates would incur on disposing of an investment in the relevant Underlying Security, and tax treatment may differ on the basis of which jurisdiction the Underlying Security is quoted or domiciled and the jurisdiction in which the Issuer or relevant affiliate is domiciled;
- the Cash Settlement Amount payable under the Warrants may reflect arrangements entered into by the Issuer or its affiliates to hedge the price of the Underlying Security (noting that the Issuer or its affiliates may choose not to enter into such arrangements), in which case the price, value or level used for calculating the Cash Settlement Amount would be the amount the Issuer or its affiliates receives in respect of such arrangement (or what it would have received had it entered into such arrangement). This might not exactly match the quoted price of the Underlying Security because, for example:
 - the Issuer may sell securities it holds which are Underlying Securities in respect of which sale costs would be deductible from the Cash Settlement Amount; or
 - the Issuer may sell or close out hedges or other arrangements relating to the Underlying Security, the payment in respect of which may for technical reasons fluctuate and diverge from the quoted price of the Underlying Security depending on, for instance, whether the quoted price of an Underlying Security was particularly volatile; or
- the Issuer is entitled to deduct a fee to be retained by the Issuer, the Managers and/or their affiliates.

Fluctuations in the value of the Underlying Securities and any relevant FX Rates will affect the Cash Settlement Amount payable.

Warrantholders are entitled to the Cash Settlement Amount upon exercise of the Warrants, **provided that** the Issuer or its affiliates or a Notional Holder have been paid in full and the relevant recipient has been able to convert the amount into the Settlement Currency.

If a minimum exercise number is specified in the relevant Final Terms, then the Warrantholder cannot exercise less than such minimum exercise number. Otherwise, the Warrantholder can exercise any number of Warrants separately or together. The date or dates on which a Warrantholder is able to exercise its Warrants will depend on the style of Warrant specified in the relevant Final Terms:

- if the Warrants are specified in the relevant Final Terms as being "American Style Warrants", the Warrantholder will be entitled to exercise its Warrants on any Business Day in a given "Exercise Period" set out in the relevant Final Terms;
- if the Warrants are specified in the relevant Final Terms as being "European Style Warrants", the Warrantholder will be entitled to exercise its Warrants on the date specified as the "Expiry Date" in the relevant Final Terms; and
- if the Warrants are specified in the relevant Final Terms as being "Bermudan Style Warrants", the Warrantholder will be entitled to exercise its Warrants on the dates specified as "Potential Exercise Dates" in the relevant Final Terms.

Fluctuations in the value of the Underlying Securities of the Warrants will affect the Cash Settlement Amount payable on exercise of the Warrants. The Cash Settlement Amount with respect to a Warrant may therefore vary depending on when it is exercised. The "American Style Warrants" (which can be exercised on any Business Day) provide more flexibility for the Warrantholder in this respect than the "Bermudan Style Warrants" (which can be exercised only on certain days) and "European Style Warrants" (which can be exercised only on a single day at expiry).

A Warrantholder may exercise its Warrants by sending a notice to the Principal Warrant Agent (copies are available from the Principal Warrant Agent).

If "Automatic Exercise" is specified as not applicable in the relevant Final Terms, then unless the Warrants have been exercised on or before the Expiry Date, the Warrants will become void on the Expiry Date. If "Automatic Exercise" is specified as applicable in the relevant Final Terms, the Warrants will be automatically exercised on the Expiry Date **provided that**: (i) the Warrants have not already been exercised on or before that date and (ii) a Cash Settlement Amount higher than zero would otherwise be due to the Warrantholder on exercise. Accordingly, the Warrantholder will receive the same Cash Settlement Amount it would have received as if it has exercised its Warrant on the Expiry Date.

Cash Settlement Amount for Underlying Security-Linked Warrants

The Cash Settlement Amount for an Underlying Security-Linked Warrant is the greater of 0.03 per cent. of the Issue Price per Warrant or an amount per Warrant which is known as the "**Realisable Sale Price**", as calculated below.

The Realisable Sale Price is calculated in the following manner.

- (1) The "**Aggregate Sale Amount**" is first calculated as being equal to the following:
 - if the Issuer or its relevant affiliate(s) holds the Underlying Securities underlying the Warrants being exercised, the amount received from the disposal of such Underlying Securities, less any costs;
 - if the Issuer or its relevant affiliate(s) do not hold the Underlying Securities but closes out a hedge or other arrangement relating to the Warrants being exercised, the effective price at which such hedge or other arrangement was realised or unwound, less any costs multiplied by the relevant number of Underlying Securities; and
 - in all other cases, the amount a Notional Holder of the Underlying Securities underlying the Warrants being exercised would have received upon disposing of such Underlying Securities, less any costs. (This represents the net amount in the Underlying Currency a direct investment by a Notional Holder in the Underlying Securities of the Warrants would be worth on the date the Warrant in exercised.)
- (2) The Aggregate Sale Amount is then translated into the currency of the Warrants, the resulting amount being the "**Converted Amount**". This is done using one of the following rates of exchange:
 - if the Issuer or its relevant affiliate(s) has entered into a foreign exchange transaction (whether implicit as part of the hedge or other arrangement for the Underlying Securities

described in (1) above or as a separate arrangement), the rate of exchange obtained under such transaction;

- if the Issuer or its relevant affiliate(s) has not entered into a foreign exchange transaction, the rate of exchange a Notional Holder of the Underlying Securities could obtain when translating the Aggregate Sale Amount into the currency of the Warrants.

The costs associated with such translation are deducted from the Converted Amount to give the "**Net Converted Amount**".

- (3) The Realisable Sale Price is calculated by multiplying the Net Converted Amount by the Number of Underlying Securities per Warrant (being a number specified in the relevant Final Terms).

Worked example: Underlying Security-Linked Warrant

The hypothetical scenario

The following worked example is for calculating the Cash Settlement Amount of an Underlying Security-Linked Warrant.

For the purposes of this example, it is assumed that each Warrant issued is denominated in GBP and is linked to 1 share in a company ("**PRC Corp**") listed and traded on the Shanghai Stock Exchange and that, on the purchase date of the Warrant, the share price of PRC Corp is quoted on the Shanghai Stock Exchange as RMB 300 per share (which, at the exchange rate of RMB 10: GBP 1 available on that day, would be equivalent to GBP 30 per share).

It is assumed that the Issuer has chosen to purchase shares in PRC Corp to fully hedge its obligations under the Warrants. The Issuer is not obliged to hedge and therefore this is only on the assumption that the Issuer has chosen to hedge by purchasing shares.

Assuming that a 1 per cent. commission is charged upon issuance to the Warrantholder, the Issuer might therefore issue Warrants at a price of GBP 30.30 per Warrant.

This example assumes that the Issuer disposes of its shares in the PRC Corp on a single date. It is further assumed that the Warrant is exercised and settled two years from the date on which the Warrant is issued, at which point the investor would be entitled to a Cash Settlement Amount.

The calculation

When an Investor seeks to exercise a Warrant, how would the Cash Settlement Amount be calculated?

- (1) First, the Aggregate Sale Amount must be determined. As the Issuer has hedged the price of the shares by purchasing one PRC Corp share per Warrant (at the time the Warrants were sold to investors), the Aggregate Sale Amount would be the price at which the Issuer could sell one share of PRC Corp on the Shanghai Stock Exchange minus costs (which includes taxes).

Let us assume that PRC Corp has performed well, and the price at which the Issuer could sell the hedge shares on the maturity date is RMB 360 per share. Let us also assume that the Issuer incurs sale costs of RMB 4 per share which would be deductible from the price the shares are sold for.

The Aggregate Sale Amount will therefore be determined as follows:

RMB	360	<i>less</i>
RMB	4	(costs)
RMB	<u>356</u>	(Aggregate Sale Amount)

- (2) Next, the Aggregate Sale Amount (RMB 356) would be converted back into the currency in which the Warrants are issued which, in this example, is GBP. This is calculated by dividing the Aggregate Sale Amount by the foreign exchange rate ("**FX rate**") the Issuer could have received on converting the Aggregate Sale Amount from RMB into GBP. The costs of currency

conversion will be deducted from the Aggregate Sale Amount, which will either be embedded in the FX rate available to the Issuer or it will be charged separately.

The applicable FX rate at the time of exercise may have changed, such that, for example, Sterling is not worth as many Renminbi as it was when the Warrants were bought by the investor. For instance, suppose the FX rate available to the Issuer is now RMB 9.4: GBP 1. This means for the purposes of calculating the Cash Settlement Amount that the following calculation will be made:

RMB	356	÷	(Aggregate Sale Amount)
	9.4		(Rate of exchange with embedded currency conversion costs)
GBP	37.87		(Converted Amount, rounded to the nearest GBP 0.01)

The Realisable Sale Price is then calculated by multiplying such amount (GBP 37.87) by the number of shares per Warrant, in this case, 1. The Realisable Sale Price would therefore be GBP 37.87 per Warrant.

- (3) The Cash Settlement Amount due to the investor in respect of each Warrant will be the greater of 0.03 per cent. of GBP 30.00 (the Issue Price per Warrant) and GBP 37.87 (the Realisable Sale Price per Warrant). The Cash Settlement Amount would therefore be GBP 37.87 per Warrant.

Additional Payments

Additional Payments for Underlying Security-Linked Warrants

Any Additional Payment is designed to track the dividends or other distributions paid by an Underlying Security or Securities of an Underlying Security-Linked Warrant, so in general an Additional Payment will be made if:

- a dividend or distribution is paid in respect of the Underlying Security; and
- Additional Payments are specified as applicable in the relevant Final Terms.

Any Additional Payments may not exactly equal the cash amount of the distribution announced as having been made to investors with a direct interest in the relevant Underlying Securities (the "**Component Securities**"). This may be because:

- the Additional Payments payable will be equal to the net distributions a direct investor in the Component Securities would be entitled to at the time of the distribution, if such investor were an institution subject to the same laws as the Issuer and/or its relevant affiliates; therefore, the Issuer is entitled to deduct cost items (such as actual and potential taxes, duties and other similar charges), which may mean the Additional Payment differs from the cash value of the distribution announced by the issuer of the Underlying Security; or
- any Additional Payment will be payable in cash converted from the Underlying Currency into the currency of the Warrant at an exchange rate that the Issuer could have used in connection with any such conversion.

The Additional Payment under the Warrants may reflect arrangements entered into by the Issuer or its relevant affiliates to track the dividends and distributions of the Underlying Security (noting that the Issuer or its relevant affiliates may choose not to enter into such arrangements), in which case the amounts used for calculating such Additional Payments would be the amount the Issuer or its relevant affiliates receives in respect of such arrangement (or what it would have received had it entered into such arrangement).

The Additional Payment per Warrant is calculated as follows:

- (1) *First*, the "**Underlying Currency Amount per Component Security**" is calculated.
- (a) If the Issuer or its relevant affiliates hold any of the Component Securities, the Underlying Currency Amount per Component Security is the aggregate amount of the

net cash dividend or distribution received less any costs, which is then divided by the number of Component Securities held.

- (b) If the Issuer or its relevant affiliates hold hedge(s) for the purposes of performing its obligations under the Warrants, the Underlying Currency Amount per Component Security is the aggregate amount of the net cash dividend or distribution equivalent payment received under such hedge(s) less any costs, which is then divided by the number of Component Security to which the hedge(s) relate.
 - (c) If the Issuer or its relevant affiliates do not hold any of the Component Securities nor hold hedge(s) for the purposes of performing its obligations under the Warrants, the Underlying Currency Amount per Component Security is the net amount which would have been received per Underlying Security by a Notional Holder of such Component Securities less any costs.
 - (d) If a non-cash dividend or distribution is made in respect of the Component Securities, the Underlying Currency Amount per Component Security is:
 - (i) if the Issuer or its relevant affiliates holds the Component Securities, the net cash value received per Component Security in respect of such non-cash dividend or distribution; or
 - (ii) if the Issuer or its relevant affiliates do not hold the Component Securities but hold hedge(s) for the purpose of performing its obligations under the Warrants, the net cash adjustment or settlement received per Component Security in respect of the non-cash dividend or distribution.
 - (iii) if the Issuer or its relevant affiliates do not hold any of the Component Securities nor hold hedge(s) for the purposes of performing its obligations under the Warrants, the net amount which would have been received per Underlying Security by a Notional Holder of such Component Securities less any costs.
- (2) The Underlying Currency Amount per Component Security is then converted into the currency of the Warrant at a rate of exchange determined as follows:
- (a) if the Issuer or a relevant affiliate has entered into a relevant foreign exchange transaction for such a conversion, the rate obtained under that exchange transaction; or
 - (b) if the Issuer or a relevant affiliate has not entered into such an exchange transaction, the rate at which a Notional Holder of the relevant Component Securities would have been able to obtain.
- Any conversion costs per Component Security are then deducted to give the "**Converted Amount per Component Security**".
- (3) In the case of Underlying Security-Linked Warrant, the Additional Payment per Warrant is calculated by multiplying the Converted Amount per Component Security by the Number of Underlying Securities per Warrant (as specified in the relevant Final Terms).

Underlying Security-Linked Warrant worked example:

The following worked example is for calculating an Additional Payment in respect of an Underlying Security-Linked Warrant.

The hypothetical scenario

For the purposes of this example, it is assumed that each Warrant issued is denominated in GBP and is linked to one share in a company ("**PRC Corp**") that is listed and traded on the Shanghai Stock Exchange under China Connect.

It is also assumed that the Issuer has chosen to hedge its obligations under the Warrants by purchasing

1,000 shares in PRC Corp.

PRC Corp announces and pays a dividend. The Issuer receives RMB 1,000 in dividends relating to the 1,000 shares it holds. On the day of the payment of the dividend, the exchange rate is RMB 10: GBP 1. All foreign exchange transactions attract a conversion fee.

An investor holds 1,000 of such Warrants.

The calculation

- (1) First, the Underlying Currency Amount per Component Security must be calculated. As the Issuer holds the shares underlying the Warrant, the Underlying Currency Amount per Component Security is the aggregate amount of the cash dividends (RMB 1,000) less any costs, divided by the number of the underlying shares held (1,000).

Before the deduction of costs, this works out to be RMB 1.00 (being (RMB 1,000)/1,000).

In addition, PRC enterprise income tax ("**PRC EIT**") is payable in relation to the cash dividend and is withheld at source by PRC Corp. Accordingly, the costs to be deducted in determining the Underlying Currency Amount per Component Security will include an amount calculated at a rate of 10 per cent. of the aggregate amount of the cash dividends.

The PRC EIT will therefore add a further amount to the deductible costs as follows:

RMB 1.00 (Underlying Currency Amount per Component Security before deduction of costs)

less

RMB 0.10 (i.e. the PRC EIT, 10 per cent. of the aggregate amount of the cash dividends)

= RMB 0.90

- (2) Next, the Underlying Currency Amount per Component Security is converted into the currency of the Warrant. As the Issuer does not have an exchange transaction for such a conversion, the Converted Amount per Component Security is calculated using the rate a Notional Holder would have been able to obtain to make such a conversion. Here, the Underlying Currency Amount per Component Security of RMB 0.90 converted at the rate of RMB 10: GBP 1 is GBP 0.090 per Security. The 1 per cent. conversion fee (GBP 0.00090) is deducted from GBP 0.090 to give GBP 0.0891. Therefore, the Converted Amount per Component Security is GBP 0.0891.
- (3) The Additional Payment per Warrant that the investor will receive is therefore GBP 0.09801 (being the Converted Amount per Component Security) multiplied by 1 (the Number of Underlying Securities per Warrant) which is GBP 0.0891.

The total Additional Payment the investor will receive in respect of its 1,000 Warrants will be $1,000 \times \text{GBP } 0.0891 = \text{GBP } 89.10$.

Please note: The worked examples provided above are produced for illustrative purposes only. The analysis is based on simplifying assumptions and hypothetical figures, and does not reflect a complete analysis of all possible gain and loss scenarios that may arise under the investment in any actual Warrants. No representation or warranty is made by the Issuer or any of its relevant affiliates that any scenario shown above can be duplicated under any actual investment in Warrants. Actual results may vary from the results shown above, and variations may be material. The mark-to-market value of the Warrants can fluctuate either upward or downward due to changes in prevailing market conditions. Accordingly, if an investment in Warrants is unwound, repurchased, cancelled or otherwise exercised whether at or prior to its stated expiry, investors in such Warrants may receive less than the purchase price of the Warrants and therefore sustain a loss which in a worst case may be equal to their invested amount.

SECTION III.2 – TERMS AND CONDITIONS OF THE WARRANTS

The following is the text of the terms and conditions applicable to the Warrants (the "Conditions"). These Conditions are completed by the Final Terms for each issue of Warrants.

The Warrants are issued by HSBC Bank plc in its capacity as issuer (the "**Issuer**") pursuant to a programme for the issuance of notes and warrants (the "**Programme**") established by the Issuer. The Warrants have the benefit of a warrant agency agreement dated 24 February 1999 as most recently modified, and restated on 18 June 2014 (as further modified and/or amended from time to time, the "**Warrant Agency Agreement**") made between the Issuer, HSBC Bank plc and HSBC France as calculation agents (HSBC Bank plc or, as the case may be, HSBC France being the "**Calculation Agent**" with respect to the Warrants, which expression shall include any successor or other Calculation Agent appointed pursuant to the Warrant Agency Agreement and specified in the relevant Final Terms), HSBC Bank plc as principal warrant agent (HSBC Bank plc being the "**Principal Warrant Agent**", which expression includes any successor or other principal warrant agent appointed pursuant to the Warrant Agency Agreement and specified in the relevant Final Terms (the "**Warrant Agents**")) and HSBC Bank plc as authentication agent (HSBC Bank plc being the "**Authentication Agent**", which expression includes any successor or other authentication agent appointed pursuant to the Warrant Agency Agreement) and HSBC Bank USA, National Association as warrant transfer agent (the "**Warrant Transfer Agent**", which expression includes any successor or other warrant transfer agent appointed pursuant to the Warrant Agency Agreement) and HSBC Bank USA, National Association as warrant registrar (the "**Warrant Registrar**", which expression includes any additional or successor or other warrant registrar appointed in accordance with the Warrant Agency Agreement). Warrants in definitive registered form are constituted by and have the benefit of, a deed of covenant dated 18 June 2014 (as the same may be modified and/or amended from time to time, the "**Warrant Deed of Covenant**").

As used herein, the expression "**Warrant Agents**" shall include the Principal Warrant Agent and any other warrant agents appointed pursuant to the Warrant Agency Agreement. The Warrants also have the benefit of a master warrant issuance agreement dated 24 February 1999 as most recently modified and restated on 18 June 2014 (as further modified and/or amended from time to time, the "**Master Warrant Issuance Agreement**") and made between the Issuer and HSBC Bank plc as manager (the "**Manager**", which expression shall include any successor Manager).

Copies of the Master Warrant Issuance Agreement, the Warrant Agency Agreement, and the Warrant Deed of Covenant are available for inspection by the Warrantheolders (as defined below), and copies of the relevant Final Terms (as defined below), the base prospectus relating to the Warrants and any supplemental prospectus may be obtained in each case during normal business hours at the specified offices of the Issuer and the Principal Warrant Agent. The Warrantheolders 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 5 (*Exercise Procedure*)) of the Master Warrant Issuance Agreement, the Warrant Agency Agreement and the Warrant Deed of Covenant.

All Warrants will be issued in series (each, a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Warrants issued on different issue dates. Each Tranche will be the subject of final terms (each, a "**Final Terms**").

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

1. **Definitions**

1A. **Definitions relating to Warrants generally**

"**Additional Disruption Event**" means any event specified as such in the relevant Final Terms, and such events include: Change in Law; Insolvency Filing; Hedging Disruption; Increased Cost of Hedging; China Connect Share Disqualification; and China Connect Service Termination;

"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.

"Agents" means each of, the Warrant Agents, the Authentication Agents, the Calculation Agent, the Transfer Agent, and the Warrant Registrar;

"Alternative Payment Currency" means the currency specified as such in the relevant Final Terms, which may be Offshore RMB;

"Alternative Payment Currency Equivalent" means the relevant amount in the Settlement Currency converted into the relevant Alternative Payment Currency using the Alternative Payment Currency Exchange Rate for the relevant Alternative Payment Currency Fixing Date;

"Alternative Payment Currency Exchange Rate" means the rate of exchange between the Settlement Currency and Alternative Payment Currency (expressed as the number of units of Alternative Payment Currency per one units of Settlement Currency, as determined by the Calculation Agent in good faith and published on the Alternative Payment Currency Fixing Page at the Alternative Payment Currency Fixing Time on the Alternative Payment Currency Fixing Date. The Calculation Agent shall round such rate to the closest four (4) decimal places, 0.00005 being rounded up. If such rate is not available, for any reason, and if an Alternative Payment Currency Exchange Rate Fall-Back is specified in the relevant Final Terms the Calculation Agent will determine the relevant Alternative Payment Currency Exchange Rate in accordance with the Alternative Payment Currency Exchange Rate Fall-Back provisions specified in the relevant Final Terms or if the Calculation Agent is not able to determine the relevant Alternative Payment Currency Exchange Rate in accordance with such Alternative Payment Currency Exchange Rate Fall-Back provisions specified in the relevant Final Terms, or if such Alternative Payment Currency Exchange Rate Fall-Back provisions are not specified in the relevant Final Terms, then the Calculation Agent will determine the Alternative Payment Currency Exchange Rate in its sole and absolute discretion, acting in good faith;

"Alternative Payment Currency Fixing Date" means the fifth day prior to the relevant date on which the relevant payment falls due. For the purposes of this definition, **"day"** means a day (other than a Saturday or Sunday) on which commercial banks are open for general business and dealings in foreign exchange in the Settlement Currency Jurisdiction and Alternative Payment Currency Jurisdiction;

"Alternative Payment Currency Fixing Page" means the Reuters or other screen page specified as such in the relevant Final Terms or any successor page thereof;

"Alternative Payment Currency Fixing Time" means the time and place specified as such in the relevant Final Terms;

"Alternative Payment Currency Jurisdiction" means the jurisdiction specified as such in the relevant Final Terms;

"Business Centre" means the city or cities specified as such in the relevant Final Terms or, if applicable, these Conditions;

"Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in London or such other places as specified as Business Centres in the relevant Final Terms and which is:

- (i) in relation to any sum payable in euro, a Euro Business Day; and
- (ii) in relation to any sum payable in a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments generally, in the principal financial centre of the relevant currency and/or Settlement Currency (as applicable);

"Cash Settlement Amount" has the meaning given to it in Condition 7 (*Cash Settlement Amount and Supplementary Amount*);

"Change in Law" means, in relation to any Warrants, 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 it has become illegal for the Issuer or any of its designated affiliates to hold, acquire or dispose of or realise, recover or remit the proceeds of the sale or disposal of, Component Securities relating to such Warrants 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 (y) it has become illegal for the Issuer or any of its designated affiliates to hold, acquire, purchase, sell or maintain one or more (i) positions or contracts in respect of any securities, options, futures, derivatives or foreign exchange in relation to such Warrants, or in relation to the Issuer's hedging activities in connection with the Warrants or in relation to the hedging activities of the Issuer or any of its designated affiliates in connection with the Warrants, (ii) stock loan transactions in relation to such Warrants or (iii) other instruments or arrangements (howsoever described) held by the Issuer or any of its designated affiliates in order to hedge, individually or on a portfolio basis, such Warrants or (z) the Issuer or any of its designated affiliates will incur a materially increased cost in performing its obligations under the Warrants (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

"China Connect Business Day" means any Scheduled Trading Day on which the China Connect Service is open for order-routing during its regular order-routing sessions, notwithstanding the China Connect Service closing prior to its Scheduled Closing Time;

"China Connect Disruption" means (a) any suspension of or limitation imposed on routing of orders (including in respect of buy orders only, sell orders only or both buy and sell orders) through the China Connect Service, relating to the Securities on the Exchange or (b) any event (other than a China Connect Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of the market participants in general to enter orders in respect of Securities through the China Connect Service;

"China Connect Early Closure" means the closure on any China Connect Business Day of the China Connect Service prior to its Scheduled Closing Time unless such earlier closing time is announced by SEHK or the Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for order-routing through the China Connect Service on such China Connect Business Day and (ii) the submission deadline for orders to be entered into the China Connect Service system for execution on the Exchange at the Valuation Time on such China Connect Business Day;

"China Connect Market" means any stock exchange in the PRC which is acceptable to the SEHK under the securities trading and clearing links programme developed or to be developed by SEHK, any such China Connect Market, the HKSCC and the CSDCC for the establishment of mutual market access with SEHK and any such China Connect Market;

"China Connect Service" means the securities trading and clearing links programme developed by the China Connect Market, SEHK, CSDCC and HKSCC, through which (i) SEHK and/or its affiliates provides order-routing and other related services for certain eligible securities traded on the China Connect Market and (ii) CSDCC and HKSCC provides clearing, settlement, depository and other services in relation to such securities;

"China Connect Service Termination" means, on or after the Trade Date, the announcement by one or more of the China Connect Market, SEHK, the CSDCC, HKSCC or any regulatory authority with competent jurisdiction of a suspension or termination of the China Connect Service or a part thereof for any reason which materially affects the routing of orders in respect of, or holding of, the Securities through the China Connect Service and the Calculation Agent

determines that there is a reasonable likelihood that such suspension or termination is not, or will not be, temporary;

"China Connect Share Disqualification" means, on or after the Trade Date, the Securities cease to be accepted as "China Connect Securities" (as defined in the rules of SEHK) for the purpose of the China Connect Service;

"China Connect Underlying" means eligible securities listed and traded on a China Connect Market under China Connect;

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

"Clearing System Business Day" means, in relation to any Securities, any day on which the principal domestic clearing system customarily used for settling trades in such Securities is (or, but for the occurrence of an event beyond the control of the Issuer as a result of which such clearing system cannot clear the transfer of such securities, would have been) open for the acceptance and execution of settlement instructions;

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

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

"CSDCC" means China Securities Depository and Clearing Corporation;

"Currency Event" means:

- (A) the occurrence of an event or a condition which, in the opinion of the Calculation Agent, on any day with respect to the Underlying 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 its affiliates directly or indirectly from:
 - (i) converting the Underlying Currency into the Settlement Currency through any customary legal channel;
 - (ii) converting the Underlying 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 Underlying 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 any 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 Underlying Currency in the Reference Jurisdiction which can be held by any party) which the Calculation Agent

determines are likely to materially affect the ability of the Issuer or 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;

"Default Rate" means the rate as specified as such in the relevant Final Terms;

"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 Calculation Agent 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;

"Dispute" has the meaning given to it in Condition 27(b) (*Governing Law – English courts*);

"Disrupted Day" means 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 the China Connect Service fails to open for order-routing during its regular order-routing session, or on which a Market Disruption Event has occurred;

"DTC" means the Depository Trust Company;

"Early Closure" means the closure on any Exchange Business Day of the relevant Exchange (in the case of Underlying Equity-Linked 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: (a) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (b) 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;

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

- (i) the redenomination of any security into euro; or
- (ii) the change by any organised market, exchange or clearing, payment or settlement system in the unit of account of its operating procedures to the euro;

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

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

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

"Exchange" means with respect to a Security, 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 has temporarily relocated (**provided that** the Calculation Agent has determined that there is comparable liquidity relative to such Security as on the original Exchange);

"Exchange Business Day" means 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;

"Exchange Disruption" means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (a) to effect transactions in, or obtain market values for, the Securities on the Exchange (in the case of an Underlying Equity-Linked Warrant), or (b) to effect transactions in, or obtain market values for, future or options contracts relating to the Securities (in the case of an Underlying Equity-Linked Warrant) on any relevant Related Exchange;

"Exercise Date" means, in respect of any Warrant, the day on which an Exercise Notice relating to that Warrant is delivered in accordance with the provisions of Condition 5(a) (*Exercise Procedure – Exercise Notice*) **provided that:**

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

"Exercise Notice" means any notice in the form scheduled to the Warrant Agency Agreement or such other form as may from time to time be agreed by the Issuer and the Principal Warrant Agent which is delivered by a Warrantholder in accordance with Condition 5(a) (*Exercise Procedure – Exercise Notice*);

"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" means the date specified as such in the relevant Final Terms;

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

"Extraordinary Event" means a Merger Event, Tender Offer, Nationalisation, Insolvency or Delisting or event that affects the transferability or convertibility of the foreign currency in which an Underlying Security or any related hedge positions are denominated;

"Face Value" means, in respect of a Warrant, the face value of such Warrant identified or specified as such in the relevant Final Terms;

"Fair Market Value" means, in relation to any Warrant which is to be terminated early, its fair market value in relation to its early termination date, as determined by the Issuer (acting in good faith and in a commercially reasonable manner) and/or the Calculation Agent (acting in a commercially reasonable manner), as applicable, less any reasonable costs and expenses of the Issuer and/or any affiliate of the Issuer of unwinding any underlying and/or related hedging and/or funding arrangements;

"Final 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 the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on such Valuation Date;

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

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

"Hedging Disruption" means that the Issuer or an affiliate would be unable, after using commercially reasonable efforts, to conduct any Hedging (as defined below) or would suffer any material delay in conducting any Hedging and, for the avoidance of doubt, "using commercially reasonable efforts" to hedge the risks of the Issuer referred to in Hedging Disruption does not include the use of any quota granted to the Issuer or any of its designated Affiliates under the Qualified Foreign Institutional Investor (QFII) or Renminbi Qualified Foreign Institutional Investor (RQFII) schemes;

"Hedging" means to:

- (i) 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, but not limited to, any currency risk) of entering into and performing its obligations with respect to the Warrants; or
- (ii) freely realise, recover, receive, repatriate, remit or transfer the proceeds of Hedge Positions or the relevant transaction between accounts within a relevant jurisdiction of the Hedge Positions (an **"Affected Jurisdiction"**) or from accounts within an Affected Jurisdiction to accounts outside of such Affected Jurisdiction; or
- (iii) without prejudice to (ii) above, transfer (A) amounts denominated in the Settlement Currency (1) between accounts inside a relevant Underlying Country or (2) from accounts inside a relevant Underlying Country to accounts outside such Underlying Country or to a party that is a non-resident of such Underlying Country or (B) amounts denominated in a relevant Underlying Currency from accounts within the related Underlying Country to other accounts within such Underlying Country, to accounts outside such Underlying Country or to the accounts of a non-resident of such Underlying Country; or
- (iv) without prejudice to (ii) above, transfer amounts denominated in the Settlement Currency (1) between accounts inside the relevant Underlying Country or (2) from accounts inside a relevant Underlying Country to accounts outside such Underlying Country or to a party that is a non-resident of such Underlying Country; or
- (v) without prejudice to (ii), (iii) and (iv) above, convert the Settlement Currency into a relevant Underlying Currency or a relevant Underlying Currency into the Settlement Currency;

"Hedge Positions" means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, funds, options, futures, other derivatives or foreign exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by the Issuer or an affiliate in order to hedge, individually or on a portfolio basis, a Warrant;

"HKSCC" means the Hong Kong Securities Clearing Company Limited;

"Holder" has the meaning given to it in Condition 2 (*Form and Transfer*);

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

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

"Increased Cost of Hedging" means that the Issuer or any one of its affiliates would incur a materially increased cost (as compared with circumstances existing on the Issue Date), including,

without limitation, amount of tax, duty, expense or fee (other than brokerage commissions) (which amount of tax shall include, without limitation, any potential tax which the Calculation Agent considers may arise and any amount of tax due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position) to (A) hold, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the Issuer's obligations with respect to the Warrants, or (B) freely realise, recover, repatriate, remit or transfer the proceeds of any such transaction(s) or asset(s), **provided that** any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging. For the avoidance of doubt, references to "**tax**" relating to Increased Cost of Hedging shall include "**Taxes**";

"**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 Strike Date;

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

"**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;

"**Issue Date**" means the date specified as such in the relevant Final Terms;

"**Issue Price**" means the amount in the Settlement Currency per Warrant specified as such in the relevant Final Terms;

"**local banking day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Principal Warrant Agent is located;

"**Market Disruption Event**" means the occurrence or existence of (a) a Trading Disruption, (b) an Exchange Disruption, (c) a China Connect Disruption, which in each case the Calculation Agent determines is material, at any time during the one-hour period that ends at the relevant Valuation Time, (d) an Early Closure, or (e) a China Connect Early Closure;

"**Merger Event**" means in respect of any relevant Securities, any (a) reclassification or change of such Securities that results in a transfer of or an irrevocable commitment to transfer all of such Securities outstanding to another entity or person, (b) 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), (c) 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 (d) 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 the final Valuation Date;

"Minimum Exercise Number" has the meaning given to it in Condition 8 (*Minimum Number of Warrants Exercisable*);

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

"Nationalisation" means that all the 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;

"New Issuer" has the meaning given to it in Condition 16 (*Substitution*);

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

"Northbound Trading" means trading of eligible securities listed and traded on a China Connect Market through China Connect;

"Notional Holder" means an institution subject to the same tax laws, securities laws, rules and regulations of any tax authorities, securities regulators, exchanges or self-regulating organisations as would apply to the Issuer or its affiliate had they held the Underlying Securities or Relevant Hedge(s);

"Offshore RMB" means RMB that is freely deliverable between accounts in the Offshore RMB Centre in accordance with the law and applicable regulation and guidelines issued by competent authorities in the Offshore RMB Centre prevailing as of the Trade Date of the Warrants;

"Offshore RMB Centre" means the jurisdiction specified as such in the relevant Final Terms;

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

"Permitted Multiple" has the meaning given to it in Condition 8 (*Minimum Number of Warrants Exercisable*);

"Postponed Early Termination Date" means, in relation to any early termination of any Warrants, the date which is the third Relevant Financial Centre Day following (i) the day (determined by the Calculation Agent) on which the Issuer or an affiliate received the net proceeds converted into the Settlement Currency arising out of the unwinding of any Underlying and/or related hedging and/or funding arrangements, and (ii) the day on which a Notional Holder of the Underlying would have received the net proceeds arising from the disposal thereof converted into the Settlement Currency;

"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; (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; (iii) an Extraordinary Dividend; (iv) a call by the Underlying Company in respect of relevant Securities that are not fully paid; (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; (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.

"**PRC**" means, solely for the purpose stated herein, the People's Republic of China excluding the Hong Kong and Macau Special Administrative Regions of the People's Republic of China and Taiwan;

"**Reference Jurisdiction**" means any jurisdiction in which a relevant Exchange is located;

"**Related Exchange**" means, subject to the proviso below, in respect of a Security, each exchange or quotation system specified as such for such Security 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 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 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;

"**Relevant Financial Centre Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres for the currency in which payment falls to be made (or, where such currency is a National Currency Unit and the Warrants have been redenominated into euro pursuant to Condition 8 (*Redenomination*), the former principal financial centre or centres) and in any other place set out in the Final Terms. In the case of payments which fall to be made in euro (save for payments in relation to Warrants which have been redenominated into euros pursuant to Condition 8 (*Redenomination*)), a Euro Business Day. The Relevant Financial Centre Days in relation to any Tranche determined in accordance with the above provisions as at the Issue Date shall be specified in the relevant Final Terms;

"**Renminbi**", "**RMB**" and "**CNY**" all refer to the lawful currency of the People's Republic of China (excluding the Hong Kong Special Administrative Region of the People's Republic of China and the Macau Special Administrative Region of the People's Republic of China and Taiwan);

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

"**Scheduled Early Termination Date**" means, in relation to any early termination of any Warrants, the date specified for the termination of such Warrants in the relevant notice of termination;

"Scheduled Trading Day" means any day on which (a) the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading for their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time and (b) the China Connect Service is scheduled to be open for order-routing for its regular order-routing sessions;

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

"Securities" means, in relation to a Series of Warrants, the equity securities, debt securities (including without limitation Government Bonds) or other securities or property, as adjusted pursuant to Condition 19 (*Adjustments and Events affecting Securities*), to which such Warrants relate, as specified in the relevant Final Terms and for the avoidance of doubt shall include Underlying Securities and **"Security"** shall be construed accordingly;

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

"SEHK" means The Stock Exchange of Hong Kong Limited;

"Settlement Currency" means the currency specified as such in the relevant Final Terms;

"Settlement Currency Jurisdiction" means the jurisdiction specified as such in the relevant Final Terms;

"Settlement Cycle" means, in respect of a Security, the period of Clearing System Business Days following a trade in the relevant Security on the Exchange in which settlement will customarily occur according to the rules of such Exchange;

"Settlement Date" has the meaning given to it in the relevant Final Terms;

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

"Supplementary Amount" has the meaning given to it in Condition 7 (*Cash Settlement Amount and Supplementary Amount*);

"Taxes" has the meaning given to it in Condition 5(a)(v) (*Exercise Procedure – Exercise Notice*);

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

"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;

"Trade Date" has the meaning given to it in the relevant Final Terms;

"Trading Disruption" means 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 (a) relating to the Securities on the Exchange (in the case of an Underlying Equity-Linked Warrant); or (b) in futures or options contracts relating to the Securities on any relevant Related Exchange;

"Treaty" means the Treaty on the Functioning of the European Union, as amended;

"Underlying" each Underlying Security;

"Underlying Company" means the issuer of the Security as specified in the relevant Final Terms and subject to adjustment in accordance with Condition 19 (*Adjustments and Events affecting Securities*);

"**Underlying Country**" means the country to which the relevant Underlying relates;

"**Underlying Currency**" means the currency in which the relevant Underlying is referenced;

"**Underlying Equity-Linked Warrant**" means a Series of Warrants in respect of which an amount, which shall be calculated by reference to the value of a Security or Securities, is payable in the manner specified in the relevant Final Terms and shall include Underlying Security-Linked Warrants;

"**Underlying Security**" means each Security specified as such in the relevant Final Terms;

"**Underlying Security-Linked Warrant**" means Warrants linked to a single Underlying Security or a basket of Underlying Securities;

"**Valuation Date**" means in relation to a Warrant, 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), or, if no date is so specified, the Exercise Date (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), provided however that in each case, that if the Issuer receives notice of the exercise of any Warrant on an Exercise Date later than 12:00 noon local time in the city in which any relevant Exchange is located, then the Valuation Date in relation to such Warrant shall be the next Scheduled Trading Day in relation to such relevant Exchange, and in each case subject to Condition 16 (*Consequences of Disrupted Days*); and

"**Valuation Time**" means in relation to each Security to be valued 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. 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.

1B. ***Definitions relating to Warrants linked to Underlying Security-Linked Warrants only***

"**Additional Payment**" has the meaning given to it in Condition 6(a) (*Additional Payments – Additional Payments relating to Underlying Security-Linked Warrants*);

"**Aggregate Sale Amount**" has the meaning given to it in Condition 7(b)(i)(1), (2), (3) or (4) (*Cash Settlement Amount and Supplementary Amount – Cash Settlement Amount in relation to Underlying Security-Linked Warrants*) as applicable;

"**ASA Receipt Date**" has the meaning given to it in Condition 7(b) (*Cash Settlement Amount and Supplementary Amount – Cash Settlement Amount in relation to Underlying Security-Linked Warrants*);

"**Cash Settlement Amount**" has the meaning given to it in Condition 7(a)(i) (*Cash Settlement Amount and Supplementary Amount – General*);

"**Cash Settlement Payment Date**" has the meaning given to it in Condition 7(b) (*Cash Settlement Amount and Supplementary Amount – Cash Settlement Amount in relation to Underlying Security-Linked Warrants*);

"**Conversion Costs**" shall mean the costs of conversion for the purposes of converting an Aggregate Sale Amount into a Converted ASA and an Underlying Currency Amount or Event Receipt into a Converted Amount respectively, the amount being determined by the Calculation Agent by reference to actual costs incurred by the Issuer or any of its affiliates or, as the case may be, the costs which, in the determination of the Calculation Agent, would have been incurred by a Notional Holder;

"**Converted Amount**" has the meaning given to it in Condition 6(a)(ii) (*Additional Payments – Additional payments relating to Underlying Security-Linked Warrants*), Condition 6(a)(ii) (*Additional Payments – Additional payments relating to Underlying Security-Linked Warrants*) or Condition 19(v) (*Adjustments and Events affecting Securities – Payments pursuant to*

Condition 19(ii) and Condition 19(iii) in respect of Underlying Security-Linked Warrants) as applicable;

"**Converted ASA**" has the meaning given to it in Condition 7(b) (*Cash Settlement Amount and Supplementary Amount – Cash Settlement Amount in relation to Underlying Security-Linked Warrants*);

"**Costs**" shall mean all costs, expenses, fees and levies taken into account in determining an Aggregate Sale Amount, an Underlying Currency Amount or an Event Payment (as appropriate) including, without limitation, all brokers' fees, bank and custody charges, transaction processing fees and expenses and all taxes (in each case, including any interest) imposed or the Calculation Agent considers may potentially be imposed by the tax authority of the relevant jurisdiction and other duties in respect of the relevant Underlying Security whether such Costs are or would be withheld at source or would otherwise be required to be paid, all as determined by the Calculation Agent;

"**Determination Date**" means the Valuation Date;

"**Effective FX Rate**" has the meaning given to it in Condition 7(b) (*Cash Settlement Amount and Supplementary Amount – Cash Settlement Amount in relation to Underlying Security-Linked Warrants*);

"**Event Occurrence Date**" has the meaning given to it in Condition 19(v)(A) (*Adjustments and Events affecting Securities – Payments pursuant to Condition 19(ii) and Condition 19(iii) in respect of Underlying Security-Linked Warrants*);

"**Event Payment**" has the meaning given to it in Condition 19(v) (*Adjustments and Events affecting Securities – Payments pursuant to Condition 19(ii) and Condition 19(iii) in respect of Underlying Security-Linked Warrants*);

"**Event Receipt Date**" has the meaning given to it in Condition 19(v)(A)(B) or (C) (*Adjustments and Events affecting Securities – Payments pursuant to Condition 19(ii) and Condition 19(iii) in respect of Underlying Security-Linked Warrants*) as applicable;

"**Event Receipt**" has the meaning given to it in Condition 19(v)(A)(B) or (C) (*Adjustments and Events affecting Securities – Payments pursuant to Condition 19(ii) and Condition 19(iii) in respect of Underlying Security-Linked Warrants*) as applicable;

"**Exercise Commission**" shall be defined as the equivalent amount, in the Settlement Currency, of the Exercise Commission Percentage of the Gross Sale Amount;

"**Exercise Commission Percentage**" means the percentage amount specified as such in the relevant Final Terms;

"**Exercise Costs**" shall mean the greater of zero, and the Exercise Commission giving credit in respect of an amount which is the equivalent, in the Settlement Currency, of the Transaction Costs;

"**Fee**" represents the fee to be retained by the Manager(s) or any of their affiliates in relation to each Warrant as separately notified to the Warrantholder, which is calculated as a percentage of the gross consideration payable for the purchase of the Warrants;

"**Gross Sale Amount**" has the meaning given to it in Condition 7(b)(i)(1), 7(b)(i)(2) or 7(b)(i)(4) (*Cash Settlement Amount and Supplementary Amount – Cash Settlement Amount in relation to Underlying Security-Linked Warrants*) as applicable;

"**holding**" has the meaning given to it in Condition 24(a) (*Miscellaneous – Miscellaneous provisions in relation to Underlying Security-Linked Warrants*) and "**hold**" and "**holder**" shall be construed accordingly;

"**Mark Date**" has the meaning given to it in Condition 6(a) (*Additional Payments – Additional Payments relating to Underlying Security-Linked Warrants*); "**NDF transaction**" has the meaning

given to it in Condition 7(b)(ii)(l) (*Cash Settlement Amount and Supplementary Amount – Cash Settlement Amount in relation to Underlying Security-Linked Warrants*);

"**Number of Underlying Securities per Warrant**" shall mean the number of the relevant Underlying Security to which each Warrant relates as specified in the Final Terms;

"**Realisable Sale Price**" has the meaning given to it in Condition 7(b) (*Cash Settlement Amount and Supplementary Amount – Cash Settlement Amount in relation to Underlying Security-Linked Warrants*);

"**Receipt Date**" has the relevant meaning given to it in Condition 6(a)(i), (ii) and (iii) (*Additional Payments – Additional Payments relating to Underlying Security-Linked Warrants*);

"**Relevant Hedge**" has the meaning given to it in Condition 7(b)(i)(3) (*Cash Settlement Amount and Supplementary Amount – Cash Settlement Amount in relation to Underlying Security-Linked Warrants*);

"**relevant person**" has the meaning given to it in Condition 24(a) (*Miscellaneous – Miscellaneous provisions in relation to Underlying Security-Linked Warrants*);

"**Relevant Reference Price**" means the CNY equivalent of the purchase price (excluding commission charged by the Issuer or its affiliate) of one Warrant at the time a Warrantholder purchased the Warrants;

"**Transaction Costs**" shall mean the value of the relevant Costs and Conversion Costs aggregated together;

"**Underlying Currency Amount**" has the relevant meaning given to it in Condition 6(a) (*Additional Payments – Additional Payments relating to Underlying Security-Linked Warrants*);

"**Underlying per Warrant Amount**" means an amount equal to the Aggregate Sale Amount, divided by, the total number of Underlying Securities to which the Warrants outstanding relates, multiplied by, the Number of Underlying Securities per Warrant; and

"**Unpaid Costs**" has the meaning given to it in Condition 7(b) (*Cash Settlement Amount and Supplementary Amount – Cash Settlement Amount in relation to Underlying Security-Linked Warrants*).

2. **Form and Transfer**

(a) **Form; Certifications**

Each Tranche of Warrants will be in registered form. Warrants will either be offered in reliance on (A) Regulation S under the Securities Act ("**Regulation S**") and represented by an unrestricted global registered warrant (an "**Unrestricted Global Registered Warrant**"), and/or (B) Rule 144A under the Securities Act ("**Rule 144A**") and represented by a restricted global registered warrant (a "**Restricted Global Registered Warrant**") and/or (c) either Regulation S and/or Rule 144A and represented by a combined global registered warrant (a "**Combined Global Registered Warrant**") and together with the Restricted Global Registered Warrant, the Rule 144A Global Registered Warrant and the Unrestricted 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 not subject to, the registration requirements of the Securities Act.

In respect of Warrants issued in reliance on Rule 144A transfers of the Warrants may be conditional upon delivery of certain certifications' and are subject to significant

restrictions. Details of such certifications may be obtained from any of the Warrant Agents or the Register.

(b) ***Title and Transfer***

(i) *General; Title*

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

(ii) *Transfer of Warrants*

Title to Warrants passes by registration in the Register.

(iii) *Regulations concerning transfer and registration of Registered Warrants*

All transfers of Warrants and entries on the Register will be made subject to the detailed regulations (the "**Regulations**") concerning exchange and transfer of 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 Warrant 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 Warrant Registrar and the Warrant Transfer Agents.

(iv) *Rule 144A Legends*

Upon the transfer, exchange or replacement of 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 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 Warrants are not "restricted securities" within the meaning of Rule 144 under the Securities Act.

3. **Status of the Warrants**

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

4. **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 4(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 the Conditions, **provided that** and subject to Condition 4(g) (*Rights on Exercise – Automatic Exercise*), any American Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 5 (*Rights on Exercise – Exercise Procedure*) shall become void in accordance with Condition 4(f) (*Rights on Exercise - 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 4(b) (*Rights on Exercise – "European Style" Exercise*) 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 the Conditions, **provided that** and subject to Condition 4(g) (*Automatic Exercise*), any European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 5 (*Exercise Procedure*) shall become void in accordance with Condition 4(f) (*Rights on Exercise – 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 4(c) (*Rights on Exercise – "Bermudan Style" Exercise*) is applicable and the Warrants are exercisable on each date as specified in the Final Terms 4(g) (*Rights on Exercise – Automatic Exercise*) or if any such date is not a Business Day, the next succeeding date that is a Business Day (each a "**Potential Exercise Date**") and 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 the Conditions, **provided that** and subject to Condition 4(g) (*Rights on Exercise – Automatic Exercise*) any Bermudan Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 5 (*Exercise Procedure*) shall become void in accordance with Condition 4(f) (*Rights on Exercise – Warrants Void on Expiry*).

(d) ***Cash Settlement***

Subject to Condition 4(e) (*Rights on Exercise – Payment of Alternative Payment Currency Equivalent*), each Warrant, upon exercise, entitles the Holder thereof to receive from the Issuer:

(i) on the Cash Settlement Payment Date (as specified in the relevant Final Terms), the Cash Settlement Amount (as defined in Condition 7 (*Cash Settlement Amount and Supplementary Amount*)); and

(ii) if "Supplementary Amount" is specified as applicable in the relevant Final Terms, the Supplementary Amount (as defined in Condition 7 (*Cash Settlement Amount and Supplementary Amount*)), not later than 5 Business Days following the end of the relevant Calculation Period (as defined in Condition 7 (*Cash Settlement Amount and Supplementary Amount*)), or, if earlier, on the date that the Warrant is exercised or terminated early, but in any case not later than the Expiry Date of such Warrant; **provided, however, that**; if any such day is a Disrupted Day or a Currency Event occurs, the Issuer may postpone payment of any Supplementary Amount until the day which is 5 Business Days after the first succeeding day which is not a Disrupted Day or on which such Currency Event is no longer continuing (as applicable),

in the currency (the "**Settlement Currency**") specified in the relevant Final Terms. The Cash Settlement Amount and, if applicable, the Supplementary Amount, will be rounded down to the nearest minimum unit of the Settlement Currency, with Warrants exercised at the same time by the same Warrantheolder being aggregated for the purpose of determining the aggregate Cash Settlement Amount, and, if applicable, the Supplementary Amount, payable in respect of such Warrants.

(e) ***Payment of Alternative Payment Currency Equivalent***

If "Payment of Alternative Payment Currency Equivalent" is specified as applicable in the relevant Final Terms, then if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments in respect of the Warrants when due in the Settlement Currency, the Issuer may settle any such payment in the relevant Alternative Payment Currency on the due date at the Alternative Payment Currency Equivalent of any such amount due.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(e) (*Payment of Alternative Payment Currency Equivalent*) by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Holders. By acceptance hereof purchasers of Warrants will be deemed to have acknowledged and agreed and to have waived any and all actual or potential conflicts of interest that may arise as a result of the calculation of the Alternative Payment Currency Equivalent by the Calculation Agent.

(f) ***Warrants Void on Expiry***

Warrants which are not deemed automatically exercised in accordance with Condition 4(g) (*Rights on Exercise - Automatic Exercise*) 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 5 (*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.

(g) ***Automatic Exercise***

Notwithstanding Condition 4(f) (*Rights on Exercise - Warrants Void on Expiry*), 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 5 (*Exercise Procedure*) by the Expiry Date shall be deemed to be automatically exercised on the Expiry Date and the provisions of Condition 5(f) (*Exercise Procedure - 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 4(g).

5. **Exercise Procedure**

(a) ***Exercise Notice***

Subject to prior termination of the Warrants as provided in the Conditions, 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) 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 4(b) (*Rights on Exercise - "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 4(c) (*Rights on Exercise - "Bermudan Style" Exercise*).

Subject to Condition 4(f) (*Rights on Exercise - 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.

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 8 (*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) include an irrevocable undertaking to pay any applicable stamp duty, stamp duty reserve tax and/or other taxes, duties and similar charges, including without limitation, any PRC enterprise income tax, any business tax or value-added tax (in each case, including any interest) ("**Taxes**") due by reason of the exercise of the Warrants and an authority to the Issuer and the relevant Clearing System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Warrantholder or otherwise (on, or at any time after, the Cash Settlement Payment Date) to debit a specified account of the Warrantholder at the relevant Clearing System with an amount or amounts in respect thereof, all as provided in the Warrant Agency Agreement.

(b) ***Verification of Warrantholder***

To exercise Warrants, the Holder must duly complete an Exercise Notice and must have Warrants in the amount being exercised in its securities account with the relevant Clearing System on the Exercise Date. The relevant Clearing System will, in accordance with its normal operating procedures, verify that each person exercising 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 number of Warrants being exercised. If the Exercise Notice is, in the determination of the relevant Clearing System, improperly completed, or sufficient Warrants 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, as the case may be, the relevant Clearing System will debit the Warrantholder's account with the Warrants being exercised.

(c) ***Notification to Principal Warrant Agent***

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

(d) ***Debit of Warrantholder's Account***

The relevant Clearing System will on or before the Cash Settlement Payment Date 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.

(e) ***Payment***

In respect of Warrants which have been exercised, the Calculation Agent shall by close of business or such other time as is specified in the relevant Final Terms on the date specified therefor in the relevant Final Terms determine the Cash Settlement Amount (if any) to be paid on the relevant Cash Settlement Payment Date in respect of the relevant Warrants **provided that** the Calculation Agent has received notification from the relevant Clearing System specifying the number of Warrants which have been exercised in accordance with Condition 5(a) (*Exercise Procedure - Exercise Notice*) and shall notify the Issuer and the Principal Warrant Agent of such amounts on the Business Day following the date so specified.

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.

(f) ***Exercise Risk***

Exercise of the Warrants and payment by the Issuer and the Principal Warrant Agent and any transfer of the underlying value to which the Warrants relate 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.

(g) ***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.

(h) ***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 5(a) (*Exercise Procedure - Exercise Notice*)), 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.

6. **Additional Payments**

(a) ***Additional Payments relating to Underlying Security-Linked Warrants***

The provisions of this Condition 6(a) (*Additional Payments - Additional Payments relating to Underlying Security-Linked Warrants*) apply only to Underlying Security – Linked Warrants.

If during the period from and including the Issue Date to but including the Determination Date any Underlying Security is marked on the relevant Exchange as ex-dividend or ex-distribution (the date on which it is so marked being the "**Mark Date**"), then, where in the determination of the Calculation Agent, such dividend or distribution is to be paid by the related Underlying Company, the Issuer shall make an additional payment (an "**Additional Payment**") per Warrant calculated as follows:

- (i) if the Calculation Agent determines that on the Business Day prior to the Mark Date the Issuer or any of its affiliates held any of the relevant Underlying Securities, the Calculation Agent shall determine the net aggregate amount of the cash dividend or distribution which the Issuer or such affiliate would have received in respect of such holding after deduction of Costs (the date on which it would have been received being the "**Receipt Date**"), and divide that net aggregate amount by the number of Underlying Securities so held to give a per Underlying Security amount (the "**Underlying Currency Amount**"); or
- (ii) if the Calculation Agent is satisfied that the Issuer or any of its affiliates held Relevant Hedge(s) on the Business Day prior to the Mark Date, then the Calculation Agent shall determine the net aggregate amount of the cash dividend or distribution equivalent payment which the Issuer or such affiliate would have received in respect of such Relevant Hedges(s) after deduction of Costs (the date on which it would have been received being the "**Receipt Date**"), and divide that net aggregate amount by the number of Underlying Securities to which such Relevant Hedge(s) relate to give a per Underlying Security amount (a "**Converted Amount**" if in the Settlement Currency and otherwise an "**Underlying Currency Amount**"); and
- (iii) in all other cases, the net amount which, in the determination of the Calculation Agent, would have been receivable per Underlying Security by a Notional Holder which was a holder of one of the relevant Underlying Security on the Business Day prior to the Mark Date after deduction of Costs shall be the

"**Underlying Currency Amount**", and the date on which, in the determination of the Calculation Agent, such Notional Holder would have received the Underlying Currency Amount shall be the "**Receipt Date**".

In respect of any non-cash dividend or distribution, the cash value of any non-cash dividend or distribution shall be as determined by the Calculation Agent, save that:

- (i) where the Calculation Agent determines that the Issuer or any of its affiliates held any of the relevant Underlying Securities on the Business Day prior to the Mark Date and that the Issuer or such affiliate disposed of any relevant non-cash dividend or distribution received in respect of such Underlying Security for cash on the date it received the same, the Calculation Agent shall have regard to the value at which the Issuer or such affiliate disposed of such relevant non-cash dividend or distribution in determining the cash value of the relevant Additional Payment;
- (ii) where the Calculation Agent determines that the Issuer or any of its affiliates held any Relevant Hedge(s) on the Business Day prior to the Mark Date and that the Issuer or such affiliate received, in respect of such Relevant Hedge(s), cash by way of adjustment or settlement of such non-cash dividend or distribution, the Calculation Agent shall have regard to such value received by the Issuer or such affiliate in determining the cash value of the relevant Additional Payment; and
- (iii) in all other cases, the net amount which, in the determination of the Calculation Agent, would have been receivable per Underlying Security by a Notional Holder which was a holder of one of the relevant Underlying Security on the Business Day prior to the Mark Date after deduction of Costs.

The Receipt Date for this purpose shall be: (1) in the case of (i) above, the date on which the Issuer or such affiliate received the cash disposal proceeds, (2) in the case of (ii) above, the date on which the Issuer or such affiliate received such a cash payment by way of such adjustment or settlement and, in any other case, the date on which a Notional Holder which received such relevant dividend or distribution and disposed of it immediately would have received the cash disposal proceeds, all as determined by the Calculation Agent (such cash value being a "**Converted Amount**" if in the Settlement Currency and otherwise an "**Underlying Currency Amount**").

Any Underlying Currency Amount shall then be converted into the Settlement Currency. If the Calculation Agent is satisfied that in relation to the Receipt Date the Issuer or any of its affiliates in connection with the determination of the relevant additional payment actually entered into an exchange transaction to convert Underlying Currency into the Settlement Currency, the rate of exchange for the purposes of such conversion shall be the rate actually obtained by the Issuer or such affiliate, as determined by the Calculation Agent. In other cases, the rate of exchange shall be that determined by the Calculation Agent to be the rate at which a Notional Holder which received an Underlying Currency Amount on the Receipt Date would have been able to convert such Underlying Currency Amount into the Settlement Currency. In each case the Calculation Agent shall deduct from the converted Settlement Currency amount any Conversion Costs per Underlying Security. The resulting amount (the "**Converted Amount**") multiplied by the Number of Underlying Securities per Warrant shall be the amount of the Additional Payment per Warrant.

Any Additional Payments shall be payable by the Issuer but in any case not earlier than the third Relevant Financial Centre Day following (i) the day (determined by the Calculation Agent) on which the Issuer or its affiliate would have received an amount equal to the Converted Amount in respect of an exchange transaction entered into in relation to the Receipt Date or, as the case may be, (ii) the day on which a Notional Holder entering into an exchange transaction in relation to the Receipt Date would have received an amount equal to the Converted Amount.

Any Additional Payments shall be payable, where the Warrants are held in a clearing system such as DTC, Euroclear and/or Clearstream, Luxembourg to the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg (as the case may be) as Warrantholders on the Business Day immediately preceding the Mark Date, and in any other case to the holders for the time being of the Warrants (irrespective of whether or not they were Warrantholders on the Business Day immediately preceding the Mark Date).

- (b) *Intentionally left blank.*
- (c) *Intentionally left blank.*
- (d) *Intentionally left blank.*
- (e) **Notifications etc.**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 (*Additional Payments*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents and the Warrantholders and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

7. **Cash Settlement Amount and Supplementary Amount**

(a) **General**

Subject to Condition 4(e) (*Rights on Exercise - Payment of Alternative Payment Currency Equivalent*), the amount payable by the Issuer to the Holder pursuant to:

- (i) Condition 4(d)(i) (*Rights on Exercise - Cash Settlement*) (the "**Cash Settlement Amount**") means in the case of an Underlying Security-Linked Warrant, an amount calculated by reference to the terms contained in Condition 7(b) (*Cash Settlement Amount and Supplementary Amount - Cash Settlement Amount in relation to Underlying Security-Linked Warrants*); and
- (ii) Condition 4(d)(ii) (*Rights on Exercise - Cash Settlement*) (the "**Supplementary Amount**") means, in the case of all Warrants, an amount calculated by reference to the terms contained in Condition 7(g) (*Cash Settlement Amount and Supplementary Amount - Supplementary Amount*).

(b) **Cash Settlement Amount in relation to Underlying Security-Linked Warrants**

The Cash Settlement Amount in respect of Condition 7(a)(i) (*Cash Settlement Amount and Supplementary Amount - General*) means an amount in the Settlement Currency determined by the Calculation Agent to be equal to the Realisable Sale Price per Warrant, as defined below, or 0.03 per cent. of the Issue Price per Warrant (whichever is greater).

Realisable Sale Price ("**Realisable Sale Price**") is an amount per Warrant calculated as follows:

- (i) The Calculation Agent shall determine the Aggregate Sale Amount(s) in respect of each Underlying Security issued by each Underlying Company as follows:
 - (1) if the Calculation Agent is satisfied that the Issuer, or any of its affiliates held a number of such Underlying Securities ("**X**", being equal to the total number of such Underlying Securities to which the Warrants outstanding relate) on the Determination Date and that on and from the Determination Date the Issuer or such affiliate has in good faith in relation to the redemption of these Warrants disposed or otherwise

realised X of such Underlying Securities through the Exchange or otherwise (in the Issuer's or such affiliate's absolute discretion), then the "**Aggregate Sale Amount**" shall be the aggregate amount at which the Issuer or such affiliate effects the disposal or realisation of that number of such Underlying Security ("**Gross Sale Amount**"), less any Costs incurred in connection with such disposal or realisation; or

- (2) if the Calculation Agent is satisfied that the Issuer or any of its affiliates held such Underlying Securities on the Determination Date and that on and from the Determination Date the Issuer or such affiliate has in good faith disposed of or otherwise realised the value of a number ("Y") (where Y is less than X) of such Underlying Securities through the Exchange or otherwise (in the Issuer's or such affiliate's absolute discretion), the Calculation Agent shall:
 - (A) determine the average price per Underlying Security ("M") at which the Issuer or such affiliate effected the disposal or realisation of Y of such Underlying Securities (such average price M multiplied by X being the "**Gross Sale Amount**"), and
 - (B) deduct any Costs per Underlying Security from M (the resulting price being "N"), and
 - (C) multiply N by X (the resulting figure being the "**Aggregate Sale Amount**"); or
- (3) if the Calculation Agent is satisfied that the Issuer or any of its affiliates acting reasonably held any other relevant instrument(s) or had entered into any other relevant arrangements relating to or referencing the Underlying Security, in each case for the purposes of hedging, funding or otherwise performing the Issuer's obligations in respect of the Warrants (each, a "**Relevant Hedge**") on the Determination Date and that on and from the Determination Date the Issuer or such affiliate has in good faith in relation to the redemption of these Warrants disposed of, unwound or otherwise realised or closed out part or all of such Relevant Hedge(s) through an Exchange or otherwise (in the Issuer's or such affiliate's absolute discretion), then the Calculation Agent shall determine the average reference net price per Underlying Security ("N") at, or in relation to, which the Relevant Hedge(s) were disposed of, unwound or otherwise realised or closed out by the Issuer or such affiliate after deducting any Costs per Underlying Security incurred in connection with such disposal, unwind, realisation or closeout, with such average reference net price N multiplied by X being the "**Aggregate Sale Amount**"; and
- (4) in all other cases, the "**Aggregate Sale Amount**" shall be the aggregate amount, as determined by the Calculation Agent, at which a Notional Holder of X of such Underlying Securities on the Determination Date would have on and from the Determination Date been able to dispose of such Underlying Securities through any applicable Exchange (in the Calculation Agent's absolute discretion) (the "**Gross Sale Amount**"), less any Costs which, in the determination of the Calculation Agent would have been incurred in effecting such disposal; and
- (5) any such disposal, realisation, unwind or closeout effected by the Issuer or any of its affiliates (and the disposal that for the purposes of subparagraph (4) above the Calculation Agent determines a Notional Holder would have been able to effect) may be effected in one lot of the Underlying Security or divided up into smaller lots whose disposal is effected over a number of days. The Calculation Agent shall also determine (i) in the case where the Issuer or any of its affiliates disposes

or realises the value of any such Underlying Securities, the date on which the Issuer or such affiliate received the related aggregate amount in respect of them or (ii) the date on which an unwind or closeout of the Relevant Hedge(s) was effective and (iii) in other cases, the date on which a Notional Holder could reasonably be expected to have completed such disposals and received the aggregate amount (which date not be earlier than the date on which the Issuer or any of its affiliates received the aggregate amount in respect of any of such Underlying Securities which it did so dispose of or otherwise realise) (in each case, such date being the "**ASA Receipt Date**").

- (ii) The Aggregate Sale Amount received or deemed received shall then be translated into the Settlement Currency as follows:
- (1) if the Calculation Agent is satisfied that in relation to the ASA Receipt Date the Issuer or any of its affiliates in respect of the redemption of these Warrants, actually entered into an exchange transaction to convert the relevant Aggregate Sale Amount into the Settlement Currency, the rate of exchange for the purposes of such translation, as determined by the Calculation Agent, shall be the rate obtained by the Issuer or such affiliate, adjusted to take into account the effect of any non-deliverable forward transaction ("**NDF transaction**") if such is entered into by the Issuer or such affiliate in relation to the ASA Receipt Date in respect of the Aggregate Sale Amount; or
 - (2) if the Calculation Agent determines that Relevant Hedge(s) are denominated in the Settlement Currency, then the rate of exchange for the purpose of such translation shall be that rate implicit in the determination of the final value under such Relevant Hedge(s); or
 - (3) in other cases, the rate of exchange for such translation shall be that determined by the Calculation Agent to be the rate at which a Notional Holder which received the Aggregate Sale Amount on the ASA Receipt Date would have been able to convert the Aggregate Sale Amount into the Settlement Currency, taking into account the effect of any NDF transaction that such Notional Holder would have entered, or would have been able to enter, into in respect of the Aggregate Sale Amount in relation to the ASA Receipt Date; and
 - (4) in each case, the Calculation Agent shall deduct from the translated Settlement Currency amount any Conversion Costs. The sum of the resulting amount(s) (each, a "**Converted ASA**") less applicable Exercise Costs divided by the associated X and then multiplied by the relevant Number of Underlying Securities per Warrant shall be the contribution to the Realisable Sale Price for such Underlying Security.

The Cash Settlement Amount shall be payable by the Issuer on the date (the "**Cash Settlement Payment Date**") which is the date specified as such in the relevant Final Terms or, if no date is so specified, the later of (i) the date which is five Business Days following the Determination Date and (ii) the third Relevant Financial Centre Day following (i) the day (determined by the Calculation Agent) on which the Issuer or any of its affiliates received the Converted ASA in respect of an exchange transaction entered into in relation to the ASA Receipt Date or, as the case may be, (ii) the day on which a Notional Holder entering into an exchange transaction in relation to the ASA Receipt Date would have received the Converted ASA and, in each case, the effective translation rate including Conversion Costs being the "**Effective FX Rate**".

Where (i) the amount of Costs or the basis on which it is to be determined is not confirmed before the applicable Determination 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 Realisable Sale Price, each Warrantholder will be

required to pay to the Issuer an amount equal to such Unpaid Costs upon notification from the Issuer. Any Warrantholder's obligation to pay such Unpaid Costs shall survive the exercise or termination and cancellation of the Warrants and any transfers made by any such Warrantholder prior to such date.

(c) *Intentionally left blank.*

(d) *Intentionally left blank.*

(e) *Intentionally left blank.*

(f) *Intentionally left blank.*

(g) ***Supplementary Amount***

The Supplementary Amount in respect of Condition 7(a)(ii) (*Cash Settlement Amount and Supplementary Amount - General*) means, in relation to any Calculation Period, an amount per Warrant calculated in accordance with the following formula, and such amount shall be adjusted to take into account any Costs:

$$(\text{Supplementary Rate} \times \text{Day Count Fraction} \times \text{Initial Warrant Price})$$

For the purposes of this Condition, the following definitions apply:

"Calculation End Date" means, in relation to the initial Calculation Period, the date specified as such in the relevant Final Terms, and, in relation to any subsequent Calculation Period, the earlier of (i) the Exercise Date and (ii) the day numerically corresponding to the first Calculation End Date falling in the next calendar month succeeding the calendar month in which the last Calculation End Date fell; **provided, however, that**, if such day is not a Business Day, the Calculation End Date shall be the next succeeding Business Day (and for these purposes the Business Centres in relation to the definition of "Business Day" shall be the principal financial centres of the Settlement Currency and the Underlying Currency).

"Calculation Period" means a period from and including a relevant Calculation Start Date to but excluding the next following Calculation End Date.

"Calculation Start Date" means, in relation to the initial Calculation Period, the date specified as such in the relevant Final Terms and, for any subsequent Calculation Period, the Calculation End Date related to the immediately preceding Calculation Period.

"Day Count Fraction" means, in respect of a Calculation Period, the actual number of calendar days from (and including) the Calculation Start Date in relation to such Calculation Period or the Purchase Date if later to (but excluding) the Calculation End Date in relation to such Calculation Period or, if earlier, the Sale Date if Sale Date Restriction is applicable in respect of such Calculation Period or the Exercise Date or the Expiry Date (as the case may be) divided by the number of days (the "**Base Days**") as specified in the Final Terms. For these purposes "Sale Date Restriction" shall be applicable or not applicable in relation to any Calculation Period as follows:

- (i) in relation to the initial Calculation Period, "Sale Date Restriction" shall be applicable or not applicable as specified in the relevant Final Terms; and
- (ii) in relation to each subsequent Calculation Period for which the Supplementary Rate is advised to the Warrantholders as being greater than zero, "Sale Date Restriction" shall be applicable unless advised to the Warrantholders as being not applicable in respect of such subsequent Calculation Period,

provided, however, that notwithstanding (i) and (ii) above, "Sale Date Restriction" shall be applicable in relation to any Calculation Period if the Sale Date arises at the request of the Warrantholder.

"Initial Warrant Price" means, in relation to the initial Calculation Period, the price specified as such in the relevant Final Terms, or otherwise determined as provided in the relevant Final Terms or, if no such price is so specified or otherwise determined, the price at which the Warrantholder acquires the Warrant on the Purchase Date as determined by the Calculation Agent and, in relation to any subsequent Calculation Period for which the Supplementary Rate is advised to Warrantholders as being greater than zero, such price as is likewise advised to Warrantholders in respect of such subsequent Calculation Period or if, no such price is advised to Warrantholders the Warrant price on the relevant Calculation Start Date or the Purchase Date, if later, each as determined by the Calculation Agent.

"Purchase Date" means the Transfer Reference Date on which the Warrantholder acquires the Warrants from the Issuer or an affiliate of the Issuer.

"Sale Date" means the Transfer Reference Date on which the Issuer or an affiliate of the Issuer reacquires the Warrants from the Warrantholder

"Supplementary Rate" means, in respect of the initial Calculation Period, the percentage rate per annum specified as such in the relevant Final Terms and, for each subsequent Calculation Period, the greater of zero (0%) and the rate per annum, if any, advised to Warrantholders by the Issuer or an affiliate of the Issuer via the Clearing System or otherwise in respect of such subsequent Calculation Period.

"Transfer Reference Date" means, in respect of any transfer of the Warrants between the Warrantholder and the Issuer or an affiliate of the Issuer, either the "Trade Date" or "Settlement Date" of such transfer, as specified in the relevant Final Terms.

8. **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 12 (*Notices*).

9. **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 Warrant Registrar or the Warrant Transfer Agent and to appoint another Principal Warrant Agent or a substitute Calculation Agent or a substitute Authentication Agent or a substitute Warrant Registrar or a substitute Warrant Transfer Agent, **provided that** so long as any Warrant is outstanding, the Issuer will maintain a Principal Warrant Agent and a Calculation Agent and an Authentication Agent and a Warrant Registrar. 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 Warrant Registrar or a Warrant Transfer Agent and of any appointment of a Warrant Agent or a Calculation Agent or an Authentication Agent or a Warrant Registrar or a Warrant Transfer Agent will be given to Warrantholders in accordance with Condition 12 (*Notices*). In acting under the Warrant Agency Agreement, each of the Agents 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.

(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.

(d) All calculations and determinations made by the Calculation Agent pursuant to the Conditions for the purposes of the Warrants shall be made in good faith.

10. **Taxes**

All payments by the Issuer in respect of the Warrants will be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature, present or future, as are imposed or levied by or on behalf of the United Kingdom unless the Issuer is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges.

In the event that the Issuer is so required by law to withhold or deduct, it shall not be obliged to pay any additional amounts to the Warranholders.

A Warranholder subscribing for, purchasing or exercising Warrants shall be responsible for paying all Taxes and securities transfer taxes and any other charges, if any, payable in connection with the subscription, purchase or exercise of such Warrants and 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.

In any case where the Issuer is obliged to pay any such tax, duty or charge, the relevant Warranholder shall promptly reimburse the Issuer therefor.

If the Issuer becomes resident for tax purposes in any taxing jurisdiction other than the United Kingdom, references in this Condition 10 (*Taxes*) to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

Any reference in these Conditions to payments in respect of the relevant Warrants shall be deemed to include, as applicable:

- (i) the Cash Settlement Amount payable in respect of the relevant Warrants;
- (ii) any Supplementary Amounts payable in respect of the relevant Warrants; and
- (iii) any Additional Payments payable in respect of the relevant Warrants.

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

11. **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 under the Warrants (or the Issuer's designated 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, however, pay to each Warrantholder in respect of each Warrant held by it an amount determined by the Calculation Agent representing the Fair Market Value of such Warrant. Payment will be made in such manner and on such date as shall be notified to the Warrantholders in accordance with Condition 12 (*Notices*) provided however that payment shall be made on the later of the Scheduled Early Termination Date and the Postponed Early Termination Date.

12. **Notices**

All notices to the Warrantholders will be valid if notified to the Clearing System(s); **provided that**, in each case, in the case of Warrants admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system the rules of such listing authority, stock exchange and/or quotation system by which the Warrants have then been admitted to listing, trading and/or quotation have been complied with. Any such notice shall be deemed to have been given on the date of such publication or delivery or, if published more than once, on the date of the first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

13. **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.

14. **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.

15. **Modification**

Subject in case of the Master Warrant Issuance Agreement or the Warrant Agency Agreement (as applicable) to the agreement of the other parties thereto, the Issuer may agree, without consent of the Warrantholders, to:

- (a) any modification (except as mentioned above) of the Master Warrant Issuance Agreement, the Warrant Agency Agreement or the Conditions which is not materially prejudicial to the interests of the Warrantholders as a whole;
- (b) any modification of the Conditions, the Master Warrant Issuance Agreement or the Warrant Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated; or
- (c) any modification of the Warrants which is made to correct an inconsistency between the final terms and the conditions of the Warrant issue (comprising these Conditions as completed by the relevant Final Terms) and the relevant termsheet relating to the Warrants.

Any such modification shall be binding on the Warrantholders and any such modification shall be notified to the Warrantholders in accordance with Condition 12 (*Notices*) as soon as practicable thereafter.

16. **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 12 (*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.

17. **Consequences of Disrupted Days**

If any Scheduled Valuation Date is a Disrupted Day, then 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 (such eighth day, the "**Eighth Scheduled Trading Day**"). In that case, the Calculation Agent shall determine in its absolute discretion that:

- (a) the Valuation Date shall be the Eighth Scheduled Trading Day; or
- (b) the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event.
 - (A) *Intentionally left blank.*
 - (B) In respect of an Underlying Equity-Linked Warrant, in the case of (aa) above, the Calculation Agent shall determine its good faith estimate of the value for the relevant Security as of the Valuation Time on the Eighth Scheduled Trading Day.
 - (C) *Intentionally left blank.*
 - (D) In respect of an Underlying Equity-Linked Warrant which relates to a basket of Securities, in the case of (aa) above, the Calculation Agent shall determine, in its sole and absolute discretion, its estimate of the value for that Security as of the Valuation Time on the Eighth Scheduled Trading Day.

18. *Intentionally left blank.*

19. **Adjustments and Events affecting Securities**

This Condition 19 (*Adjustments and Events affecting Securities*) is applicable only in relation to Underlying Equity-Linked 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 formula for the Cash Settlement Amount or any other amount set out in the relevant Final Terms, the number of Securities to which each Warrant relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Warrants

and/or any other adjustments) and, in any case, any other variable relevant to the settlement or payment terms of the relevant Warrants as the Calculation Agent determines, in its sole and absolute discretion, to be appropriate to account for that diluting or concentrative effect and determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s) in each case, to the extent permissible under the applicable laws, rules, regulations and guidance in relation to China Connect). In addition, in making such determinations, the Calculation Agent may (but need not) take into account any requirement, adjustment and/or limitation that may be imposed by the China Connect Service or any action or inaction by any one or more of the Exchange, SEHK, CSDCC and HKSCC in relation to such Potential Adjustment Event in respect of Securities held through the China Connect Service.

(ii) *Extraordinary Events*

Following the occurrence of any Extraordinary Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Warrants shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Issuer determines that the relevant Warrants shall continue, the Calculation Agent may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the formula for the Cash Settlement Amount, the Supplementary Amount or any other amount set out in the relevant Final Terms, the number of Securities to which each Warrant relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Warrants and, in any case, any other variable relevant to the settlement or payment terms of the relevant Warrants and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion. If the Issuer determines in its sole and absolute discretion that the relevant Warrants shall terminate, then the Warrants shall terminate 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 Cash Settlement Amount (or any other payment to be made by the Issuer) as the case may be, shall cease and the Issuer's obligations under the relevant 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 redemption of the Warrants. In making such determinations, the Calculation Agent may (but need not) take into account any requirement, adjustment and/or limitation that may be imposed by the China Connect Service or any action or inaction by any one or more of the Exchange, SEHK, CSDCC and HKSCC in relation to such Extraordinary Event in respect of Securities held through the China Connect Service.

(iii) *Conversion*

In respect of an Underlying Equity-Linked 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 formula for the Cash Settlement Amount, the Supplementary Amount or any other amount set out in the relevant Final Terms, the number of Securities to which each Warrant relates, the number of Securities comprised in a basket, the amount, number of or type of shares, other securities or other property which may be delivered under such Warrants and, in any case, any other variable relevant to the settlement or payment terms of the relevant Warrants 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 terminate, then the Warrants shall terminate 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 Cash Settlement Amount (or any other payment to be made by the Issuer), as the case may be, shall cease and the Issuer's obligations under the relevant 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 redemption 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 in an amount which exceeds the amount that would have been payable if the correction had been taken into account, no further amount in an amount at least equal to the excess is payable in respect of the 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 of the relevant excess payment (or, as the case may be, the proportion thereof not accounted for by an adjustment made by the Calculation Agent) by the relevant Warrantholder, together with interest on that amount for the period from and including the day on which payment was originally made to (but excluding) the day of payment of reimbursement by the 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.

(v) *Payments pursuant to Condition 19(ii) and Condition 19(iii) in respect of Underlying Security-Linked Warrants*

In respect of Underlying Security-Linked Warrants, for the purposes of payments (if any) made pursuant to Condition 19(ii) (*Adjustments and Events affecting Securities – Extraordinary Events*), Condition 19(iii) (*Adjustments and Events affecting Securities – Conversion*) (each, an "**Event Payment**"):

- (A) if the Calculation Agent is satisfied that the Issuer or an affiliate held any relevant Underlying Security on the Business Day immediately preceding the occurrence of the Extraordinary Event or Conversion (the "**Event Occurrence Date**"), the Calculation Agent shall determine the net cash value of any payment which the Issuer or such affiliate actually received in respect of such holding after deduction of Costs (the date on which it would have received being the "**Event Receipt Date**") and divide that net cash value by the number of such Underlying Security so held by the Issuer or such affiliate to give a per Underlying Security amount (the "**Event Receipt**"); or
- (B) if the Calculation Agent is satisfied that the Issuer or an affiliate held Relevant Hedge(s) on the Business Day prior to the Event Occurrence Date, then the Calculation Agent shall determine the net cash value of any payment which the Issuer or such affiliate would have received in respect of such Relevant Hedges(s) after deduction of Costs (the date on which it would have been received being the "**Event Receipt Date**"), and divide that net cash value by the number of Underlying Securities to which such Relevant Hedge(s) relate to give a per Underlying Security amount (the "**Event Receipt**"); and
- (C) in all other cases, the net cash value of the payment per Underlying Security which, in the determination of the Calculation Agent, would have been received by a Notional Holder which was a holder of such Underlying Security on the Business Day prior to the Event Occurrence Date after deduction of Costs shall be the "**Event Receipt**" and the date on which, in the determination of the Calculation Agent, such Notional Holder would have received the Event Receipt shall be the "**Event Receipt Date**".

Where the Event Receipt is in the same currency as the Settlement Currency, the Event Receipt multiplied by the relevant Number of Underlying Securities per Warrant shall be the amount of the Event Payment per Warrant. Where this sub-paragraph applies, the Event Payment shall not be made sooner than the Event Receipt Date.

Where the Event Receipt is not in the same currency as the Settlement Currency, it shall then be translated into the Settlement Currency. If the Calculation Agent is satisfied that on the Event Receipt Date the Issuer or an affiliate, in connection with the determination of the relevant Event

Payment, actually entered into an exchange transaction to convert the relevant Underlying Currency into the Settlement Currency, the rate of exchange for the purposes of such translation shall be the rate obtained by the Issuer or such affiliate, as determined by the Calculation Agent. In other cases, the rate of exchange for such translation shall be that determined by the Calculation Agent to be the rate at which a Notional Holder which received the Event Receipt on the Event Receipt Date would have been able to convert the Event Receipt into the Settlement Currency. In each case, the Calculation Agent shall deduct from the translated Settlement Currency amount any Conversion Costs per Underlying Security. The resulting amount (the "**Converted Amount**") multiplied by the relevant Number of Underlying Securities per Warrant shall be the amount of the Event Payment per Warrant. Where this sub-paragraph applies, the Event Payment shall not be made sooner than the day on which the Issuer or an affiliate actually received the Converted Amount in respect of an exchange transaction entered into in relation to the Event Receipt Date or on which a Notional Holder entering into an exchange transaction in relation to the Event Receipt Date would have received the Converted Amount as determined by the Calculation Agent.

Event Payments shall be payable, where the Warrants are held in a clearing system such as DTC, Euroclear and/or Clearstream, Luxembourg to the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the case may be, as Warrantheolders on the Business Day immediately preceding the Event Occurrence Date, and in any other case to the holders for the time being of the Warrants (irrespective of whether or not they were Warrantheolders on the Business Day immediately preceding the Event Occurrence Date).

20. **Additional Disruption Events**

(i) *General*

Following the occurrence of any Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Warrants shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Issuer determines that the relevant Warrants shall continue, the Calculation Agent may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the formula for the Cash Settlement Amount or any other amount set out in the relevant Final Terms, the number of Securities to which each Warrant relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Warrants and, in any case, any other variable relevant to the settlement or payment terms of the relevant Warrants and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion. If the Issuer determines in its sole and absolute discretion that the relevant Warrants shall terminate, then the Warrants shall terminate as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Warrantheolders to receive the relevant Cash Settlement Amount (or any other payment to be made by the Issuer), as the case may be, shall cease and the Issuer's obligations under the relevant 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 redemption of the Warrants.

(ii) *Additional Disruption Events relating to Underlying Security-Linked Warrants only*

The following terms, if specified as an Additional Disruption Event in the relevant Final Terms, shall have the following meanings unless otherwise provided in the relevant Final Terms:

"**Currency Event**" has the meaning given to it in Condition 1 (*Definitions*);

"**Security Redemption**" means, in relation to an Underlying Security that is a debt security (including, without limitation, a debt security that is convertible or exchangeable into equity securities), a preference share or a warrant, or in relation to any other security that has a stated maturity or expiry date, that it is redeemed, converted, exchanged, exercised, terminated or cancelled, in whole or in part, on or prior to any stated maturity or expiry date for whatever reason; and

"Underlying Company Default" means a default of the Underlying Company of its obligations under the Underlying Security.

21. Effects of European Economic and Monetary Union

Following the occurrence of an EMU Event, the Calculation Agent shall make such adjustment (and determine, in its sole and absolute discretion, the effective date of such adjustment) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the formula for the Cash Settlement Amount or any amount set out in the relevant Final Terms, the number of and type of Securities to which each Warrant relates, the number of and type of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered under such Warrants and/or any other adjustment and, in any case, any other variable relevant to the settlement or payment terms of the relevant Warrants.

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

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

22. Dealing restrictions in relation to Underlying Securities and Currency Events

Notwithstanding anything contained in Condition 4(e) (*Rights on Exercise-Payment of Alternative Payment Currency Equivalent*), whenever any sum is due in respect of Underlying Security-Linked Warrants (whether upon early termination or upon exercise or otherwise), the Issuer shall be entitled to suspend its obligation to make such payment in respect of the Warrants if, and for as long as, in the determination of the Calculation Agent, (a) dealing by the Issuer, any affiliate or Notional Holders or hypothetical investors generally in the relevant Underlying Security, or Relevant Hedge(s) is or is likely to be prevented, delayed or restricted by closure of a relevant Exchange or Related Exchange, suspension of trading in such Underlying Security, Shares of the Relevant Hedge(s) or other circumstances or (b) a Currency Event has occurred. The Warrantholders shall not be entitled to any interest or other compensation in respect of any such suspension nor shall such a suspension constitute a default. The Issuer shall give notice to the Warrantholders as soon as practical of any such suspension and, subsequently, of the termination of any such suspension.

23. Buy-Back Provisions for the Warrants

Unless the relevant Final Terms specify otherwise, **provided that** the Calculation Agent determines that normal market conditions exist the Issuer shall, during local market hours on each local business day from and including the Issue Date to but excluding the Valuation Date, publish on Bloomberg indicative Settlement Currency bid and ask prices in respect of the Warrants calculated from (i) the bid and ask prices/ levels respectively of each of the relevant Underlying(s) on any applicable Exchange(s) divided by (ii) the relevant Underlying Currency/ Settlement Currency exchange rate(s), each, as published on Bloomberg as of such time on such local business day. For the avoidance of doubt, such Settlement Currency bid and ask prices for the Warrants as published on Bloomberg are for indicative purposes only, and are subject to change in accordance with normal market movements.

In addition, **provided that** the Calculation Agent determines that normal market conditions exist, the Issuer shall, following a request from a Warrantholder received by the Issuer/ Dealer during normal local market hours on any local business day from and including the Issue Date to but excluding the Valuation Date, (a) provide such Warrantholder with a firm bid price at which the Issuer/ Dealer will purchase a specified number of Warrants from such Warrantholder and/or (b) accept a related sale order from such Warrantholder specifying a maximum number of Warrants to be sold, subject to any specified local price/ level and volume conditions. In respect of (a) above, any such firm bid price will only be valid and binding at the time it is given and, thereafter, will be subject to change in accordance with normal market movements. In respect of (b) above, any order shall be executed in good faith and a commercially reasonable manner in line with the specified conditions (if any) of the sale order and underlying market

liquidity at such time. For the avoidance of doubt, the extent to which a Warrant order will be filled and the price at which such fill is achieved will be fully consistent with the liquidity and the prices/ level(s) traded in each relevant Underlying on any applicable Exchange(s), at such time on such business day and within any conditions specified for the order by such Warrantholder. Further, the exchange rates used for converting the local price(s)/ level(s) of each relevant Underlying into Settlement Currency prices of the Warrants for any filled orders will be determined by the Calculation Agent using such exchange rate(s) that are available to the Issuer at the relevant time on the relevant business day(s) consistent with the Issuer's normal market practice for such trades.

If the Calculation Agent considers that exceptional market conditions make it impossible to provide an indicative and/or firm bid and/or ask price for the Warrants, and/or to accept or execute an order in the Warrants, then the Issuer's related obligations hereunder shall be postponed to the following local business day on which the Calculation Agent, acting in a commercially reasonable manner, determines that such exceptional market conditions have ceased to exist and that it considers possible to determine such bid and ask prices or to accept or execute an order, as the case may be.

24. **Miscellaneous**

(a) ***Miscellaneous provisions in relation to Underlying Security-Linked Warrants***

- (i) Any person (the "**relevant person**") shall be treated as "**holding**" Underlying Securities where the relevant person is registered as registered owner of such Underlying Securities in the Underlying Company's share register or where the registered owner of such Underlying Securities in the Underlying Company's share register is a custodian or agent and directly or indirectly the person for whose account those Underlying Securities are held is the relevant person. The terms "**hold**" and "**holder**" shall, in the context of holding Underlying Securities, be construed accordingly.
- (ii) Where there is a dividend or distribution in respect of any Underlying Security or any disposal or transfer of Underlying Securities, the dividend distribution or proceeds of disposal or transfer shall not be treated as having been received by any person unless and until it or they have been paid or delivered to that person or to any bank, custodian or agent on behalf of that person in circumstances where that person may (i) (in the case of a payment denominated in a currency other than the Settlement Currency) freely convert such payment into the Settlement Currency and (ii) freely withdraw and transfer the payment (or, as the case may be, the Settlement Currency conversion proceeds of such payment) or delivery.

(b) *Intentionally left blank.*

(c) *Intentionally left blank.*

25. **Provision of Information**

The Issuer shall, during any period in which it is not subject to and in compliance with the periodic reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3 2(b) under the Exchange Act, duly provide to any Holder of a Warrant which is a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act or to any prospective purchaser of such securities designated by such Holder, upon the written request of such Holder or (as the case may be) prospective Holder addressed to the Issuer and delivered to the Issuer or to the specified office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

26. **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.

27. **Governing Law**

(a) ***Governing law***

The Warrants and any non contractual obligations arising out of or in connection with the Warrants are governed by English law.

(b) ***English courts***

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising out of or in connection with the Warrants (including any Dispute regarding the existence, validity or termination of the Warrants or the consequence of their nullity).

**SECTION III.3 – FORM OF WARRANTS AND SUMMARY OF PROVISIONS RELATING TO
THE WARRANTS WHILE IN GLOBAL FORM**

This section is incorporated by reference pursuant to Section I.3 – Incorporation by Reference.

SECTION III.4 – CLEARING AND SETTLEMENT OF THE WARRANTS

This section is incorporated by reference pursuant to Section I.3 – Incorporation by Reference.

SECTION III.5 – FORM OF FINAL TERMS FOR WARRANTS

Set out below is the template of the "Final Terms", a document which will be filled out for each issue of Warrants and which will complete the terms and conditions in respect of each issue of such Warrants under the Programme

Final Terms dated: [•]
Series No.: [•]
Tranche No.: [•]

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

[Further] Issue of

[Number of Warrants]

[Title of Warrants]

[(to be consolidated and form a single series with the existing Tranche[s] [])]

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 terms and conditions of Warrants relating to China Connect Underlying (the "**Conditions**") set forth in the Base Prospectus dated [•] 2014 in relation to the above Programme, together with each supplemental prospectus relating to the Programme published by the Issuer after [•] 2014 but before the issue date or listing date of the Warrants, whichever is later, to which these Final Terms relate which together constitute a base prospectus ("**Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC, as amended) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Warrants described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus. However, a summary of the issue of the Warrants is annexed to these Final Terms.

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 is available for viewing during normal business hours at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes') and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.

1. Issuer: HSBC Bank plc
2. Tranche Number: [] [The Warrants issued under these Final Terms are to be consolidated and form a single series with [] (the "**Original Issue**") issued on [] [(ISIN)]:[].]
3. Settlement Currency: []
4. Aggregate number of Warrants]:
 - [(i) Series: []]
 - [(ii) Tranche: []]
5. Face Value: []
6. Issue Price: [] per Warrant
7. Calculation Amount: []

8. Issue Date: []
9. Style of Warrants: The Warrants are [American / European / Bermudan/ *other (specify)*] Style Warrants. Condition [4(a)/4(b)/4(c)] is applicable.
10. (i) Expiry Date: []
- (ii) Automatic Exercise: [Applicable/Not applicable]¹
- (iii) Exercise Period: [*American Style Warrants only*]. [The period beginning from (and including) [] and ending on (and including) the Expiry Date].
- (iv) Potential Exercise Date(s): [*Bermudan Style Warrants only*] [*insert date*] [or if such date is not [a Business Day] [an Underlying Currency Pair Fixing Date] the immediate following day that is [a Business Day] [an Underlying Currency Pair Fixing Date]]
11. (i) Minimum Exercise Number: [] Warrants
- (ii) Permitted Multiple: [] Warrants
12. Cash Settlement Payment Date: [as per Condition 7(b)] []
13. Type of Warrants Underlying Security-Linked Warrant
14. Default Rate: [[] per cent. [per annum]] []
15. Buy-Back provisions: [Applicable/Not applicable]
16. Exercise Commission Percentage: []

PROVISIONS APPLICABLE TO EQUITY-LINKED WARRANTS

17. Provisions for Underlying Equity-Linked Warrants: [Applicable] [Not Applicable]
- Underlying Security-Linked Warrants: [Applicable] [Not Applicable]

Underlying Securities (including ISIN or other security identification code)	Underlying Companies	Number of Underlying Securities per Warrant	Exchange(s)	Related Exchange(s)
[]	[]	[]	[]	[All Exchanges]

- (i) Underlying Securities: [] [Government Bonds]
- (ii) Underlying Companies: [] [Not Applicable]
- (ii) Extraordinary Dividend: [] [Not Applicable]

¹ Refer to Listing Rule 19.2.6. If the Warrants are Retail Securitised Derivatives as defined in Listing Rule 19, then automatic exercise is required.

- (iii) Exchange(s): []
- (iv) Related Exchange(s): []
- (v) Underlying Currencies: []
- (vi) China Connect Underlying: [Yes] [No]
- (vii) Additional Disruption Events: [Change in Law] [Insolvency Filing] [Hedging Disruption] [Increased Cost of Hedging] [Currency Event] [Security Redemption] [Underlying Company Default] [China Connect Share Disqualification] [China Connect Service Termination] [Not Applicable]

18. Further provisions applicable to all Underlying Equity-Linked Warrants: [Applicable] [Not Applicable]

- (i) Initial Price: [] [Not Applicable]
- (ii) Final Price: [] [Not Applicable]
- (iv) Strike Date: []

VALUATION PROVISIONS

19. Valuation Date(s): []

20. Valuation Time: []

GENERAL PROVISIONS APPLICABLE TO THE WARRANTS

21. Form of Warrants:

- Initially represented by: [Unrestricted Global Registered Warrant and Restricted Global Registered Warrant] [Combined Global Registered Warrant] [Definitive Registered Warrants]

22. Payments:

- (i) Relevant Financial Centre Day: []
- (ii) Business Centre(s): []
- (iii) Payment of Alternative Payment Currency Equivalent: [Applicable][Not Applicable]
- Alternative Payment Currency: [USD] []
- Alternative Payment Currency Jurisdiction: []
- Settlement Currency Jurisdiction: []
- Alternative Payment Currency Fixing Page: []
- Alternative Payment Currency Fixing Time: []

- Alternative Payment Currency Exchange Rate Fall-Back provisions: [Condition 1 applies]
- Offshore RMB Centre: [Hong Kong][Singapore][Taiwan][] [Not Applicable]
23. Redenomination: [Applicable] [Not Applicable]
24. Supplementary Amount: [Applicable][Not Applicable]
- (i) Supplementary Rate: per cent. per annum
- (ii) Calculation Start Date: []
- (iii) Calculation End Date: []
- (iv) Sale Date Restriction: [Applicable][Not Applicable]
- (v) Initial Warrant Price: []
- (vi) Base Days: [360] [365]
- (vii) Transfer Reference Date: [Trade Date] [Settlement Date]

CONFIRMED

HSBC BANK plc

By:
Authorised Signatory

Date:

PART B – OTHER INFORMATION

LISTING

1. (i) Listing: Application [will be] [has been] made to admit the Warrants to listing on the Official List of the United Kingdom Financial Conduct Authority. No assurance can be given as to whether or not, or when, such application will be granted.
- (ii) Admission to trading: [The Original Issue was admitted to trading on the regulated market of the London Stock Exchange plc on [].] [Application [will be] [has been] made for the Warrants to be admitted to trading on the regulated market of the London Stock Exchange plc]. No assurance can be given as to whether or not, or when, such application will be granted.]

2. **[REASONS FOR THE OFFER AND USE OF PROCEEDS, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]**

- (i) Reasons for the offer [] and use of proceeds:
- (ii) Estimated net [] proceeds:
- (iii) Estimated total [] expenses:

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

[Save for any fees payable to the [Dealer(s)] [[Lead] Manager(s)], so far as the Issuer is aware, no person involved in the issue of the Warrants has an interest material to the [issue/offer]. The [Dealer(s)] [[Lead] Manager(s)] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.] [Not Applicable]

4. **INFORMATION ABOUT THE UNDERLYING**

Details of past and further performance and volatility of the Underlying Securities are obtainable from the following display pages on [Bloomberg] and such information does not form part of this document: (Source: [Bloomberg Financial Markets Information Service]) [] / [Additional details] [Details] relating to the [Underlying Securities] [and the] [issuer[s] of the Underlying Securities] are available on the following website[s] [of the issuer[s] of such Underlying Securities: [].] [The Issuer confirms that the information sourced from [Bloomberg Financial Markets Information Service] [and] [the website of the issuer[s] of the Underlying Securities, []] has been accurately reproduced. As 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.

OPERATIONAL INFORMATION

5. ISIN Code: [Not Applicable]
6. Common Code: [Not Applicable]
7. [SEDOL: [Not Applicable]]
8. [CUSIP: [Not Applicable]]
9. Clearing System: [Euroclear][and][Clearstream, Luxembourg][and][DTC]
10. Principal Warrant Agent/Registrar/Issue Agent/Transfer Agent: [HSBC Bank plc] [HSBC Bank USA, National Association]
11. Additional Warrant Agent(s) (if any): [Not Applicable]
12. [Calculation Agent:] []

SECTION III.6 – PURCHASE AND SALE OF WARRANTS

This section sets out selling restrictions relating to the Warrants and the People's Republic of China. For further information regarding the arrangements between the Issuer and the Managers as to the offer and sale of Warrants generally and a summary of the selling restrictions that apply to the offer and sale of Warrants in various other jurisdictions, see pages 284 to 297 of the Market Access Notes and Warrants Base Prospectus, incorporated by reference.

People's Republic of China

Warrants linked to China Connect Underlying may not be offered or sold in the People's Republic of China (excluding Hong Kong, Macau and Taiwan, for the current purposes, the "**PRC**") directly or indirectly or offered or sold to any Domestic Investor, where "**Domestic Investor**" means:

- (a) a PRC Citizen resident or domiciled in the PRC; and/or
- (b) a legal entity incorporated or registered in the PRC.

"**PRC Citizen**" means any person holding a resident identification card or other equivalent government issued identification of the PRC

**SECTION III.7 – TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS IN
RELATION TO THE WARRANTS**

This section sets out restrictions on transfers of the Warrants in different jurisdictions which may be applicable to a purchaser of the Warrants and a number of representations which the purchaser is deemed to make in respect of the Warrants.

1. **Transfer restrictions**

Each purchaser of the Warrants will be subject to the transfer restrictions below under the headings "Australia", "Korea", "Malaysia", "People's Republic of China", "United States" and "Vietnam", together with any other transfer restrictions listed below to the extent the country heading corresponds to the Reference Jurisdiction (as specified in the relevant Final Terms) of the relevant Series of Warrants. By purchasing the Warrants, each purchaser of the Warrants shall be deemed to have agreed to (1) comply with such transfer restrictions as at the date on which it acquires (whether through purchase, exchange or other transfer), redeems, exercises or sells any of the Warrants; and (2) provide notice of all applicable transfer restrictions to any subsequent transferees of the Warrants.

AUSTRALIA

NO PROSPECTUS OR OTHER DISCLOSURE DOCUMENT (AS DEFINED IN THE CORPORATIONS ACT) IN RELATION TO THE PROGRAMME OR THE WARRANTS HAS BEEN, OR WILL BE, LODGED WITH ASIC OR THE ASX. THE PURCHASER IS A "**PROFESSIONAL INVESTOR**" WITHIN THE MEANING OF SECTION 708(11) OF THE CORPORATIONS ACT AND, UNLESS THE RELEVANT FINAL TERMS OTHERWISE PROVIDES, IN CONNECTION WITH THE DISTRIBUTION OF THE WARRANTS, IT:

- (A) SHALL NOT (DIRECTLY OR INDIRECTLY) 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) SHALL NOT DISTRIBUTE OR PUBLISH THIS BASE PROSPECTUS OR ANY OTHER OFFERING MATERIAL OR ADVERTISEMENT RELATING TO THE WARRANTS IN AUSTRALIA,

UNLESS:

- I. EACH OFFEREE, AND ANY PERSON ON WHOSE ACCOUNT OR BEHALF AN OFFEREE IS ACTING, IS A "PROFESSIONAL INVESTOR" WITHIN THE MEANING OF SECTION 708(11) 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.

KOREA

ANY TRANSFER OF WARRANTS TO A KOREAN RESIDENT AS THE TERM IS DEFINED IN THE FOREIGN EXCHANGE TRANSACTION LAW OF KOREA AND ITS PRESIDENTIAL DECREE SHALL GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO REDEEM ANY WARRANTS HELD BY SUCH TRANSFEREE.

MALAYSIA

ANY PLEDGE, SALE OR OTHER TRANSFER OF WARRANTS TO A PERSON THAT IS A MALAYSIAN RESIDENT AS THE TERM IS DEFINED IN THE PROSPECTUS SHALL GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO REDEEM ANY WARRANTS HELD BY SUCH TRANSFEREE. THE FOREGOING SHALL NOT APPLY TO ANY PLEDGE, SALE OR OTHERWISE TRANSFER OF WARRANTS WHERE:

- (A) SUCH PLEDGE, SALE OR TRANSFER TO OR FOR THE BENEFIT OF A RESIDENT IS WHOLLY CONDUCTED OUTSIDE MALAYSIA; AND
- (B) THE INVESTMENT BY SUCH PERSON IN THE WARRANTS IS IN ACCORDANCE WITH THE PROVISIONS OF THE MALAYSIAN EXCHANGE CONTROL ACT 1953 AND THE NOTICES ISSUED THEREUNDER.

PEOPLE'S REPUBLIC OF CHINA

In respect of Warrants linked to China Connect Underlyings:

ANY PLEDGE, SALE OR OTHER TRANSFER OF WARRANTS TO A PERSON THAT IS A "DOMESTIC INVESTOR", AS THE TERM IS DEFINED IN THE PROSPECTUS SHALL GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO REDEEM ANY WARRANTS HELD BY SUCH TRANSFEREE.

UNITED STATES

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 the Final Terms and this Base Prospectus, will be deemed to have represented and agreed with respect to such Warrants as follows:

- (a) such 144A Offeree acknowledges that the Final Terms and this 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 to non-U.S. persons 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 is unauthorised, 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 this Base Prospectus or the Final Terms.

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.

Section III.7 – Transfer Restrictions and Investor Representations in relation to the Warrants

- (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 HAS 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.

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. 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 HEREBY. 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."

- (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 this Base Prospectus.

VIETNAM

ANY PLEDGE, SALE OR OTHER TRANSFER OF WARRANTS TO A PERSON THAT IS A VIETNAMESE RESIDENT AS THE TERM IS DEFINED IN THE PROSPECTUS AND/OR THE FINAL TERMS SHALL GIVE THE ISSUER THE RIGHT TO COMPEL THE TRANSFEREE TO EXERCISE ANY WARRANTS HELD BY SUCH TRANSFEREE.

2. Investor Representations

Except to the extent expressly otherwise agreed between the Issuer and any purchaser of the Warrants, each purchaser of the Warrants, by its purchase of the Warrants, will be deemed to represent, warrant, undertake, acknowledge and agree, to, with and for the benefit of the Issuer, the Programme Arranger and each Manager, as at the date on which it acquires (whether through purchase, exchange or other transfer), redeems, exercises or sells any of the Warrants, as follows:

- 2.1 It represents and warrants that it has all requisite power and authority in connection with the purchase and holding of the Warrants, 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.
- 2.2 It represents and warrants that it is not purchasing any Warrants with a view toward resale, distribution or other disposition thereof in violation of the Securities Act. It further agrees that none of the Warrants 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 Warrant), except (x) to the Issuer or a 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.
- 2.3 It acknowledges and agrees that the Issuer has the right, at its option, to compel any legal or beneficial owner of Warrants that has acquired such Warrants in violation of the transfer restrictions thereon or the representations, warranties, undertakings, acknowledgements and agreements in this section (*Transfer Restrictions and Investor Representations*) at the time it acquired such Warrants to redeem the Warrants held by such legal or beneficial owner.
- 2.4 It acknowledges and agrees that the Issuer, the Programme Arranger and each Manager will rely upon the representations, warranties, undertakings, acknowledgements and agreements set out in this section (*Transfer Restrictions and Investor Representations*) in connection with offering and sales, from time to time, of Warrants.
- 2.5 It acknowledges that information contained in this Base Prospectus, Final Terms and the termsheet relating to the Warrants shall not be considered investment advice or a recommendation to acquire such Warrants.
- 2.6 It represents and agrees that it shall not acquire any Warrants, unless:
- (i) it acquires such Warrants solely for its own account or for the account of one or more entities each of which it exercises at such time sole investment discretion and for each of

Section III.7 – Transfer Restrictions and Investor Representations in relation to the Warrants

which it has at such time full power and is duly authorised to make the representations, warranties, undertakings, acknowledgements and agreements set forth in this section (*Transfer Restrictions and Investor Representations*), based upon its own judgment and upon advice of such business, financial, investment, legal, regulatory, accounting, tax or other advisers as it deems necessary;

- (ii) apart from this Base Prospectus and any relevant Final Terms, it has not relied upon any communication (written or oral) of the Issuer, the Programme Arranger or any 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 Warrants in assessing the merits, risks and suitability of subscribing for or purchasing the Warrants, and it will only invest in the Warrants after carefully considering, with its financial, legal, regulatory, tax, accounting and other advisers, the suitability of the Warrants in light of its particular circumstances (including without limitation its own financial circumstances and investment objectives and the impact the Warrants will have on its overall investment portfolio) and the information contained in this Base Prospectus and the relevant Final Terms; and
 - (iii) it has read and understand the information contained in this Base Prospectus and the Final Terms relating to the Warrants.
- 2.7 It acknowledges that the Warrants will be derivative-linked securities and that (i) Warrants are highly speculative and in some instances they could suffer a partial or complete loss of their investment; (ii) any investment return on a Warrant determined by reference to changes in the value of the Underlying described in the Final Terms is subject to fluctuation and may be less than would be received by investing in a conventional debt instrument; and (iii) changes in value of the Underlying cannot be predicted.
- 2.8 It acknowledges that there may be publicly available information relating to the Underlying or securities underlying the Underlying, as applicable, which is not required to be included in this Base Prospectus including, without limitation, any offering documentation relating to such underlying securities and the financial statements and annual and interim reports of the issuer(s) of such underlying securities, and that investors are advised to read and consider such information prior to making an investment decision to invest in such Warrants.
- 2.9 It represents that the purpose of the acquisition of such Warrants is to secure a profit or minimise a loss by reference to fluctuations in the price or level, as applicable, of the Underlying, and accordingly, that it is an express term of such Warrants that:
- (i) it shall not acquire any interest in or right to acquire any relevant Underlying or the Component Security underlying the Underlying by virtue of holding any Warrant;
 - (ii) neither the Issuer, the Programme Arranger, the Managers or any entity acting for the Issuer, Programme Arranger or Managers is obliged to sell, purchase, hold, deliver, pledge, transfer or receive any relevant Underlying or the Component Security underlying the Underlying;
 - (iii) the primary right of the Warrantholder and the primary obligation of the Issuer for any Warrants is to receive or make the respective payments referred to in this Base Prospectus; and
 - (iv) it will not in any way have any rights with respect to any Underlying or the Component Security underlying the Underlying, including, but not limited to, voting rights.
- 2.10 It acknowledges and agrees, in connection with any acquisition by it of any Warrant that the Issuer, the Programme Arranger, the Managers and their affiliates will not be responsible for determining the legality or suitability of an investment by it in such Warrants and that the Issuer, the Programme Arranger, the Managers and/or their affiliates may be acting at any time in respect of any Warrants through a separate and segregated part of its business as an underwriter, distributor or other similar agent for the issuer, owner, guarantor or sponsor of the relevant

Section III.7 – Transfer Restrictions and Investor Representations in relation to the Warrants

Underlying or Security underlying the Underlying in connection with the acquisition by the investor of such Warrants.

- 2.11 It acknowledges that no representation is made by the Issuer, the Programme Arranger or any Manager as to the tax consequences for any person of acquiring, holding or disposing of any Warrants or any other transaction involving any Warrants; and that it understands and accepts the tax risks associated with the Reference Jurisdiction set out in this Base Prospectus (including, but not limited to, the risk of such jurisdiction renegotiating its double taxation treaties or the applicability of any general anti-avoidance rules); those 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.
- 2.12 It acknowledges and agrees that none of the Issuer, the Programme Arranger, any 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 Warrants or with respect to this Base Prospectus, or has recommended or otherwise will recommend to it the investment in any Warrants.
- 2.13 It acknowledges that the Issuer, the Programme Arranger, each 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.
- 2.14 It acknowledges that the Issuer, the Programme Arranger, each Manager and/or their affiliates may be acting at any time during in respect of any Warrants through a separate and segregated part of its business as an underwriter, distributor or other similar agent for any Underlying Company independent of the acquisition by the investor of such Warrants and that they are under no 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 or were so acting.
- 2.15 It acknowledges that from time to time, the Issuer or any of its affiliates may provide or make available to the investor, as well as to others, research, opinions and other information in regard to securities (including any Warrants), commodities, other financial assets, and market participants or events which include the Underlying or any Underlying Company in respect of such Warrants. It acknowledges that if such information provided to it by the Issuer, the Programme Arranger or a Manager, it is so provided without regard to the investor'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 Warrants linked to such Underlying 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 investor. 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 the Underlying including Notes linked to such Underlying and such transactions may have an adverse effect on the price of the Underlying and/or Warrants linked to such Underlying; it agrees that it has requested the Issuer to structure and sell Warrants of any particular Series to it through the relevant 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 Underlying to which such Warrants are linked.
- 2.16 It represents that it does not have any material, non-public information regarding any relevant Underlying Company at the time it purchases the Warrants and it undertakes that it will not sell or exercise the Warrants prior to or on their Expiry Date if it has any material, non-public information regarding any relevant Underlying Company at that time.
- 2.17 It represents that 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 or such list of any other relevant government body and it has established procedures to identify clients on such lists;

- 2.18 It agrees 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 (including those pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (commonly known as "**FATCA**")) and tax structure of the offering of the Warrants pursuant to this Base 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.
- 2.19 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.
- 2.20 It authorises the Issuer to provide information regarding the Warrantholder and the Warrants to any governmental or regulatory authority, any court of competent authority or any relevant exchange from time to time, or if applicable, to any the Programme Arranger, any Manager or any of their respective Affiliate for onward transmission to any such governmental or regulatory authority, court of competent authority or relevant exchange, in order to comply with the request by such governmental or regulatory authority, court of competent authority or relevant exchange, or if so required under applicable laws, regulations, lawful orders or exchange rules in the Reference Jurisdiction, the jurisdiction of incorporation or domicile of the Issuer or other applicable jurisdictions as determined by the Issuer in its sole and absolute discretion.
- 2.21 It undertakes and agrees that it will provide the Issuer with such additional information, from time to time, that the Issuer, the Programme Arranger, the Managers and/or their respective Affiliate deems necessary or appropriate in order to comply with the request by any governmental or regulatory authority, any court of competent authority or any relevant exchange or if so required under applicable laws, regulations, lawful orders or exchange rules in the Reference Jurisdictions or the jurisdictions of incorporation or domicile of the Issuer or other applicable jurisdictions as determined by the Issuer in its sole and absolute discretion.
- 2.22 It represents that it is not currently the subject of any investigation or enquiry by any governmental or regulatory authority in the Reference Jurisdictions in connection with a failure to disclose information relating to such holder or to an offshore transaction linked to underlying securities.
- 2.23 It represents and warrants that it will comply with all applicable selling restrictions set out in this Base Prospectus and the relevant Final Terms.
- 2.24 It acknowledges and agrees that the Issuer is not engaging in any hedging activities (including, without limitation, any activities or transactions undertaken in connection with the establishment, maintenance, adjustment or termination of a Hedge Position, the "**Hedging Activities**") on behalf or for the account of or as agent or fiduciary for any purchaser of the Warrants, and that it will not have any direct economic or other interest in, or beneficial ownership of, the Hedge Positions or Hedging Activities of the Issuer.
- 2.25 It represents that the purpose of its investment in the Warrants is to follow fluctuations in the price of the Underlying Security. It is a term of each of the Warrants that:
- (i) the Issuer is not obliged to hedge the Warrant by holding a corresponding Hedge Position in the relevant Underlying Security and has discretion to decide its hedging strategy;

Section III.7 – Transfer Restrictions and Investor Representations in relation to the Warrants

- (ii) the Warrantholder does not acquire any beneficial, economic, legal, proprietary or other interest in (including, without limitation, voting rights) or right to acquire or dispose of any Underlying Security by virtue of any investment in the Warrants;
 - (iii) the Warrantholder is not obliged to sell, purchase, hold, deliver or receive any Underlying Security or to act in any specific manner in respect of any corporate action (including, without limitation, voting) relating to any Underlying Security; and
 - (iv) the primary right and obligation of the Warrantholders under each Warrant is to receive and/or make the respective payments of cash hereunder.
- 2.26 It represents that it will at all times comply with all applicable laws, regulations, administrative rules and exchange rules, including, without limitation, those in relation to disclosure of interests (and any related holding limits or disposal restrictions) and its purchase of any Warrants will not constitute abnormal trading behaviour that may seriously impact the normal trading orders on the relevant exchange.
- 2.27 It acknowledges that due to the foreign ownership limits, trading quota limits and other restrictions that the relevant exchanges and authorities may impose from time to time with respect to trading of China Connect Underlying through China Connect, the Issuer may determine in its absolute discretion for any reason to early terminate, redeem or unwind any Warrants in accordance with its terms and conditions, including without limitation where the Issuer is unable to enter into any Hedging Activities as a result of restrictions arising from any regulatory requirement relating to China Connect.

INDEX OF DEFINED TERMS

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